

**Kalyani Investment**

₹ 2013

**Another Investor !!!****Buy**

Jun 09, 2017

**Company Background**

Kalyani Investment Company Ltd is a Non Deposit taking Core Investment Company. The company is holding 90% of its assets in investments in shares of or debts in Group Companies. The company is an investment company holding a varied investment portfolio consisting of both listed and unlisted companies which are in diversified sectors as forging, steel, power generation, chemicals and banking etc. The main business of the company is to carry on the business of an investment company in India or outside. It is a part of the 2.5 bn Kalyani Group. It was formed by demerging the businesses of Kalyani Steels Ltd. and by amalgamating the wholly owned subsidiaries of the company.

**Key Highlights**

- ➔ Kalyani is basically an investment company with major holding of the Kalyani Group companies. The Company holds shares of BF Utilities, Bharat Forge & Hikal Ltd. in the quoted equity segment and Kalyani Agro Corporation Ltd, KSL Holdings Pvt Ltd, Lord Ganesh Minerals Pvt Ltd, Kalyani Carpenter Special Steel Pvt Ltd, Khed Economics Infrastructure Pvt Ltd Campanula Investment & Finance Ltd, Carpenter Kalyani Special Alloys Pvt Ltd, Cornflower Investment & Finance Ltd, Dandakaranya Investment & Trading Ltd in the unquoted equity segment. The company also has 1 unquoted units of Mutual Funds in its investment portfolio.
- ➔ The current Market Cap of its quoted investments is around 40.82 bn Rupees while the Market Cap if the holding company is just 8.7 bn Rupees. Even if we go by the 40 percent discount the Market Cap of the company as per the thumb rule should be Rs 24 bn this clearly shows the company is available at 3x discounted price currently.
- ➔ The current theme of the market is seen to be Holding companies, We had Bombay Burmah then Pilani then NBI Industrial Finance, going by the same rule this company valuations also look lucrative.
- ➔ Kalyani clocked volume of 76,000 shares on BSE on 1st June 2017, a 159.76-times surge over two-week average daily volume of 535 shares. The stock jumped 9.95% to Rs 2,020.95. This shows public interest.

**Key Financials**

Year Ended 31 <sup>st</sup>	Mar 14	Mar 15	Mar 16
Revenue (INR mn)	221.9	194.8	407.4
Rev. growth (%)	46.46	(12.21)	109.13
EBITDA (INR mn)	191.2	170.9	265.1
Net profit (INR mn)	126.8	169.5	386.5
Shares outstanding (mn)	4.37	4.37	4.37
EPS (INR)	38.17	38.84	60.47
EPS growth (%)	-	1.76	55.69
P/E (x)	12.26	55.12	27.62
RONW (%)	4.0	5.6	11.9
ROCE (%)	4.6	5.6	11.6

**Nishant Chopra**

nishantc@indiratrade.com

**Info Codes**

Reuters	: KALA.NS
Bloomberg	: KALY:IN
NSE	: KICL
BSE	: 533302

**Market Data**

52 Wk Range (₹)	: 1021 / 2075
Shares in Issue (mn)	: 4.37
Market. Cap (₹ bn)	: 8.75
BSE 2 Wk Avg Vol	: 8056

**Share Holding Pattern (%)**

Promoters Holding	: 68.66
Corporate Holding	: 09.28
Domestic Institution	: 01.74
Foreign Institution	: 01.32
Public & Others	: 19.01

**Investment Theme**

The current Trends have shown value in Investment Companies with Many Investment Companies seeing a steady growth in their prices with respect to the discounted valuations they have been holding since a long time. This is evident from a large number of scrips which can be quoted as an example. The theme is either driven by some big bulls or as a general trend in the market, however there is no doubt that the same has been in existence since the past 1 year. Many Analyst have already predicted that 2017 will be the year of Holding companies. We therefore after our last 3 reports bring you another candidate in the category. Kalyani Investment like other two has been a holding company for the Kalyani Group with a Market Cap Discount of over 5x times the value it holds in its kitty. We feel like others this is also currently a good Buy

**Yet another Investment Company!!!**

## Financial Statements

### Income Statement

(₹ mn)

Year end	Mar 14	Mar 15	% Chg	Mar 16	% Chg
Operating Income	221.9	194.8	(1.22)	407.4	109.14
Other Income	0.0	0.0	-	0.0	-
Operating Exp.	10.0	2.7	(7.30)	10.9	303.70
Misc. Expenses	20.8	20.3	(0.24)	123.4	507.88
Employee Exp.	0.0	0.8	-	8.0	900.00
Total Expenditure	30.8	23.8	(2.27)	142.3	497.90
Gross Profit	191.1	171.0	(1.05)	265.1	55.03
Interest	0.6	0.0	(10.00)	0.0	-
Depreciation	0.0	0.1	-	1.0	900.00
PBT	190.5	170.9	(1.03)	264.1	54.53
Taxes	11.5	1.2	(8.96)	0.1	(91.67)
Reported Net Profit	179.0	169.7	(0.52)	264.0	55.57
Extra Ord Items	52.2	0.2	(9.96)	(122.5)	(61,350.00)
Adjusted Net Profit	126.8	169.5	3.37	386.5	128.02

### 4 Years Balance Sheet

(₹ mn)

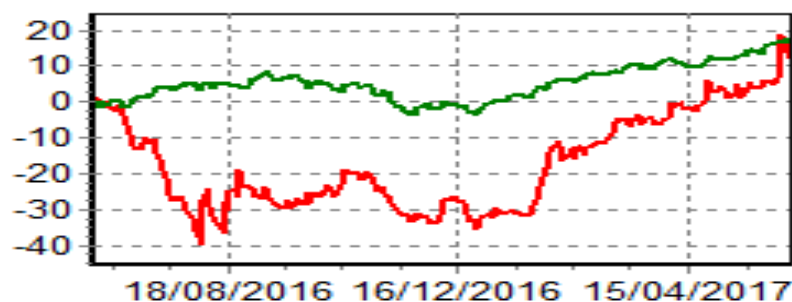
Balance Sheet as on 31 <sup>st</sup>	Mar 13	Mar 14	Mar 15	Mar 16
<b>SOURCES OF FUNDS :</b>	<b>2,978.2</b>	<b>2,958.8</b>	<b>3,128.4</b>	<b>3,559.8</b>
Equity Share capital	229.7	43.7	43.7	43.7
Equity Application Money	0.0	0.0	0.0	0.0
Equity Share Warrants	0.0	0.0	0.0	0.0
Reserves & Surplus	2748.5	2915.1	3084.6	3349.0
Secured Loans	0.0	0.0	0.0	0.0
Unsecured Loans	0.0	0.0	0.1	167.1
<b>USES OF FUNDS</b>	<b>2978.2</b>	<b>2958.8</b>	<b>3128.4</b>	<b>3559.8</b>
Gross Block	0.0	0.0	10.2	10.2
Less : Revaluation Reserves	0.0	0.0	0.0	0.0
Less : Accumulated Depreciation	0.0	0.0	0.1	1.1
Net Block	0.0	0.0	10.1	9.1
Capital Work in Progress	0.0	0.0	0.0	0.0
Investments	2982.8	2955.0	3116.0	3572.7
Current Assets	2.4	2.2	1.7	1.5
Less : Current Liabilities	7.0	0.6	1.5	26.6
Total Net Current Assets	(4.6)	1.6	0.3	(25.0)
Misc. Expenses not writtenoff	0.0	2.2	2.0	3.0
<b>NOTE</b>				
Book Value of Unquoted Investments	1162.3	1283.3	1501.8	1958.5
Market Value of Quoted Investments	10049.2	19900.5	48413.9	34153.7
Contingent Liabilities	1912.6	2707.1	2430.3	1210.4
Dividend (%)	0.0	0.0	0.0	0.0

## Quarterly Income Sheets

(₹ mn)

Quarter Ended	Jun 16	Sep 16	Dec 16	Mar 17
Operating Income	0.0	0.0	0.0	0.0
Other Income	14.5	30.1	1.5	98.4
Total Income	14.5	30.1	1.5	98.4
Interest	0.0	0.0	0.0	0.0
Employee Expenses	3.5	1.8	1.8	2.3
Other Expenses	0.6	3.0	4.9	5.8
Operating Expense	4.1	4.8	6.7	8.1
Operating Profit	10.4	25.3	(5.2)	90.3
Provisions & Write Offs	0.0	0.0	0.0	0.0
Depreciation	0.2	0.2	0.2	0.2
Profit Before Tax	10.2	25.1	(5.4)	90.1
Taxes	0.0	0.0	0.0	0.0
Extra-ordinary Items	0.0	0.0	(1.6)	0.1
Adjusted Profit	10.2	25.1	(3.8)	90.2

## 52 Week Index Relative Percentage Appreciation



Kalyani vs SENSEX

## Risks Associated

- Kalyani Investment's income is mainly from the dividends that may be receivable on investments held by it / may be held in future. Any adverse impact on the industries of which securities are held by Kalyani Investment, also have a bearing on the performance of Kalyani Investment.
- Overall performance of the company is directly related to the performance of its investment portfolio, on the macroeconomic factors and the growth in sensdex. The company doesnt have a business of its own and depends upon the investment companies for its earning.
- Depreciating rupee is a cause for concern to asset managers and may make India an unattractive destination for global inflows over the medium term. FIIs inflows are, in any case, fluid and can be easily reallocated elsewhere by global fund managers. The case for reallocation to other destinations stands enhanced with the legal uncertainties which have previously arisen from the changes in tax laws in Budget.
- The companies share price depends on the price of its portfolio and there for cannot be translated into a 1 to 1 proportion as if the company anytime starts selling off its investments the price of the balance shares with the company also fall therefore a traditional 40% discount has to be taken in account.
- Since the company is group holding company any turmoil in the group or any company in the group may directly reflect on the share prices of the company.
- Holding companies are primarily to hold shares in Investment Companies and the value is theoretical and it may never be realised in truer sense.

## Kalyani

### In a Nutshell

The current Investment of Kalyani Investment Co. Ltd. consists of the following : (Prices as on 9th Jun 2017)

Name of The Company	No. of Shares	Face Value	Price per Share (Rs.)	Net Asset Value (Rs. Cr)
BF Utilities Ltd	6195046	5	397.95	2.47
Bharat Forge Ltd	31656095	2	1177.7	37.28
Hikal Ltd	5155650	2	207.65	1.07
<b>Net Asset Value of All Quoted Investments in Kalyani as on 9th Jun 2017 is</b>				<b>40.82</b>

The above table clearly shows that the Net Asset Value of all the quoted Investments of Kalyani is nearly 5 times plus its Market Cap. Taking into consideration the current trend of Investment Companies, we feel Kalyani is a very good scrip to Buy at current prices. Though we consider the 40 discount valuation as per the thumb rule, Still there is a scope of at least 3x price rise in the scrip. So in line with the season of Investment Companies which we started we present another Candidate for Investment Kalyani Investment Co. Ltd. We feel just as our other recommendations in the near past appreciated this company would also help the investors.

### Indira Group Offices

**Registered Office** : 5, Indira House, 3rd Floor, Topiwala Lane, Lamington Road, Mumbai – 400007

**Tel** : 022-66224202 **Fax** : 022-66224201 **Email** : [im@indiratrade.com](mailto:im@indiratrade.com)

**Administrative Office** : 204-205 “Amardarshan” 28/2 Old Palasia, Indore (MP) 452018

**Tel** : 0731-4097170 **Fax** : 0731-4215999 **Email** : [customercare@indiratrade.com](mailto:customercare@indiratrade.com)

**Institutional Dealing Unit** : 5, Indira House, 3rd Floor, Topiwala Lane, Lamington Road, Mumbai – 400007

**Tel** : 022-66224209 **Fax** : 022-66224201 **Email** : [ie@indiratrade.com](mailto:ie@indiratrade.com)

### 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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