

Accumulate

View: Weak quarter, EBITDA loss in Q1FY21E; downgrade to Accumulate

- JKIL reported revenue above estimates, EBITDA margin below estimates and PAT in line with estimates.
- JKIL posted 9.3%/ 31.4%/ 45.8% YoY de-growth in revenue/ EBITDA/ PAT to Rs8.8 bn/ Rs919 mn/ Rs311 mn in Q4FY20.
- We reduce our revenue estimates by 15.2%/ 7.6% for FY21E/ FY22E on account of lockdown due to covid-19. We factor EBITDA loss/ EBITDA breakeven levels in Q1FY21E/ Q2FY21E leading to reduction in EBITDA margin estimates by 591/ 145 bps for FY21E/ FY22E. Accordingly, we drastically reduce our PAT estimates by 89.9%/ 32.3% for FY21E/ FY22E. JKIL's muted revenue growth (5.0% CAGR over FY20-22E) and EBITDA margin of 9.3%/ 14.0% in FY21E/ FY22E will lead to muted CAGR of -2.0% in its bottom line over FY20-22E. We, therefore, expect the RoCE and RoE to dip to 9.9%/ 8.7% in FY22E from 11.4%/ 10.5% in FY20.
- Though the stock has increased ~33% since our covid report on 24th Mar'20, we believe confidence on management still remains an overhang on the stock. Thus, we downgrade to Accumulate with a downward revised TP of Rs110 (5x FY22E EPS).

Key Risk - Confidence on management

Management did not properly justify Rs3.2 bn fall in revenue in Q4FY20 vs guidance of Rs12 bn. Also management spent Rs900 mn capex during Feb-Mar'20 vs. guidance of Rs200 mn in Q4FY20. JKIL also increased capex guidance of FY21E from Rs300-400 mn to Rs500 mn and said that Rs900 mn capex of Q4FY20 includes preponement of Q1FY21E of capex. The higher capex of Q4FY20 and increase in guidance for FY21E seems difficult to digest.

Order book at 3.9x FY20 revenue

With order inflow of Rs42.5 bn during FY20, JKIL's orderbook stood at Rs116.4 bn (3.9x FY20 revenue). JKIL is L1 in Worli-Sewri project/ CIDCO project worth Rs10 bn/ Rs2 bn. Considering opportunities in Metros and flyovers, we factor Rs40 bn/ Rs40 bn inflow in FY21E/ FY22E.

Q4FY20 Result (Rs Mn)

Particulars	Q4FY20	Q4FY19	YoY (%)	Q3FY20	QoQ (%)
Revenue	8,778	9,680	(9.3)	7,930	10.7
Total Expense	7,858	8,339	(5.8)	6,751	16.4
EBITDA	919	1,341	(31.4)	1,180	(22.1)
Depreciation	350	254	37.7	311	12.4
EBIT	569	1,086	(47.6)	869	(34.4)
Other Income	80	96	(16.4)	89	(9.5)
Interest	247	308	(19.8)	218	13.3
EBT	403	875	(53.9)	740	(45.5)
Tax	93	302	(69.3)	183	(49.3)
RPAT	311	573	(45.8)	557	(44.2)
APAT	311	573	(45.8)	557	(44.2)
			(bps)		(bps)
Gross Margin (%)	35.0	34.7	31	38.8	(375)
EBITDA Margin (%)	10.5	13.8	(337)	14.9	(440)
NPM (%)	3.5	5.9	(238)	7.0	(349)
Tax Rate (%)	23.0	34.5	(1153)	24.7	(174)
EBIT Margin (%)	6.5	11.2	(474)	11.0	(447)

CMP	Rs 93
Target / Upside	Rs 110 / 18%
BSE Sensex	34,969
NSE Nifty	10,312

Script Details

Equity / FV	Rs 378mn / Rs 5
Market Cap	Rs 7bn
	US\$ 94mn
52-week High/Low	Rs 180/Rs 65
Avg. Volume (no)	1,94,878
NSE Symbol	JKIL
Bloomberg Code	JKIL IN

Shareholding Pattern Mar'20(%)

Promoters	45.3
MF/Banks/FIs	11.7
FIIIs	9.6
Public / Others	33.4

Valuation (x)

	FY20A	FY21E	FY22E
P/E	3.8	34.2	4.2
EV/EBITDA	2.1	3.4	1.7
ROE (%)	10.5	1.1	8.7
RoACE (%)	11.4	4.7	9.9

Estimates (Rs mn)

	FY20A	FY21E	FY22E
Revenue	29,705	27,041	32,735
EBITDA	4,289	2,512	4,568
PAT	1,836	207	1,666
EPS (Rs.)	24.3	2.7	22.0

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Exhibit 1: Actual vs. DART estimates

(in Rs mn)	Actual	DART Est.	% Variation	Comment
Revenue	8,778	7,552	16.2	Better execution
EBITDA	919	1,101	(16.5)	-
EBITDA Margin (%)	10.5	14.6	(411 bps)	Higher employee cost vs expectation
Adj. PAT	311	331	(6.3)	Lower operating performance coupled with lower tax vs expectation

Source: Company, DART

Exhibit 2: Change in estimates – Drastically reduce estimates

(Rs mn)	FY21E			FY22E		
	New	Old	% chg	New	Old	% chg
Revenue	27,041	31,904	(15.2)	32,735	35,445	(7.6)
EBITDA	2,512	4,849	(48.2)	4,568	5,459	(16.3)
EBITDA Margin (%)	9.3	15.2	(591)	14.0	15.4	(145)
Adj. PAT	207	2,036	(89.9)	1,666	2,461	(32.3)
EPS (Rs)	2.7	26.9	(89.9)	22.0	32.5	(32.3)

Source: Company, DART

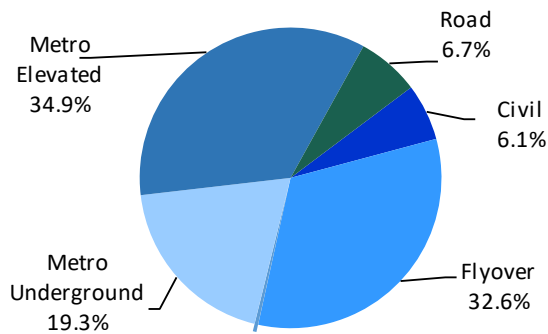
Exhibit 3: Q4FY20 Performance (Standalone)

Particulars (Rs mn)	Q4FY20	Q4FY19	YoY (%)	Q3FY20	QoQ (%)	FY20	FY19	YoY (%)
Revenue	8,778	9,680	(9.3)	7,930	10.7	29,705	27,871	6.6
Raw material cons.	5,702	6,318	(9.8)	4,854	17.5	18,169	17,203	5.6
Employees cost	823	635	29.7	841	(2.2)	2,987	2,477	20.6
Other expenditure	1,334	1,387	(3.8)	1,056	26.4	4,260	3,828	11.3
Total expenditure	7,858	8,339	(5.8)	6,751	16.4	25,416	23,508	8.1
EBITDA	919	1,341	(31.4)	1,180	(22.1)	4,289	4,363	(1.7)
Depreciation	350	254	37.7	311	12.4	1,263	1,022	23.5
Operating profit	569	1,086	(47.6)	869	(34.4)	3,027	3,341	(9.4)
Other income	80	96	(16.4)	89	(9.5)	283	281	0.6
EBIT	650	1,183	(45.0)	957	(32.1)	3,310	3,622	(8.6)
Interest	247	308	(19.8)	218	13.3	977	939	4.0
EBT	403	875	(53.9)	740	(45.5)	2,333	2,683	(13.1)
Provision for taxation	93	302	(69.3)	183	(49.3)	497	912	(45.5)
Net income	311	573	(45.8)	557	(44.2)	1,836	1,771	3.7
EPS (Rs)	4.1	7.6	(45.8)	7.4	(44.2)	24.3	23.4	3.7
EBITDA Margin (Excl. O.I.)	10.5	13.8	(337)	14.9	(440)	14.4	15.7	(122)
EBITDA Margin (Incl. O.I.)	11.4	14.8	(345)	16.0	(461)	15.4	16.7	(127)
NPM (%)	3.5	5.9	(236)	6.9	(344)	6.1	6.3	(17)
Tax/PBT (%)	23.0	34.5	(1,153)	24.7	(174)	21.3	34.0	(1270)
Construction/Revenue (%)	65.0	65.3	(31)	61.2	375	61.2	61.7	(56)

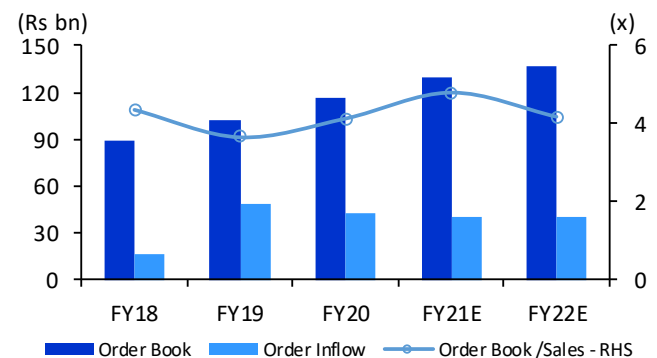
Source: Company, DART

Key earnings takeaways

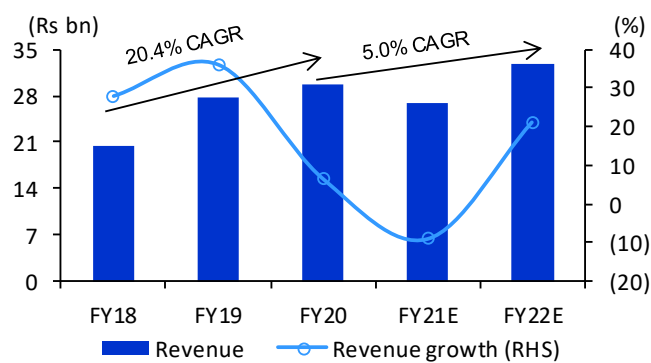
- Some of the bidding opportunities are Metro Line 2B (Rs10 bn), elevated bridge at Kurla, Mumbai (Rs5 bn), Ahmedabad and Surat Metro. JKIL will bid for projects worth Rs20 bn in next week.
- JKIL is L1 in Worli-Sewri flyover worth Rs10 bn and CIDCO project worth Rs2 bn.
- Revenue of Rs4 bn/ quarter required to breakeven at EBITDA level and JKIL expects EBITDA loss in Q1FY21E.
- JKIL expects atleast 50% YoY de-growth in Q1FY21E and de-growth in FY21E. JKIL expects orderbook of Rs130 bn by end of FY21E. JKIL will bid for projects where they are already present geographically/ segmentwise.
- EBITDA margin impact of 300 bps in Q4FY20 due to covid-19.
- Fixed cost pre covid stood at Rs400 mn per month and currently is reduced to Rs270 mn per month.
- JKIL in total had ~10,000 labours pre covid and currently is working with 20-25% labour. Labour is coming back gradually and JKIL expects things to improve by Q3FY21. Supply chain issues are getting back to normal.
- Dwarka Pkg 1- 85% tree cutting is done, 15% is left and expect AD in 1.5 month.
- Metro Line 2/ Line 7 – 85-85%/ 90-95% work is completed; expect to complete by Jan'21 but can get delayed by 3 months.
- Metro Line 9 site is cleared and 50-60 piling work is done.
- No payment issues from government; received Rs4bn in Q4FY20.
- Gross Debt stands at Rs6.74 bn and expect similar level for FY21E. Capex guidance of Rs500 mn for FY21E. FY20 capex stood at Rs1.77 bn primarily due to capitalization of casting yard for Dwarka Pkg2. Gross block stands at Rs.8.5 bn.
- Mobilisation advance/ Retention money - Rs3.6 bn/ Rs2.7 bn.
- Fund based/ Non-Fund based limits stands at Rs7 bn/ Rs34 bn of which 70%/ 80% is utilized.
- The revenue contribution from Metro segment stands at 69.8% (total Rs20.7 bn: Rs12.8 bn - Line 3, Rs2.6 bn - Line 2, Rs1.34 bn – Line 6, Rs1.4 bn - Line 7, Rs153 mn - Line 9, Rs128 mn - Line 4A, Rs2.07 - Pune metro, Rs273 mn – Ahmedabad metro) in FY20.

Exhibit 4: Rs116.4 bn order book break up


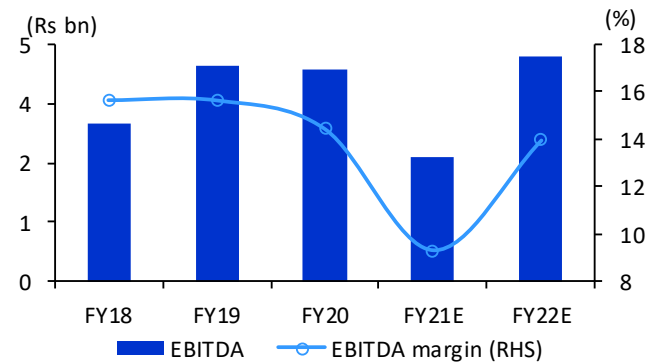
Source: DART, Company

Exhibit 5: Order book trend


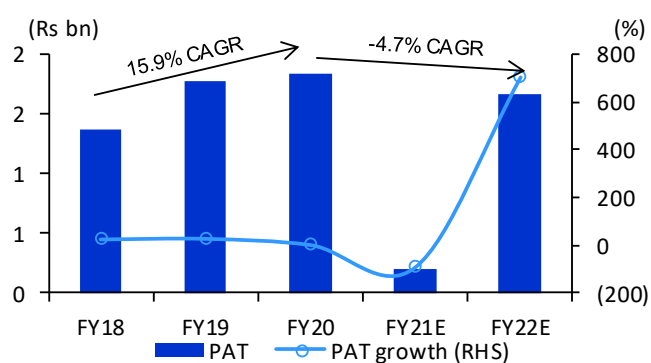
Source: DART, Company

Exhibit 6: Revenue CAGR of 5.0% over FY20-22E


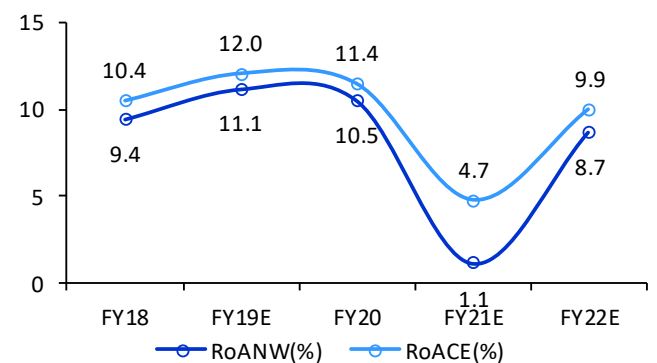
Source: DART, Company

Exhibit 7: Factored in lower EBITDA Margin


Source: DART, Company

Exhibit 8: PAT to de-grow -4.7% CAGR over FY20-22E


Source: DART, Company

Exhibit 9: ROE and ROCE trend


Source: DART, Company

Profit and Loss Account

(Rs Mn)	FY19A	FY20A	FY21E	FY22E
Revenue	27,871	29,705	27,041	32,735
Total Expense	23,508	25,416	24,528	28,167
COGS	17,203	18,169	16,900	20,066
Employees Cost	2,477	2,987	3,166	3,420
Other expenses	3,828	4,260	4,462	4,681
EBIDTA	4,363	4,289	2,512	4,568
Depreciation	1,022	1,263	1,475	1,632
EBIT	3,341	3,027	1,037	2,935
Interest	939	977	1,000	900
Other Income	281	283	241	204
Exc. / E.O. items	0	0	0	0
EBT	2,683	2,333	278	2,240
Tax	912	497	71	574
RPAT	1,771	1,836	207	1,666
Minority Interest	0	0	0	0
Profit/Loss share of associates	0	0	0	0
APAT	1,771	1,836	207	1,666

Balance Sheet

(Rs Mn)	FY19A	FY20A	FY21E	FY22E
Sources of Funds				
Equity Capital	378	378	378	378
Minority Interest	0	0	0	0
Reserves & Surplus	16,297	17,931	18,043	19,615
Net Worth	16,675	18,310	18,422	19,993
Total Debt	6,911	6,740	6,798	5,764
Net Deferred Tax Liability	366	274	304	334
Total Capital Employed	23,952	25,323	25,523	26,091

Applications of Funds

Net Block	7,788	8,545	8,957	8,324
CWIP	798	987	100	100
Investments	316	12	320	320
Current Assets, Loans & Advances	26,072	27,251	27,146	30,235
Inventories	9,187	3,126	8,112	9,820
Receivables	4,986	6,448	5,949	6,874
Cash and Bank Balances	4,713	4,950	5,324	5,013
Loans and Advances	106	105	123	141
Other Current Assets	7,080	12,622	7,638	8,385
Less: Current Liabilities & Provisions	11,022	11,280	10,999	12,888
Payables	3,029	4,604	2,698	3,098
Other Current Liabilities	7,993	6,676	8,301	9,789
<i>sub total</i>				
Net Current Assets	15,050	15,971	16,147	17,347
Total Assets	23,952	25,515	25,523	26,091

E – Estimates

Important Ratios

Particulars	FY19A	FY20A	FY21E	FY22E
(A) Margins (%)				
Gross Profit Margin	38.3	38.8	37.5	38.7
EBIDTA Margin	15.7	14.4	9.3	14.0
EBIT Margin	12.0	10.2	3.8	9.0
Tax rate	34.0	21.3	25.6	25.6
Net Profit Margin	6.4	6.2	0.8	5.1
(B) As Percentage of Net Sales (%)				
COGS	61.7	61.2	62.5	61.3
Employee	8.9	10.1	11.7	10.4
Other	13.7	14.3	16.5	14.3
(C) Measure of Financial Status				
Gross Debt / Equity	0.4	0.4	0.4	0.3
Interest Coverage	3.6	3.1	1.0	3.3
Inventory days	120	38	110	110
Debtors days	65	79	80	77
Average Cost of Debt	14.8	14.3	14.8	14.3
Payable days	40	57	36	35
Working Capital days	197	196	218	193
FA T/O	3.6	3.5	3.0	3.9
(D) Measures of Investment				
AEPS (Rs)	23.4	24.3	2.7	22.0
CEPS (Rs)	36.9	40.9	22.2	43.6
DPS (Rs)	2.4	2.7	1.3	1.3
Dividend Payout (%)	10.3	11.2	45.8	5.7
BVPS (Rs)	220.4	242.0	243.5	264.2
RoANW (%)	11.1	10.5	1.1	8.7
RoACE (%)	12.0	11.4	4.7	9.9
RoAIC (%)	15.3	14.2	5.9	12.4
(E) Valuation Ratios				
CMP (Rs)	93	93	93	93
P/E	4.0	3.8	34.2	4.2
Mcap (Rs Mn)	7,063	7,063	7,063	7,063
MCap/ Sales	0.3	0.2	0.3	0.2
EV	9,261	8,853	8,537	7,814
EV/Sales	0.3	0.3	0.3	0.2
EV/EBITDA	2.1	2.1	3.4	1.7
P/BV	0.4	0.4	0.4	0.4
Dividend Yield (%)	2.6	2.9	1.3	1.3
(F) Growth Rate (%)				
Revenue	35.9	6.6	(9.0)	21.1
EBITDA	35.8	(1.7)	(41.4)	81.8
EBIT	34.5	(9.4)	(65.7)	183.0
PBT	29.8	(13.1)	(88.1)	706.1
APAT	29.7	3.7	(88.7)	706.1
EPS	29.7	3.7	(88.7)	706.1

Cash Flow

(Rs Mn)	FY19A	FY20A	FY21E	FY22E
CFO	826	2,588	2,477	2,513
CFI	(1,204)	(876)	(1,067)	(796)
CFF	(14)	(1,475)	(1,036)	(2,028)
FCFF	(356)	826	1,477	1,513
Opening Cash	5,106	4,713	4,950	5,324
Closing Cash	4,713	4,950	5,324	5,013

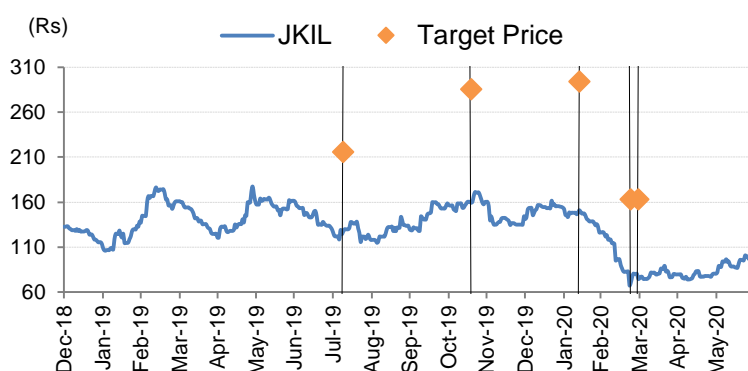
E – Estimates

DART RATING MATRIX

Total Return Expectation (12 Months)

Buy	> 20%
Accumulate	10 to 20%
Reduce	0 to 10%
Sell	< 0%

Rating and Target Price History



Month	Rating	TP (Rs.)	Price (Rs.)
Aug-19	Buy	216	127
Nov-19	Buy	286	159
Feb-20	Buy	294	151
Mar-20	Buy	163	70
Mar-20	Buy	163	75

*Price as on recommendation date

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