

View: Pick up in execution from Q3FY21E; upgrade to Buy

- JKIL reported results above estimates on all fronts.
- JKIL posted 24.5%/ 41.3%/ 87.3% YoY de-growth in revenue/ EBITDA/ APAT to Rs4.8 bn/ Rs632 mn/ Rs71 mn in Q2FY21.
- We broadly maintain our FY21E/ FY22E estimates factoring H1FY21 results. We introduce FY23E estimates. JKIL's stable revenue growth (11.8% CAGR over FY20-23E) and EBITDA margin of 12.3%/ 14.0%/ 14.0% in FY21E/ FY22E/ FY23E will lead to healthy CAGR of 9.5% in its bottom line over FY20-23E. We, therefore, expect the RoCE and RoE to increase to 12.2%/ 11.3% in FY23E from 11.4%/ 10.5% in FY20.
- With gradual improvement in labour and supply chain coupled with strong orderbook of Rs106.4 bn and various opportunities available in metro and high speed rail segments, we expect strong PAT growth of 265.1%/ 43.2% in FY22E/ FY23E. Thus, we upgrade to Buy with a revised TP of Rs162 (6x Sep'22E EPS).

Order book at 4.4x TTM revenue

The revenue contribution from Metro segment stands at 70.9% (total Rs3.4 bn: Rs1.42 bn - Line 3, Rs443 mn - Line 2, Rs176 mn - Line 6, Rs758 mn - Line 9, Rs107 mn - Line 4A, Rs291 mn - Pune metro, Rs193 mn - Ahmedabad metro) in Q2FY21. We believe metro revenue would contribute 70.3%/ 60.6%/ 34.5% share in FY21E/ FY22E/ FY23E.

With order inflow of Rs42.5 bn/ Rs13.2 bn during FY20/ YTD FY21, JKIL's orderbook stood at Rs106.4 bn (4.4x TTM revenue). Considering various opportunities in all over India especially in metro segment, we factor Rs40 bn inflow each in FY21E/ FY22E/ FY23E.

Q2FY21 Result (Rs Mn)

Particulars	Q2FY21	Q2FY20	YoY (%)	Q1FY21	QoQ (%)
Revenue	4,774	6,320	(24.5)	2,853	67.4
Total Expense	4,142	5,243	(21.0)	2,569	61.2
EBITDA	632	1,076	(41.3)	283	123.3
Depreciation	353	312	13.0	350	0.7
EBIT	279	764	(63.5)	(67)	(513.8)
Other Income	59	58	2.0	61	(2.9)
Interest	239	251	(4.7)	268	(10.9)
EBT	99	571	(82.7)	(275)	(136.0)
Tax	28	12	129.3	(67)	(141.9)
RPAT	71	559	(87.3)	(208)	(134.2)
APAT	71	559	(87.3)	(208)	(134.2)
			(bps)		(bps)
Gross Margin (%)	42.5	43.6	(107)	41.0	151
EBITDA Margin (%)	13.2	17.0	(380)	9.9	331
NPM (%)	1.5	8.8	(736)	(7.3)	878
Tax Rate (%)	28.2	2.1	2608	24.3	394
EBIT Margin (%)	5.8	12.1	(625)	(2.4)	821

CMP	Rs 109
Target / Upside	Rs 162 / 50%
NIFTY	12,691

Scrip Details

Equity / FV	Rs 378mn / Rs 5
Market Cap	Rs 8bn
	USD 110mn
52-week High/Low	Rs 180/ 65
Avg. Volume (no)	1,41,829
Bloom Code	JKIL IN

Price Performance	1M	3M	12M
Absolute (%)	1	12	(29)
Rel to NIFTY (%)	(6)	(1)	(37)

Shareholding Pattern

	Mar'20	Jun'20	Sep'20
Promoters	45.3	45.3	45.3
MF/Banks/FIs	11.7	11.2	10.9
FIs	9.6	8.2	7.7
Public / Others	33.4	35.3	36.1

Valuation (x)

	FY21E	FY22E	FY23E
P/E	17.8	4.9	3.4
EV/EBITDA	3.1	2.1	1.8
ROE (%)	2.5	8.7	11.3
RoACE (%)	5.9	10.2	12.2

Estimates (Rs mn)

	FY21E	FY22E	FY23E
Revenue	23,132	33,047	41,560
EBITDA	2,851	4,628	5,827
PAT	461	1,684	2,412
EPS (Rs.)	6.1	22.3	31.9

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Exhibit 1: Actual V/s DART estimates (Rs mn)

Particulars	Actual	DART Est	% Variance	Comments
Revenue (Rs mn)	4,774	4,424	7.9	Led by better execution
EBITDA (Rs mn)	632	568	11.2	-
EBITDA%	13.2	12.8	39	In line with estimates
PAT (Rs mn)	71	13	444.9	Led by overall better performance

Source: Company, DART

Exhibit 2: Change in estimates – Broadly maintain FY21E/ FY22E and introduce FY23E estimates

(Rs mn)	FY21E			FY22E			FY23E		
	New	Old	% change	New	Old	% change	New	Old	%change
Net revenues	23,132	23,850	(3.0)	33,047	32,703	1.1	41,560	-	-
EBIDTA	2,851	2,880	(1.0)	4,628	4,578	1.1	5,827	-	-
EBIDTA margin (%)	12.3	12.1	25	14.0	14.0	1	14.0	-	-
Adj. Net Profit	461	476	(3.0)	1,684	1,694	(0.6)	2,412	-	-
EPS (Rs)	6.1	6.3	(3.0)	22.3	22.4	(0.6)	31.9	-	-

Source: DART, Company

Key earnings takeaways

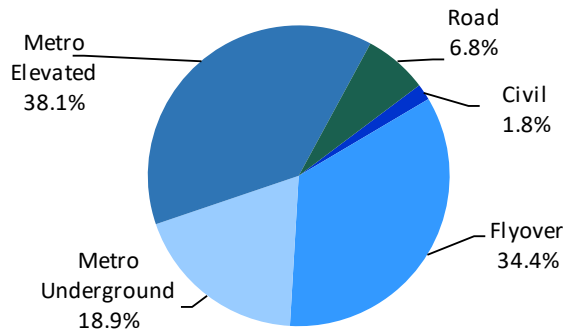
- Metro opportunities are there in Surat, Ahmedabad, Delhi and Mumbai. Also High Speed rail (HSR) opportunities expected in 2 months and will bid for the same. JKIL has bid for Surat Metro (1 elevated and 1 underground total worth Rs22 bn). Also bided for Mumbai metro 2B (Rs11-12 bn) and 2 packages of Delhi-Saharanpur (Rs28 bn) and all these bids are likely to open in Dec'20.
- Expect order inflow of Rs20-30 bn in H2FY21E.
- Labour is at pre covid levels and efficiency at 80-90%. Expect 100% in Q3-Q4FY21E.
- Increased revenue guidance to Rs22 bn (Rs6 bn/ Rs8 bn in Q3FY21E/ Q4FY21E) from Rs20 bn for FY21E. Guided for 14% EBITDA margins for FY21E and 15-17% for FY22E.
- Major revenue contributors will be Metro Line 2/3/4/6/9 and 2 packages of Dwarka.
- CIDCO project (Rs4.1 bn) is expected to start execution in 5-6 months as some mangrove and forest clearance issue is there.
- Worli Sewri project approvals are in place and can expect LOA in 1 month and execution by Dec'20. Will receive 10% interest free mobilization advance for the same.
- 100%/ 90% tunneling is done for Metro Line 3 Pkg 5/ Pkg 6. TBM of package 5 will be used for Line 9. Line 3 is expected to be completed by Dec'22E and can go into operation by Jun'23E.
- JKIL is taking few cost optimization measures by trying to put automated plants thus leading to less labour, more efficiency and waste control.
- Line 9 metro work has started and expect tunneling to start in a years' time.
- Gross Debt stands at Rs5.84 bn and expect it to rise to Rs6-6.5 bn for FY21E. Capex for H1FY21 is Rs130 mn and guided for Rs500 mn/ Rs500-800 mn for FY21E/ FY22E. Expect working capital days of 120 by FY21E.

- Mobilisation advance/ Retention/ Unbilled revenue - Rs4.2 bn/ Rs2.3 bn/ Rs5.24 bn. Total limits stands at Rs42 bn of which Rs33 bn (Rs5.8 bn/ Rs27 bn for Fund/ Non Fund) is utilized.
- Expect mobilization advance of Rs4.3 bn majorly in H2FY21E of which Rs1.3 bn is interest bearing.
- When asked for doing buyback, JKIL said the priority is to execute and work and for that money is required.

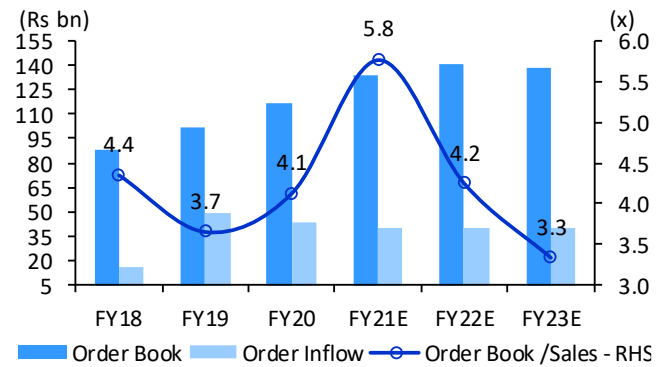
Exhibit 3: Income statement (Standalone)

Particulars (Rs mn)	Q2FY21	Q2FY20	YoY (%)	Q1FY21	QoQ (%)	H1FY21	H1FY20	YoY (%)
Revenue	4,774	6,320	(24.5)	2,853	67.4	7,626	12,997	(41.3)
Material consumed	2,745	3,567	(23.0)	1,683	63.1	4,429	7,614	(41.8)
Employees cost	503	690	(27.0)	353	42.5	856	1,323	(35.3)
Other expenditure	893	987	(9.5)	533	67.6	1,426	1,870	(23.7)
Total expenditure	4,142	5,243	(21.0)	2,569	61.2	6,711	10,807	(37.9)
EBITDA	632	1,076	(41.3)	283	123.3	915	2,190	(58.2)
Depreciation	353	312	13.0	350	0.7	704	601	17.0
Operating profit	279	764	(63.5)	(67)	-	212	1,588	(86.7)
Other income	59	58	2.0	61	(2.9)	120	114	5.2
EBIT	338	822	(58.9)	(7)	-	331	1,702	(80.5)
Interest	239	251	(4.7)	268	(10.9)	507	512	(1.0)
EBT	99	571	(82.7)	(275)	-	(176)	1,190	-
Tax	28	12	129.3	(67)	-	(39)	222	-
Net income	71	559	(87.3)	(208)	-	(137)	968	-
Adjustments	-	-	-	-	-	-	-	-
Adjusted net income	71	559	(87.3)	(208)	-	(137)	968	-
EPS (Rs)	0.9	7.4	(87.3)	(2.8)	-	(1.8)	12.8	-
			bps		bps			bps
EBIDTA Margin (Excl. O.I.)	13.2	17.0	(379)	9.9	331	12.0	16.8	(485)
EBIDTA Margin (Incl. O.I.)	14.5	17.9	(347)	12.1	242	13.6	17.7	(416)
NPM (%)	1.5	8.8	(729)	(7.1)	861	(1.8)	7.4	(915)
Tax/PBT (%)	28.2	2.1	2,608	24.3	394	22.1	18.6	342
Material cons/Revenue (%)	57.5	56.4	107	59.0	(150)	58.1	58.6	(51)

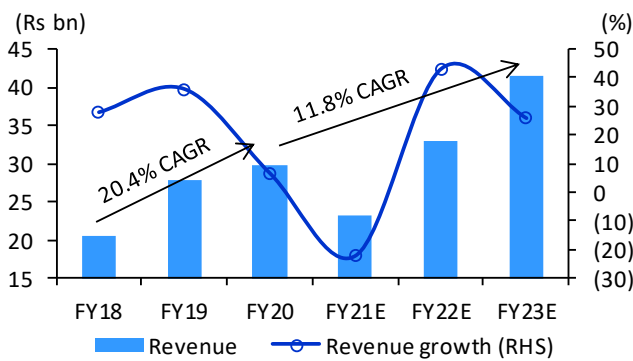
Source: DART, Company

Exhibit 4: Rs106.4 bn order book break up


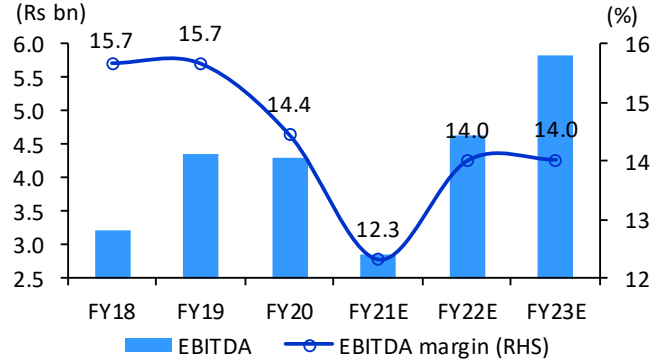
Source: Company, DART

Exhibit 5: Order book trend


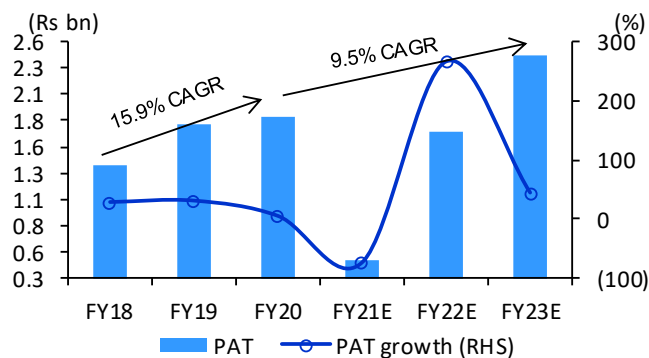
Source: Company, DART

Exhibit 6: Revenue CAGR of 11.8% over FY20-23E


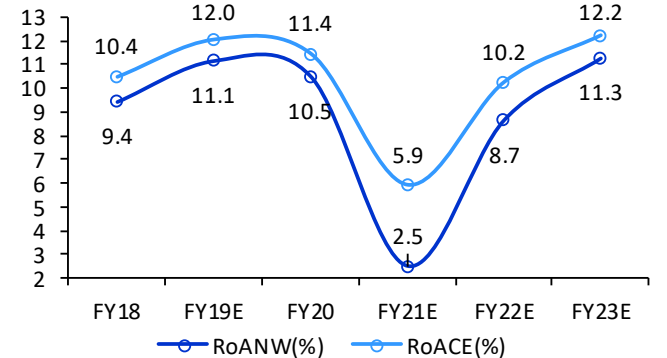
Source: Company, DART

Exhibit 7: Factored in lower EBITDA Margin


Source: Company, DART

Exhibit 8: PAT to grow 9.5% CAGR over FY20-23E


Source: Company, DART

Exhibit 9: ROE and ROCE trend


Source: Company, DART

Profit and Loss Account

(Rs Mn)	FY20A	FY21E	FY22E	FY23E
Revenue	29,705	23,132	33,047	41,560
Total Expense	25,416	20,281	28,419	35,733
COGS	18,169	14,041	20,774	26,432
Employees Cost	2,987	2,539	2,920	3,358
Other expenses	4,260	3,701	4,726	5,943
EBIDTA	4,289	2,851	4,628	5,827
Depreciation	1,263	1,461	1,605	1,742
EBIT	3,027	1,390	3,024	4,085
Interest	977	1,030	980	1,030
Other Income	283	260	221	188
Exc. / E.O. items	0	0	0	0
EBT	2,333	620	2,265	3,243
Tax	497	159	580	831
RPAT	1,836	461	1,684	2,412
Minority Interest	0	0	0	0
Profit/Loss share of associates	0	0	0	0
APAT	1,836	461	1,684	2,412

Balance Sheet

(Rs Mn)	FY20A	FY21E	FY22E	FY23E
Sources of Funds				
Equity Capital	378	378	378	378
Minority Interest	0	0	0	0
Reserves & Surplus	17,931	18,298	19,888	22,205
Net Worth	18,310	18,676	20,266	22,584
Total Debt	6,738	6,298	6,264	6,674
Net Deferred Tax Liability	274	304	334	364
Total Capital Employed	25,321	25,278	26,864	29,622

Applications of Funds

Net Block	8,545	8,971	8,367	8,125
CWIP	987	100	100	100
Investments	12	320	320	320
Current Assets, Loans & Advances	27,251	25,245	31,087	37,702
Inventories	3,126	2,660	3,635	4,572
Receivables	6,448	5,089	6,940	8,728
Cash and Bank Balances	4,950	5,635	4,636	4,439
Loans and Advances	105	101	142	179
Other Current Assets	12,622	11,759	15,734	19,785
Less: Current Liabilities & Provisions	11,282	9,358	13,009	16,626
Payables	4,604	2,637	3,126	3,931
Other Current Liabilities	6,677	6,721	9,883	12,695
<i>sub total</i>				
Net Current Assets	15,969	15,887	18,078	21,077
Total Assets	25,514	25,278	26,864	29,622

E – Estimates

Important Ratios

Particulars	FY20A	FY21E	FY22E	FY23E
(A) Margins (%)				
Gross Profit Margin	38.8	39.3	37.1	36.4
EBIDTA Margin	14.4	12.3	14.0	14.0
EBIT Margin	10.2	6.0	9.1	9.8
Tax rate	21.3	25.6	25.6	25.6
Net Profit Margin	6.2	2.0	5.1	5.8
(B) As Percentage of Net Sales (%)				
COGS	61.2	60.7	62.9	63.6
Employee	10.1	11.0	8.8	8.1
Other	14.3	16.0	14.3	14.3
(C) Measure of Financial Status				
Gross Debt / Equity	0.4	0.3	0.3	0.3
Interest Coverage	3.1	1.3	3.1	4.0
Inventory days	38	42	40	40
Debtors days	79	80	77	77
Average Cost of Debt	14.3	15.8	15.6	15.9
Payable days	57	42	35	35
Working Capital days	196	251	200	185
FA T/O	3.5	2.6	3.9	5.1
(D) Measures of Investment				
AEPS (Rs)	24.3	6.1	22.3	31.9
CEPS (Rs)	40.9	25.4	43.5	54.9
DPS (Rs)	2.7	1.3	1.3	1.3
Dividend Payout (%)	11.2	20.5	5.6	3.9
BVPS (Rs)	242.0	246.8	267.8	298.5
RoANW (%)	10.5	2.5	8.7	11.3
RoACE (%)	11.4	5.9	10.2	12.2
RoAIC (%)	14.2	7.5	12.7	14.5
(E) Valuation Ratios				
CMP (Rs)	109	109	109	109
P/E	4.5	17.8	4.9	3.4
Mcap (Rs Mn)	8,210	8,210	8,210	8,210
MCap/ Sales	0.3	0.4	0.2	0.2
EV	9,998	8,873	9,838	10,445
EV/Sales	0.3	0.4	0.3	0.3
EV/EBITDA	2.3	3.1	2.1	1.8
P/BV	0.4	0.4	0.4	0.4
Dividend Yield (%)	2.5	1.2	1.2	1.2
(F) Growth Rate (%)				
Revenue	6.6	(22.1)	42.9	25.8
EBITDA	(1.7)	(33.5)	62.4	25.9
EBIT	(9.4)	(54.1)	117.5	35.1
PBT	(13.1)	(73.4)	265.1	43.2
APAT	3.7	(74.9)	265.1	43.2
EPS	3.7	(74.9)	265.1	43.2

Cash Flow

(Rs Mn)	FY20A	FY21E	FY22E	FY23E
CFO	2,588	3,298	889	1,830
CFI	(876)	(1,047)	(779)	(1,312)
CFF	(1,475)	(1,565)	(1,108)	(715)
FCFF	826	2,298	(111)	330
Opening Cash	4,713	4,950	5,636	4,638
Closing Cash	4,950	5,636	4,638	4,441

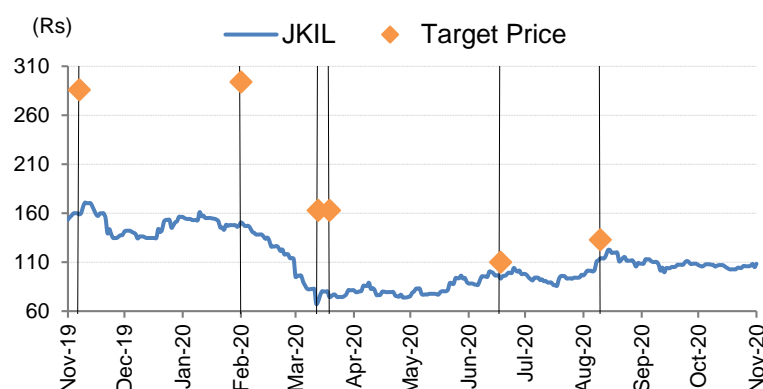
E – Estimates

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.)
Nov-19	Buy	286	159
Feb-20	Buy	294	151
Mar-20	Buy	163	70
Mar-20	Buy	163	75
Jun-20	Accumulate	110	93
Aug-20	Accumulate	133	114

*Price as on recommendation date

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