

May 31, 2018

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Rating	BUY
Price	Rs271
Target Price	Rs365
Implied Upside	34.7%
Sensex	35,322
Nifty	10,736

(Prices as on May 31, 2018)

Trading data

Market Cap. (Rs bn)	20.6
Shares o/s (m)	75.8
3M Avg. Daily value (Rs m)	27.3

Major shareholders

Promoters	43.94%
Foreign	23.64%
Domestic Inst.	11.77%
Public & Other	20.65%

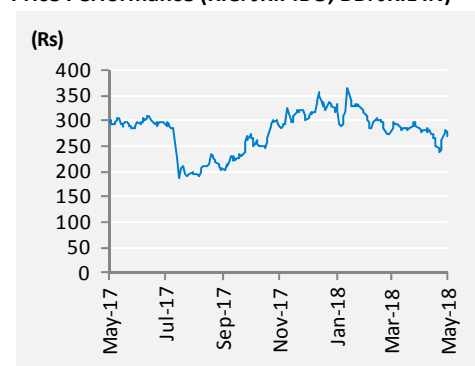
Stock Performance

(%)	1M	6M	12M
Absolute	(5.1)	(7.0)	(10.3)
Relative	(5.5)	(13.5)	(23.7)

How we differ from Consensus

EPS (Rs)	PL	Cons.	% Diff.
2019	21.6	21.2	2.3
2020	24.3	27.0	-10.0

Price Performance (RIC: JKIP.BO, BB: JKIL IN)



Source: Bloomberg

■ **Strong execution:** J.Kumar Infra (JKIL) reported a robust set of results with strong execution and stable margins. Sales at Rs9bn were up ~73% YoY in Q4FY18 (PL: Rs6.8bn). Sales improved on the back of improved execution in the Metro and JNPT projects. EBITDA at Rs1.2bn was up 89% YoY, while EBITDA margins were up 110bps YoY to 13.2%, PBT was up 91% YoY to Rs863mn and PAT was up 95% YoY at Rs548mn (PL: Rs515mn). On the overall business front, execution in all metro projects is progressing satisfactorily. JKIL expects sales of Rs23bn with ~17% EBITDA margins in FY19 and sales of ~Rs26bn in FY20.

■ **Highlights of the conference call:** 1) Order book at the end of Q4FY18 stood at Rs74.8bn 2) Received additional work worth Rs10bn in Q1FY19 3) Targeting additional Rs10-15bn inflow in FY19. Have bid for projects worth Rs45bn. JKIL is L1 in Rs1.8bn worth of projects. 4) Bid pipeline includes additional work coming up in Delhi and Mumbai Metro, Mumbai-Ahmedabad High Speed Corridor line, regular work from MMRDA and CIDCO. 5) Capex of Rs3.3bn in FY18. Expect capex of Rs1bn for FY19 6) All five TBMs working in Mumbai Metro 3 projects.

■ **Outlook and Valuation:** The stock is trading at 11.2x FY20E earnings. We believe that a well-funded balance sheet and strong track record will help JKIL to capitalise on huge opportunity in urban infrastructure over the next few years. We expect stock to have earnings CAGR of ~20% over FY17-20E. We maintain a “BUY” with a revised TP of Rs365.

Key financials (Y/e March)	2017	2018	2019E	2020E
Revenues (Rs m)	16,043	20,507	23,314	25,983
Growth (%)	13.9	27.8	13.7	11.4
EBITDA (Rs m)	2,506	3,212	3,858	4,299
PAT (Rs m)	1,073	1,366	1,641	1,843
EPS (Rs)	14.2	18.0	21.6	24.3
Growth (%)	17.0	27.2	20.2	12.3
Net DPS (Rs)	2.2	3.0	3.0	—

Profitability & Valuation	2017	2018	2019E	2020E
EBITDA margin (%)	15.6	15.7	16.5	16.5
RoE (%)	8.0	9.4	10.4	10.7
RoCE (%)	10.8	12.5	13.6	11.0
EV / sales (x)	1.3	1.1	0.9	0.8
EV / EBITDA (x)	8.4	7.1	5.6	4.9
PE (x)	19.2	15.1	12.5	11.2
P / BV (x)	1.5	1.4	1.2	1.1
Net dividend yield (%)	0.8	1.1	1.1	—

Source: Company Data; PL Research

Exhibit 1: Q4FY18 Result Overview (Rs m)

Y/e March	Q4FY18	Q4FY18	YoY gr. (%)	Q3FY18	FY18	FY17	YoY gr. (%)
Revenues	9,023	5,222	72.8	4,572	20,507	16,043	27.8
Direct cost	5,752	2,493	130.8	2,709	12,087	9,659	25.1
<i>As a % of revenue</i>	<i>63.7</i>	<i>47.7</i>		<i>59.2</i>	<i>58.9</i>	<i>60.2</i>	
Staff cost	677	550	23.2	495	1,971	1,267	55.6
<i>As a % of revenue</i>	<i>7.5</i>	<i>10.5</i>		<i>10.8</i>	<i>9.6</i>	<i>7.9</i>	
Other expenses	1,400	1,548	(9.6)	591	3,237	2,611	24.0
<i>As a % of revenue</i>	<i>15.5</i>	<i>29.6</i>		<i>12.9</i>	<i>15.8</i>	<i>16.3</i>	
Total expenditure	7,829	4,591	70.5	3,795	17,295	13,537	27.8
<i>As a % of revenue</i>	<i>86.8</i>	<i>87.9</i>		<i>83.0</i>	<i>84.3</i>	<i>84.4</i>	
EBITDA	1,194	631	89.2	776	3,212	2,506	28.2
<i>Margin %</i>	<i>13.2</i>	<i>12.1</i>		<i>17.0</i>	<i>15.7</i>	<i>15.6</i>	
Depreciation	218	149	46.6	176	727	556	30.7
<i>As a % of revenue</i>	<i>2.4</i>	<i>2.9</i>		<i>3.9</i>	<i>3.5</i>	<i>3.5</i>	
EBIT	976	482	102.3	600	2,485	1,949	27.5
Less: Interest Expense	212	156	35.9	170	703	665	5.8
<i>As a % of revenue</i>	<i>2.4</i>	<i>3.0</i>		<i>3.7</i>	<i>3.4</i>	<i>4.1</i>	
Add: Other income	99	126	(21.8)	56	285	311	(8.3)
Add: Exceptional Items	-	-		-	-	-	
Profit Before Tax	863	453	90.6	486	2,067	1,596	29.5
<i>Margin (%)</i>	<i>9.6</i>	<i>8.7</i>		<i>10.6</i>	<i>10.1</i>	<i>9.9</i>	
Less: Provision for Tax	315	172	83.3	157	701	524	33.7
<i>Tax %</i>	<i>36.5</i>	<i>38.0</i>		<i>32.3</i>	<i>33.9</i>	<i>32.9</i>	
PAT	548	281	95.1	329	1,366	1,071	27.5
Other Comprehensive Income	(0.3)	(3)		(1)	(3)	(2)	
Total Comprehensive Income	547	278	97.2	328	1,362	1,073	26.9

Source: Company Data, PL Research

Income Statement (Rs m)

Y/e March	2017	2018	2019E	2020E
Net Revenue	16,043	20,507	23,314	25,983
Raw Material Expenses	9,659	12,087	15,607	17,393
Gross Profit	6,383	8,420	7,707	8,589
Employee Cost	1,267	1,971	2,241	2,497
Other Expenses	2,611	3,237	1,609	1,793
EBITDA	2,506	3,212	3,858	4,299
Depr. & Amortization	556	727	866	898
Net Interest	662	703	929	1,064
Other Income	311	285	386	414
Profit before Tax	1,598	2,067	2,449	2,751
Total Tax	525	701	808	908
Profit after Tax	1,073	1,366	1,641	1,843
Ex-Od items / Min. Int.	—	—	—	—
Adj. PAT	1,073	1,366	1,641	1,843
Avg. Shares O/S (m)	75.8	75.8	75.8	75.8
EPS (Rs.)	14.2	18.0	21.6	24.3

Cash Flow Abstract (Rs m)

Y/e March	2017	2018	2019E	2020E
C/F from Operations	2,782	2,127	(1,016)	1,596
C/F from Investing	357	(3,192)	(310)	(510)
C/F from Financing	(6,418)	346	484	484
Inc. / Dec. in Cash	(3,279)	(718)	(842)	1,571
Opening Cash	1,736	5,229	5,106	4,264
Closing Cash	5,229	5,106	4,264	5,834
FCFF	240	(321)	2,296	1,994
FCFE	2,523	1,382	299	2,744

Key Financial Metrics

Y/e March	2017	2018	2019E	2020E
Growth				
Revenue (%)	13.9	27.8	13.7	11.4
EBITDA (%)	0.9	28.2	20.1	11.4
PAT (%)	17.0	27.2	20.2	12.3
EPS (%)	17.0	27.2	20.2	12.3
Profitability				
EBITDA Margin (%)	15.6	15.7	16.5	16.5
PAT Margin (%)	6.7	6.7	7.0	7.1
RoCE (%)	10.8	12.5	13.6	11.0
RoE (%)	8.0	9.4	10.4	10.7
Balance Sheet				
Net Debt : Equity	(0.1)	0.1	0.1	—
Net Wrkng Cap. (days)	286	241	303	319
Valuation				
PER (x)	19.2	15.1	12.5	11.2
P / B (x)	1.5	1.4	1.2	1.1
EV / EBITDA (x)	8.4	7.1	5.6	4.9
EV / Sales (x)	1.3	1.1	0.9	0.8
Earnings Quality				
Eff. Tax Rate	32.9	33.9	33.0	33.0
Other Inc / PBT	19.5	13.8	15.8	15.0
Eff. Depr. Rate (%)	10.9	10.2	13.1	14.5
FCFE / PAT	235.1	101.2	18.2	148.8

Source: Company Data, PL Research.

Balance Sheet Abstract (Rs m)

Y/e March	2017	2018	2019E	2020E
Shareholder's Funds	13,908	15,088	16,463	18,041
Total Debt	5,829	7,532	5,535	6,285
Other Liabilities	184	289	289	289
Total Liabilities	19,921	22,908	22,287	24,615
Net Fixed Assets	5,827	8,423	7,867	7,479
Goodwill	—	—	—	—
Investments	—	—	—	—
Net Current Assets	14,094	14,485	14,420	17,136
Cash & Equivalents	5,232	5,256	4,414	5,984
Other Current Assets	16,574	19,937	17,352	19,338
Current Liabilities	7,712	10,707	7,346	8,186
Other Assets	—	—	—	—
Total Assets	19,921	22,908	22,287	24,615

Quarterly Financials (Rs m)

Y/e March	Q1FY18	Q2FY18	Q3FY18	Q4FY18
Net Revenue	3,742	3,170	4,572	9,023
EBITDA	627	614	776	1,194
% of revenue	16.8	19.4	17.0	13.2
Depr. & Amortization	162	171	176	218
Net Interest	78	112	114	113
Other Income	72	59	56	99
Profit before Tax	387	331	486	863
Total Tax	129	101	157	315
Profit after Tax	258	230	329	548
Adj. PAT	258	230	329	548

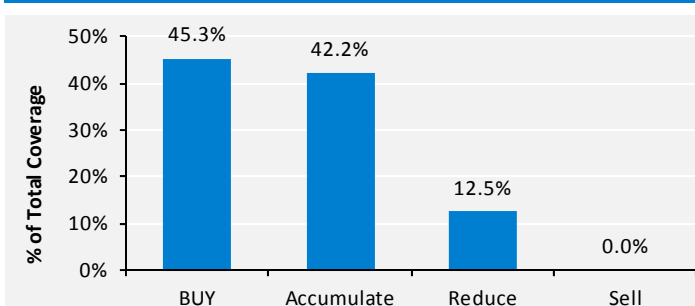
Source: Company Data, PL Research.

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