

JMC Projects (India) Limited

BUY

CMP Rs35

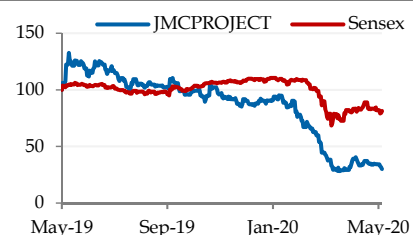
Target Rs50

Upside 41.8%

HIGHLIGHTS	✓ JMC Projects delivered muted topline performance during Q4 FY20 with standalone revenues at Rs.9.4 bn (flat yoy). This was largely impacted by COVID-19 related shutdown during March. Nearly 10-12 days of execution was impacted.
	✓ At the operating level, margin improved to 11.3%. This was primarily due to superior segment mix. During the quarter, the company booked an impairment loss of Rs.795mn towards loans/advances given to BOT subsidiary Kurukshetra Expressway Pvt Ltd. This led to a reported net loss of Rs.344mn during Q4 FY20.
	✓ The Company received Rs.33.6 bn worth of orders during FY20 and closed the year with order book of ~Rs.95 bn.
	✓ The Company has been trying to exit couple of its BOT Road assets. However, no progress has been achieved on that front. The toll revenues have been impacted due to toll stoppage during last week of March.
Our View	✓ JMC has managed to reduce its Net debt during Q4 FY20 to Rs.7.4bn (down Rs.1.3 bn yoy).
	✓ Despite strong order book position, we expect revenues to be under pressure in FY21 as Apr'20 has been significantly impacted in terms of execution, and the ramp up would be very gradual. Shortage of labor and some exposure to real estate would impact execution in the near term.
	✓ Operating margin is likely to stay at ~10.5%. The execution mix is likely to be driven by B&F (60%) and balance by Infra segment.
Valuation	✓ The Company is expected to further invest Rs.500-600 mn in its Road BOT assets during FY21. Net Debt at FY21-end is likely to remain at current levels.
	✓ Considering the COVID impact on topline and margins, we cut our estimates for FY21 and FY22. Also, with no near-term visibility on asset monetization, we believe the Company would need to support the subsidiaries which may be an overhang on the stock.
Risk to our call	✓ Post the sharp correction in stock price, we maintain our BUY rating on the stock for revised target of Rs.50 (based on SOTP valuation).
	✓ Slower than expected ramp up in execution.

Stock data (as on May 21, 2020)

Sensex:	30,933
52 Week h/l (Rs)	151 / 30
Market cap (Rs/USD mn)	5,877 / 78
Outstanding Shares	168
6m Avg t/o (Rs mn):	11
Div yield (%):	2.1
Bloomberg code:	JMCP IN
NSE code:	JMCPROJECT

Stock performance


	1M	3M	1Y
Absolute return	-4.4%	-47.9%	-66.6%

Shareholding pattern (As of Mar'20 end)

Promoter	67.4%
FII+DII	19.0%
Others	13.7%

Δ in earnings estimates

	FY20	FY21e	FY22e
EPS (New)	9.4	5.6	7.5
EPS (Old)	9.5	11.5	13.5
% change	(0.7)	(51.5)	(44.3)

Exhibit 1: Result table (Standalone)

Y/e 31 Mar (Rs mn)	Q4 FY20	Q4 FY19	yoy(%)	Q3 FY20	qoq (%)
Revenue	9,386	9,375	0.1	9,288	1.1
Operating Profit	1,065	974	9.3	1,030	3.3
OPM (%)	11.3	10.4	95 bps	11.1	25 bps
Other Income	83	60	38.1	55	51.5
Depreciation	(333)	(180)	84.7	(295)	13.1
Interest	(338)	(216)	56.9	(306)	10.6
Exceptional item*	(795)	-	-	-	-
PBT	(319)	638	NA	485	NA
Tax	(25)	(151)	(83.4)	(98)	(74.3)
Reported PAT	(344)	487	NA	387	NA
Adjusted PAT	451	487	(7.4)	387	16.5

Source: Company, YES Sec - Research; * Expected credit loss provision towards loans/advances given to Kurukshetra Expressway Pvt Ltd

ALOK DEORA

Lead Analyst

alok.deora@ysil.in


LOKESH KASHIKAR, Analyst

lokesh.kashikar@ysil.in

AMAR AMBANI, Sr. President, Head of Research

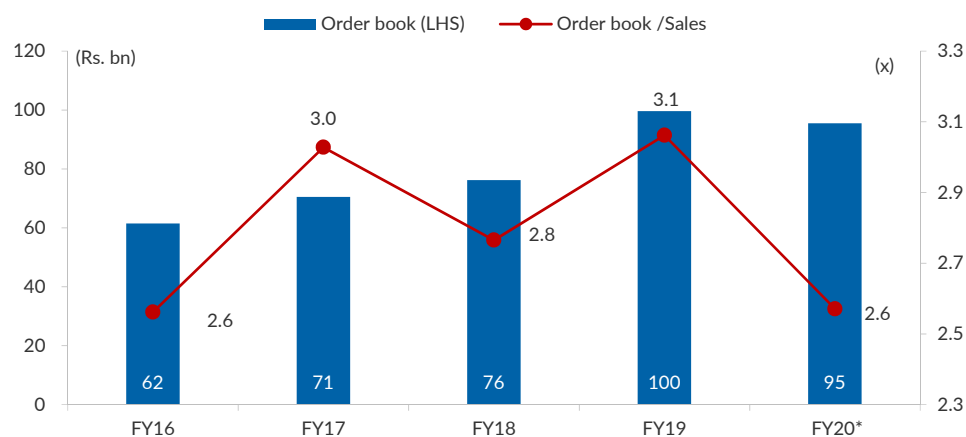
amar.ambani@ysil.in

CONCALL HIGHLIGHTS

- ✓ JMC's topline during Q4 FY20 remained flat (at Rs.9.4bn) largely impacted by interruption during execution (mainly during last 10-12 days of Q4FY20; owing to lockdown). Despite execution challenges in the near term, the management expects ~5% revenue growth for FY21E.
- ✓ With better order book mix, operating margin has improved +95bps yoy (to 11.3%) during Q4 FY20. The management expects operating margin to remain at 10.7 -11% levels for FY21E.
- ✓ The company has booked expected credit loss provision of Rs.795mn in Q4FY20 (towards loans/advances given to Kurukshetra Expressway Pvt Ltd.). This led to a net loss of Rs.344mn during Q4 FY20.
- ✓ As per the management, water projects in the infrastructure segment has witnessed minimum disruptions during lockdown period, backed by sufficient labor availability and projects located outside city vicinity. Also, execution in B&F segment is picking up pace with clients pushing for timely completion of projects. Supply chain for raw material is largely normalized.
- ✓ JMC's order book at the end for FY20 remains robust at Rs.95.5 bn, with B&F (61%) and Infrastructure (34%) segments contributing majority to the pie. The company has received orders worth Rs.11.3 bn post Q4 FY20 (77% contribution by B&F; rest by infrastructure segment). In addition, the company stands L1 at projects worth Rs.18bn. The management is targeting Rs.50 bn of inflows during FY21E.
- ✓ Collective average per day toll collection in its BOT assets increased marginally (by 2% qoq) to ~Rs.5.3mn during Q4 FY20 (down from Rs.5.8mn registered during Q4 FY19). Total Equity investment in the toll road assets stood at Rs.8.2bn by the end of Mar'20 (investment during FY20 stood at Rs.760mn). The management expects ~Rs.500 mn support to the SPVs during FY21E.
- ✓ JMC is in discussion with lenders to restructure debt profile of Kurukshetra Expressway and Wainganga Express, and the process is in advanced stage. Any development here would aid company in reducing in cash outgo. Also, the company is exploring options to monetize two road assets namely Brij Bhoomi Expressway and Vindhyachal Expressway project.
- ✓ Net debt during Q4 FY20 has reduced to Rs.7.4 bn (down Rs.1.3 bn yoy) largely aided lower working capital requirement. The management expects net debt to remain at ~Rs.8 bn by FY21 end. Capex to be incurred during FY21E likely to be at ~Rs.1 bn.

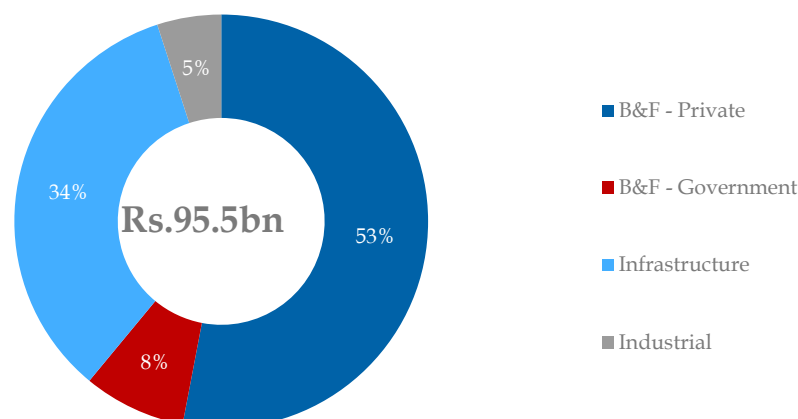
CHARTS

Exhibit 2: Strong order book position



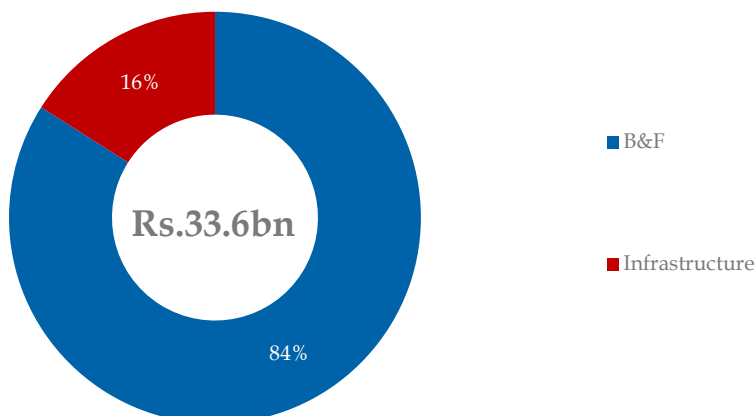
Source: Company, YES Sec – Research; * excludes L1 position worth Rs.18bn and projects won after Mar'20 end

Exhibit 3: B&F business forms 61% of overall order book*



Source: Company, YES Sec – Research; * excludes L1 position worth Rs.18bn

Exhibit 4: B&F contributed majority to the FY20 order inflows *



Source: Company, YES Sec – Research; * excludes L1 position worth Rs.18bn

Exhibit 5: Financial Summary (Standalone)

Y/e 31 Mar (Rs m)	FY19	FY20	FY21E	FY22E
Revenues	32,529	37,130	33,046	38,994
yoy growth (%)	18.0	14.1	(11.0)	18.0
Operating profit	3,369	4,114	3,459	4,081
OPM (%)	10.4	11.1	10.5	10.5
Reported PAT	1,421	790	936	1,262
Adjusted PAT	1,421	1,584*	936	1,262
yoy growth (%)	33.9	11.5	(40.9)	34.8
EPS (Rs)	8.5	9.4	5.6	7.5
P/E (x)	4.1	3.7	6.3	4.7
EV/EBITDA (x)	3.8	3.1	3.8	3.2
Debt/Equity (x)	0.8	0.8	0.7	0.7
RoE (%)	16.6	8.3	9.3	11.4

Source: Company, YES Sec - Research; *excludes adjustment of provision made towards loans/advances given to Kurukshetra Expressway Pvt Ltd

DISCLAIMER

Investments in securities market are subject to market risks, read all the related documents carefully before investing.

The information and opinions in this report have been prepared by YSL and are subject to change without any notice. The report and information contained herein are strictly confidential and meant solely for the intended recipient and may not be altered in any way, transmitted to, copied or redistributed, in part or in whole, to any other person or to the media or reproduced in any form, without prior written consent of YSL.

The information and opinions contained in the research report have been compiled or arrived at from sources believed to be reliable and have not been independently verified and no guarantee, representation of warranty, express or implied, is made as to their accuracy, completeness, authenticity or validity. No information or opinions expressed constitute an offer, or an invitation to make an offer, to buy or sell any securities or any derivative instruments related to such securities. Investments in securities are subject to market risk. The value and return on investment may vary because of changes in interest rates, foreign exchange rates or any other reason. Investors should note that each security's price or value may rise or fall and, accordingly, investors may even receive amounts which are less than originally invested. The investor is advised to take into consideration all risk factors including their own financial condition, suitability to risk return profile and the like, and take independent professional and/or tax advice before investing. Opinions expressed are our current opinions as of the date appearing on this report. Investor should understand that statements regarding future prospects may not materialize and are of general nature which may not be specifically suitable to any particular investor. Past performance may not necessarily be an indicator of future performance. Actual results may differ materially from those set forth in projections.

Technical Analysis reports focus on studying the price movement and trading turnover charts of securities or its derivatives, as opposed to focussing on a company's fundamentals and opinions, as such, may not match with reports published on a company's fundamentals.

YSL, its research analysts, directors, officers, employees and associates accept no liabilities for any loss or damage of any kind arising out of the use of this report. This report is not directed or intended for distribution to, or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction, where such distribution, publication, availability or use would be contrary to law, regulation or which would subject YSL and associates to any registration or licensing requirement within such jurisdiction. The securities described herein may or may not be eligible for sale in all jurisdictions or to certain category of investors. Persons in whose possession this document may come are required to inform themselves of and to observe such restriction.

DISCLOSURE OF INTEREST

Name of the Research Analyst : Alok Deora, Lokesh Kashikar

The analyst hereby certifies that opinion expressed in this research report accurately reflect his or her personal opinion about the subject securities and no part of his or her compensation was, is or will be directly or indirectly related to the specific recommendation and opinion expressed in this research report.

Sr. No.	Particulars	Yes/No
1	Research Analyst or his/her relative's or YSL's financial interest in the subject company(ies)	No
2	Research Analyst or his/her relative or YSL's actual/beneficial ownership of 1% or more securities of the subject company(ies) at the end of the month immediately preceding the date of publication of the Research Report	No
3	Research Analyst or his/her relative or YSL has any other material conflict of interest at the time of publication of the Research Report	No
4	Research Analyst has served as an officer, director or employee of the subject company(ies)	No
5	YSL has received any compensation from the subject company in the past twelve months	No
6	YSL has received any compensation for investment banking or merchant banking or brokerage services from the subject company in the past twelve months	No
7	YSL has received any compensation for products or services other than investment banking or merchant banking or brokerage services from the subject company in the past twelve months	No
8	YSL has received any compensation or other benefits from the subject company or third party in connection with the research report	No
9	YSL has managed or co-managed public offering of securities for the subject company in the past twelve months	No
10	Research Analyst or YSL has been engaged in market making activity for the subject company(ies)	No

Since YSL and its associates are engaged in various businesses in the financial services industry, they may have financial interest or may have received compensation for investment banking or merchant banking or brokerage services or for any other product or services of whatsoever nature from the subject company(ies) in the past twelve months or associates of YSL may have managed or co-managed public offering of securities in the past twelve months of the subject company(ies) whose securities are discussed herein.

Associates of YSL may have actual/beneficial ownership of 1% or more and/or other material conflict of interest in the securities discussed herein.

YES Securities (India) Limited

Registered Address: Unit No. 602 A, 6th Floor, Tower 1 & 2,
Indiabulls Finance Centre, Senapati Bapat Marg, Elphinstone Road,
Mumbai - 400013, Maharashtra, India.

Contact Details: +91-22-71123123
Email: research@ysil.in | Website: https://yesinvest.in

Registration Nos.: CIN: U74992MH2013PLC240971 | SEBI Single
Registration No.: NSE, BSE, MCX & NCDEX : INZ000185632 | Member
Code: BSE - 6538, NSE - 14914, MCX - 56355 & NCDEX - 1289 |
MERCHANT BANKER: INM000012227 | RESEARCH ANALYST:
INH000002376 | INVESTMENT ADVISER: INA000007331 |
AMFI ARN Code - 94338

Details of Compliance Officer: Name: Vaibhav Purohit,
Email id: compliance@ysil.in, Contact No-+91-22-33479208

RECOMMENDATION PARAMETERS FOR FUNDAMENTAL REPORTS

Analysts assign ratings to the stocks according to the expected upside/downside relative to the current market price and the estimated target price. Depending on the expected returns, the recommendations are categorized as mentioned below. The performance horizon is 12 to 18 months unless specified and the target price is defined as the analysts' valuation for a stock. No benchmark is applicable to the ratings mentioned in this report.

BUY: Potential return >15% over 12 months

ADD: Potential return +5% to +15% over 12 months

REDUCE: Potential return -10% to +5% over 12 months

SELL: Potential return <-10% over 12 months

NOT RATED / UNDER REVIEW

ABOUT YES SECURITIES (INDIA) LIMITED

YES Securities (India) Limited ("YSL") is a wholly owned subsidiary of YES BANK LIMITED. YSL is a SEBI registered stock broker holding membership of NSE, BSE and MCX. YSL is also a SEBI registered Category I Merchant Banker, Investment Adviser and a Research Analyst. YSL offers, inter alia, trading/investment in equity and other financial products along with various value added services. We hereby declare that there are no disciplinary actions taken against YSL by SEBI/Stock Exchanges.