

J.Kumar Infraprojects (JKIL IN)

Rating: BUY | CMP: Rs112 | TP: Rs176

August 21, 2020

Q1FY21 Result Update

■ Change in Estimates | ■ Target | ■ Reco

Change in Estimates

	Current		Previous	
	FY22E	FY23E	FY22E	FY23E
Rating	BUY		BUY	
Target Price	176		176	
Sales (Rs. m)	33,010	38,732	33,010	38,732
% Chng.	-	-	-	-
EBITDA (Rs. m)	5,051	5,926	5,051	5,926
% Chng.	-	-	-	-
EPS (Rs.)	29.4	37.1	29.4	37.1
% Chng.	-	-	-	-

Key Financials - Standalone

Y/e Mar	FY20	FY21E	FY22E	FY23E
Sales (Rs. m)	29,705	22,123	33,010	38,732
EBITDA (Rs. m)	4,289	2,544	5,051	5,926
Margin (%)	14.4	11.5	15.3	15.3
PAT (Rs. m)	1,836	355	2,223	2,805
EPS (Rs.)	24.3	4.7	29.4	37.1
Gr. (%)	3.7	(80.7)	526.7	26.2
DPS (Rs.)	1.3	1.3	-	-
Yield (%)	1.1	1.1	-	-
RoE (%)	10.5	1.9	11.3	12.7
RoCE (%)	12.6	4.7	13.5	14.7
EV/Sales (x)	0.3	0.4	0.3	0.3
EV/EBITDA (x)	2.2	3.2	2.2	1.8
PE (x)	4.6	23.9	3.8	3.0
P/BV (x)	0.5	0.5	0.4	0.4

Key Data

JKIP.BO | JKIL IN

52-W High / Low	Rs.180 / Rs.65
Sensex / Nifty	38,220 / 11,312
Market Cap	Rs.8bn/ \$ 113m
Shares Outstanding	76m
3M Avg. Daily Value	Rs.40.03m

Shareholding Pattern (%)

Promoter's	45.32
Foreign	8.18
Domestic Institution	11.20
Public & Others	35.30
Promoter Pledge (Rs bn)	0.89

Stock Performance (%)

	1M	6M	12M
Absolute	21.8	(19.1)	(14.4)
Relative	19.2	(12.9)	(16.4)

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Execution picking up; Conservative guidance

Quick Pointers:

- Revenues for Q1 came in above our and street estimates at Rs2.9bn (down 57% YoY) led by strong revival in execution post lockdown.
- Operations resumed in 90% of OB with projects operating at ~40% efficiency; Labour force improved to 60% pre-covid levels (from 25% in May'20).
- With strong bid pipeline of over Rs100bn, management expects healthy order inflows of ~Rs40bn (L1 in Rs11.5bn) in FY21.

JKIL reported decent set of numbers with revenues coming above our & street estimates despite Covid-19 pandemic and low labour availability. The company already commenced operations in over 90% of the order book with projects operating at ~40% efficiency levels. Labour availability have improved to over 60% pre-covid levels (from 25% in May'20). With full labour force expected to be back in Oct'20 and pick up in construction activity across projects, company has guided for topline of ~Rs20bn & ~Rs35bn for FY22 & FY23 respectively. Further collections remain strong with receivables reducing by ~Rs1bn to Rs5.2bn.

The company has a strong track record of executing roads and bridges, structural buildings, urban infrastructure such as metro, railway, subways and skywalks. JKIL stands strong on the back of a) healthy order book (Rs109.7bn as at 1QFY21) with steadily increasing order ticket size, b) strong execution capabilities, c) controlled financial leverage (D:E of ~0.3), d) strong EBITDA margins (~15-16% over FY16-20). At CMP, the stock trades at a P/E of 23.9x/3.8x on FY21E/FY22E EPS and at an EV of 3.2x/2.2x of FY21E/ FY22E EBITDA. We maintain BUY rating on the stock with a TP of Rs176.

Modest revenues amidst pandemic, margins show resilience: During 1QFY21, JKIL's revenues fell by 57.3% to Rs2.9bn (above our/ street estimates of Rs1.3bn/Rs1.8bn) led by robust execution in challenging environment and low labour availability. EBITDA fell sharply by 74.6% YoY to Rs283mn (PL: loss of Rs352mn) with EBITDA margins softening by 675bps YoY to 9.9% attributed to impact of negative operating leverage. On the bottom line front, JKIL reported loss of Rs208mn (against our/ street estimates: loss of Rs870mn/Rs756mn) due to better execution.

Strong order book, healthy bid pipeline: JKIL bagged one metro project worth Rs1.7bn in the quarter taking the order book to Rs109.7bn as on 1QFY21 translating into order book-to-sales of 4.2x its trailing revenues. Further, the company is L-1 in projects worth Rs11.5bn. Of the total order book, the Metro segment contributes ~57% (underground: 20% and elevated: 37%), Fly overs, roads & Bridges ~41%, and the Civil & other segment ~2%. With strong bid pipeline of over Rs100bn (primarily in metro segment), JKIL targets total order inflows of Rs40bn in FY21E. JKIL's gross debt have come down to Rs5.6bn (vs Rs6.7bn as at 4QFY20) while net debt stands low at Rs0.7bn.

Exhibit 1: Quarterly Financials (Standalone): Strong execution revival lead to revenues and margin beat for the quarter

Y/e March (Rs mn)	Q1FY20	Q2FY20	Q3FY20	Q4FY20	Q1FY21	YoY gr. (%)	QoQ gr. (%)	FY20	FY19	YoY gr. (%)
Revenue	6,677	6,320	7,930	8,778	2,853	-57.3	-67.5	29,705	27,871	6.6
Total Revenues	6,677	6,320	7,930	8,778	2,853	-57.3	-67.5	29,705	27,871	6.6
Expenditure	5,564	5,243	6,751	7,858	2,569	-53.8	-67.3	25,416	23,508	8.1
as % of sales	83.3	83.0	85.1	89.5	90.1			85.6	84.3	
Consumption of RM	4,047	3,567	4,854	5,702	1,683	-58.4	-70.5	18,169	17,203	5.6
as % of sales	60.6	56.4	61.2	65.0	59.0			61.2	61.7	
Employee Cost	634	690	841	823	353	-44.3	-57.1	2,987	2,477	20.6
as % of sales	9.5	10.9	10.6	9.4	12.4			10.1	8.9	
Other expenditure	883	987	1,056	1,334	533	-39.7	-60.0	4,260	3,828	11.3
as % of sales	13.2	15.6	13.3	15.2	18.7			14.3	13.7	
EBITDA	1,113	1,076	1,180	919	283	-74.6	-69.2	4,289	4,363	-1.7
Depreciation	289	312	311	350	350	21.2	0.2	1,263	1,022	23.5
EBIT	824	764	869	569	-67	-108.2	-111.8	3,027	3,341	-9.4
Other Income	56	58	89	80	61	8.6	-24.5	283	281	0.6
Interest	262	251	218	247	268	2.5	8.7	977	939	4.0
PBT	619	571	740	403	-275	-144.4	-168.2	2,333	2,683	-13.1
Total Tax	209	12	183	93	-67	-131.8	-172.1	497	912	-45.5
Adjusted PAT	409	559	557	311	-208	-150.9	-167.0	1,836	1,771	3.7
(Profit)/loss from JV's/Ass/MI	0	0	0	0	0	NA	0.0	0	0	0.0
PAT after MI	409	559	557	311	-208	-150.9	-167.0	1,836	1,771	3.7
Extra ordinary items	0	0	0	0	0	NA		0	0	
Reported PAT	409	559	557	311	-208	-150.9	-167.0	1,836	1,771	3.7
Adjusted EPS	5.4	7.4	7.4	4.1	-2.8	-150.9	-167.0	24.3	23.4	3.7
						bps	bps			bps
EBIDTA	16.7	17.0	14.9	10.5	9.9	-675	-55	14.4	15.7	-122
EBIT	12.3	12.1	11.0	6.5	-2.4	-1471	-885	10.2	12.0	-180
EBT	9.3	9.0	9.3	4.6	-9.6	-1890	-1423	7.9	9.6	-177
PAT	6.1	8.8	7.0	3.5	-7.3	-1342	-1083	6.2	6.4	-17
Effective Tax rate	33.9	2.1	24.7	23.0	24.3	-959	131	21.3	34.0	-1270

Source: Company, PL

Exhibit 2: Key assumptions

Rs mn	FY18	FY19	FY20	FY21E	FY22E	FY23E
Order inflow	1,543	56,498	42,715	10,479	43,489	50,259
Revenues	20,091	27,871	29,705	22,123	33,010	38,732
Order book	74,800	1,03,427	1,16,437	1,04,793	1,15,273	1,26,800
Execution cycle (%)	24%	31%	27%	20%	30%	32%
Ob to sales (x)	3.7	3.7	3.9	4.7	3.5	3.3

Source: Company, PL

Financials

Income Statement (Rs m)

Y/e Mar	FY20	FY21E	FY22E	FY23E
Net Revenues	29,705	22,123	33,010	38,732
YoY gr. (%)	6.6	(25.5)	49.2	17.3
Cost of Goods Sold	18,169	13,938	20,202	23,704
Gross Profit	11,536	8,186	12,808	15,028
Margin (%)	38.8	37.0	38.8	38.8
Employee Cost	2,987	2,655	3,301	3,873
Other Expenses	3,814	2,655	3,961	4,648
EBITDA	4,289	2,544	5,051	5,926
YoY gr. (%)	(1.7)	(40.7)	98.5	17.3
Margin (%)	14.4	11.5	15.3	15.3
Depreciation and Amortization	1,263	1,369	1,479	1,589
EBIT	3,027	1,175	3,572	4,337
Margin (%)	10.2	5.3	10.8	11.2
Net Interest	977	1,056	1,136	1,216
Other Income	283	354	528	620
Profit Before Tax	2,333	473	2,963	3,740
Margin (%)	7.9	2.1	9.0	9.7
Total Tax	497	118	741	935
Effective tax rate (%)	21.3	25.0	25.0	25.0
Profit after tax	1,836	355	2,223	2,805
Minority interest	-	-	-	-
Share Profit from Associate	-	-	-	-
Adjusted PAT	1,836	355	2,223	2,805
YoY gr. (%)	3.7	(80.7)	526.7	26.2
Margin (%)	6.2	1.6	6.7	7.2
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	1,836	355	2,223	2,805
YoY gr. (%)	3.7	(80.7)	526.7	26.2
Margin (%)	6.2	1.6	6.7	7.2
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	1,836	355	2,223	2,805
Equity Shares O/s (m)	76	76	76	76
EPS (Rs)	24.3	4.7	29.4	37.1

Source: Company Data, PL Research

Balance Sheet Abstract (Rs m)

Y/e Mar	FY20	FY21E	FY22E	FY23E
Non-Current Assets				
Gross Block	12,589	13,689	14,789	15,889
Tangibles	12,589	13,689	14,789	15,889
Intangibles	-	-	-	-
Acc: Dep / Amortization	4,044	5,412	6,891	8,480
Tangibles	4,044	5,412	6,891	8,480
Intangibles	-	-	-	-
Net fixed assets	8,545	8,276	7,897	7,408
Tangibles	8,545	8,276	7,897	7,408
Intangibles	-	-	-	-
Capital Work In Progress	987	987	987	987
Goodwill	-	-	-	-
Non-Current Investments	3,015	2,778	4,139	4,854
Net Deferred tax assets	(274)	(274)	(274)	(274)
Other Non-Current Assets	484	332	495	581
Current Assets				
Investments	-	-	-	-
Inventories	3,126	3,031	4,522	5,306
Trade receivables	6,448	5,455	7,235	8,489
Cash & Bank Balance	4,950	6,825	4,505	5,240
Other Current Assets	8,475	7,079	9,903	11,619
Total Assets	36,795	35,935	41,201	46,266
Equity				
Equity Share Capital	378	378	378	378
Other Equity	17,931	18,191	20,319	23,030
Total Network	18,310	18,570	20,698	23,408
Non-Current Liabilities				
Long Term borrowings	1,315	1,315	1,315	1,315
Provisions	-	-	-	-
Other non current liabilities	-	-	-	-
Current Liabilities				
ST Debt / Current of LT Debt	4,787	5,287	5,787	6,287
Trade payables	4,604	4,000	5,969	7,004
Other current liabilities	7,505	6,489	7,159	7,978
Total Equity & Liabilities	36,795	35,935	41,201	46,266

Source: Company Data, PL Research

Cash Flow (Rs m)

Y/e Mar	FY20	FY21E	FY22E	FY23E
PBT	2,333	473	2,963	3,740
Add. Depreciation	1,263	1,369	1,479	1,589
Add. Interest	977	1,056	1,136	1,216
Less Financial Other Income	283	354	528	620
Add. Other	(229)	-	-	-
Op. profit before WC changes	4,343	2,898	5,579	6,546
Net Changes-WC	(821)	846	(5,326)	(2,965)
Direct tax	(934)	(118)	(741)	(935)
Net cash from Op. activities	2,588	3,626	(489)	2,645
Capital expenditures	(1,269)	(1,100)	(1,100)	(1,100)
Interest / Dividend Income	231	-	-	-
Others	(189)	-	-	-
Net Cash from Invst. activities	(1,226)	(1,100)	(1,100)	(1,100)
Issue of share cap. / premium	-	-	-	-
Debt changes	(326)	500	500	500
Dividend paid	(205)	(95)	(95)	(95)
Interest paid	(945)	(1,056)	(1,136)	(1,216)
Others	-	-	-	-
Net cash from Fin. activities	(1,475)	(651)	(731)	(811)
Net change in cash	(113)	1,875	(2,320)	734
Free Cash Flow	1,012	2,526	(1,589)	1,545

Source: Company Data, PL Research

Key Financial Metrics

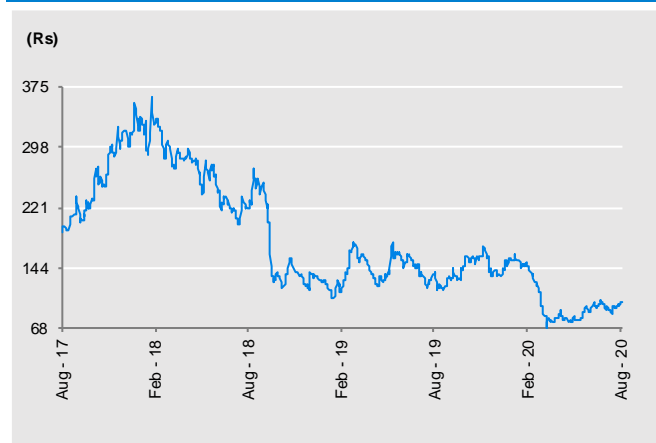
Y/e Mar	FY20	FY21E	FY22E	FY23E
Per Share(Rs)				
EPS	24.3	4.7	29.4	37.1
CEPS	40.9	22.8	48.9	58.1
BVPS	242.0	245.4	273.5	309.4
FCF	13.4	33.4	(21.0)	20.4
DPS	1.3	1.3	-	-
Return Ratio(%)				
RoCE	12.6	4.7	13.5	14.7
ROIC	12.5	4.9	12.2	13.5
RoE	10.5	1.9	11.3	12.7
Balance Sheet				
Net Debt : Equity (x)	0.1	0.0	0.1	0.1
Net Working Capital (Days)	82	103	111	115
Valuation(x)				
PER	4.6	23.9	3.8	3.0
P/B	0.5	0.5	0.4	0.4
P/CEPS	2.7	4.9	2.3	1.9
EV/EBITDA	2.2	3.2	2.2	1.8
EV/Sales	0.3	0.4	0.3	0.3
Dividend Yield (%)	1.1	1.1	-	-

Source: Company Data, PL Research

Quarterly Financials (Rs m)

Y/e Mar	Q2FY20	Q3FY20	Q4FY20	Q1FY21
Net Revenue	6,320	7,930	8,778	2,853
YoY gr. (%)	22.8	15.6	(9.3)	(57.3)
Raw Material Expenses	99	167	-	-
Gross Profit	6,221	7,763	8,778	2,853
Margin (%)	98.4	97.9	100.0	100.0
EBITDA	1,076	1,180	919	283
YoY gr. (%)	18.3	6.0	(31.4)	(74.6)
Margin (%)	17.0	14.9	10.5	9.9
Depreciation / Depletion	312	311	350	350
EBIT	764	869	569	(67)
Margin (%)	12.1	11.0	6.5	(2.4)
Net Interest	251	218	247	268
Other Income	58	89	80	61
Profit before Tax	571	740	403	(275)
Margin (%)	9.0	9.3	4.6	(9.6)
Total Tax	12	183	93	(67)
Effective tax rate (%)	2.1	24.7	23.0	24.3
Profit after Tax	559	557	311	(208)
Minority interest	-	-	-	-
Share Profit from Associates	-	-	-	-
Adjusted PAT	559	557	311	(208)
YoY gr. (%)	58.0	26.1	(45.8)	(150.9)
Margin (%)	8.8	7.0	3.5	(7.3)
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	559	557	311	(208)
YoY gr. (%)	58.0	26.1	(45.8)	(150.9)
Margin (%)	8.8	7.0	3.5	(7.3)
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	559	557	311	(208)
Avg. Shares O/s (m)	76	76	76	76
EPS (Rs)	7.4	7.4	4.1	(2.8)

Source: Company Data, PL Research

Price Chart
Recommendation History


No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	07-Jul-20	BUY	176	102
2	29-Jun-20	BUY	176	93
3	09-Apr-20	BUY	340	185
4	07-Apr-20	BUY	218	76
5	12-Feb-20	BUY	239	149
6	03-Jan-20	BUY	239	153
7	23-Dec-19	BUY	239	135

Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	ABB	Hold	874	913
2	Ahluwalia Contracts (India)	BUY	288	244
3	Ashoka Buildcon	BUY	147	60
4	Bharat Electronics	Hold	99	97
5	BHEL	Hold	34	41
6	Capacite's Infraprojects	BUY	162	106
7	Container Corporation of India	BUY	468	386
8	Cummins India	Accumulate	472	437
9	Engineers India	BUY	104	68
10	GE T&D India	Hold	86	108
11	H.G. Infra Engineering	BUY	259	200
12	IRB Infrastructure Developers	BUY	139	114
13	ITD Cementation India	BUY	67	52
14	J.Kumar Infraprojects	BUY	176	102
15	Kalpataru Power Transmission	BUY	276	250
16	KEC International	BUY	333	294
17	KNR Constructions	BUY	305	215
18	Larsen & Toubro	BUY	1,192	917
19	NCC	BUY	83	31
20	PNC Infratech	BUY	205	151
21	Power Grid Corporation of India	BUY	205	170
22	Sadbhav Engineering	BUY	87	49
23	Siemens	BUY	1,402	1,159
24	Thermax	Accumulate	798	751
25	Triveni Turbine	BUY	83	64
26	Voltamp Transformers	BUY	1,244	1,095

PL's Recommendation Nomenclature (Absolute Performance)

Buy	: > 15%
Accumulate	: 5% to 15%
Hold	: +5% to -5%
Reduce	: -5% to -15%
Sell	: < -15%
Not Rated (NR)	: No specific call on the stock
Under Review (UR)	: Rating likely to change shortly

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