

## J. Kumar Infraprojects

### Gradual recovery

JKIL reported lower losses (at Rs 208 vs Rs 599mn expectation) owing to better execution and cost controls. COVID-19 led to company reporting 25Q low execution. High urban order book exposure (~91%) and labour migration halted execution during first half of 1QFY21. Since then, labour availability has improved from 20% to 60% and sites are seeing execution rampup with near normalisation expected by 3QFY21 (30-40% run rate currently). Whilst order backlog is robust at (4.2x 1-yr trailing revenue), near term execution challenges have sprung up as Metro/Tier-1 cities are the worst impacted due to COVID-19 in terms of labor migration. At 4.9x FY22E EPS, 1HFY21 losses/execution disappointment is already priced in. We maintain BUY. Key risks (1) Geographic concentration (2) Order conversion within estimated timelines (3) Prolonged monsoon.

- COVID-19 led to 25qtr low execution:** As expected JKIL reported losses and lowest revenue in last 25Qtrs. Urban areas (~91% order book) were worst impacted by COVID-19 led lockdown and post easing execution suffered due to labour migration issues. Revenue: Rs 2.8bn (-57/-68% YoY/QoQ, 26% beat). EBITDA: Rs 283mn (-75/-69 YoY/QoQ, vs est. of Rs -271mn). EBITDA margins: 9.9% (-676bps YoY, -56bps QoQ). RPAT: Rs -208mn (vs Rs 409/310 YoY/QoQ, vs est. of Rs -599mn); RPAT beat driven by better than envisaged execution. We expect execution to improve from 2QFY21 with near normalisation starting early 3QFY21. Labour availability has improved from 15-20% to 60% whilst execution run-rate is at 30-40%. JKIL has guided for Rs 20-21/35bn revenue for FY21/FY22E.
- Order book healthy; order inflows targeted at Rs 40-45bn for FY21:** Total order book as on 1QFY21 stood at Rs 109.7bn (4.2x 1-yr trailing revenue). Metro projects contribute ~ 57%, while Flyover, Bridges & Roads projects contributes ~41%. Inflows for 1QFY21 stood at Rs 1.7bn and JKIL is L1 in Rs 10bn trans-harbor connector project. Order inflow guidance for FY21 is Rs ~40-45bn, same as FY20. Dwarka Expressway AD for Pkg-1 awaited, expected by early Sep-20. Bid pipeline is strong with Rs 150-200bn of opportunity in Mumbai alone. Of the current order book, Rs 18bn worth of projects are awaiting final approvals and expected to start in 3QFY21.
- Improvement in leverage:** The D/E as of 1QFY21 stands at 0.30x vs 0.37x as of 4QFY20. The gross debt for the company is Rs 5.6bn, down Rs 1.1bn from Rs 6.7bn at the end of 4QFY20. With no significant capex planned during the FY21E/FY22E (Rs 0.5bn in FY21), partial release of BGs by govt agencies, & utilization of mobilization advances, we expect D/E ratio to be maintained in 0.37-0.40x range. However, with the rampup in execution from 3QFY21, gross debt levels may increase to Rs 6-6.5bn. JKIL expects NWC to be at 125days for FY21 vs 144days in FY20.

#### Summary (Standalone)

YE March (Rs mn)	1QFY21	1QFY20	YoY (%)	4QFY20	QoQ (%)	FY19	FY20	FY21E	FY22E
Net Sales	2,853	6,677	(57.3)	8,778	(67.5)	27,871	29,706	20,605	29,877
EBITDA	283	1,114	(74.6)	920	(69.2)	4,363	4,290	2,199	4,560
APAT	(208)	409	(150.8)	310	(167.1)	1,771	1,836	157	1,745
Diluted EPS (Rs)	(2.7)	5.4	(150.8)	4.1	(167.1)	23.4	24.3	2.1	23.1
P/E (x)						4.8	4.7	54.5	4.9
EV / EBITDA (x)						3.4	3.4	6.8	3.0
RoE (%)						11.1	10.5	0.9	9.2

Source: Company, HSIE Research

### BUY

CMP (as on 21 Aug 2020)	Rs 113
Target Price	Rs 138
NIFTY	11,372

KEY CHANGES	OLD	NEW
Rating	BUY	BUY
Price Target	Rs 138	Rs 138
EPS %	FY21E	FY22E
	-	-

#### KEY STOCK DATA

Bloomberg code	JKIL IN
No. of Shares (mn)	76
MCap (Rs bn) / (\$ mn)	9/115
6m avg traded value (Rs mn)	21
52 Week high / low	Rs 180/65

#### STOCK PERFORMANCE (%)

	3M	6M	12M
Absolute (%)	48.0	(17.6)	(9.1)
Relative (%)	23.8	(10.9)	(12.8)

#### SHAREHOLDING PATTERN (%)

	Mar-20	Jun-20
Promoters	45.32	45.32
FIs & Local MFs	11.70	12.09
FPIs	9.64	8.19
Public & Others	33.34	34.40
Pledged Shares	10.57	10.57

Source : BSE

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