

J. Kumar Infraprojects

Moving towards normalcy

J Kumar Infraprojects (JKIL) reported a profit (at Rs 71 vs Rs 59mn loss expectation) owing to better execution and cost controls. Labour availability has now improved to near pre-COVID levels with execution efficiency at ~80-90% (30-40% run rate in August). Whilst order backlog is robust at 3.6x FY20 revenue, near-term execution challenges have alleviated now to a large extent with people adjusting to the new normal and getting back to work. At 4.6/3.6x FY22/FY23E EPS, valuations are compelling. We maintain BUY on JKIL with a target price of Rs 160/sh (6x Sep-22E EPS). Key risks: (1) geographic concentration; (2) order conversion within estimated timelines.

- Execution picks up in 2QFY21:** Revenue in 2QFY21 has ramped up significantly to Rs 4.8bn (-24/+67% YoY/QoQ, 36% beat). 1QFY21 was a washout as urban areas (~91% order book) were worst impacted by COVID-19. EBITDA stood at Rs 632mn (-41/+123% YoY/QoQ, 36% beat). EBITDA margins: 13.2% (-379bps YoY, +331bps QoQ, in-line). Consequently, RPAT came in at Rs 71mn (vs Rs 559/354 YoY/QoQ, vs estimate of Rs -59mn); RPAT beat was driven by better-than-envisaged execution. While the workforce is at the pre-COVID level now, execution efficiency is still at ~80-90% and will ramp up post the festive season, now that monsoon is over. JKIL has maintained guidance of Rs ~21/35bn revenue for FY21/FY22E, with EBITDA margins at 13-14%/15%+ respectively.
- Order book healthy; order inflows targeted at Rs 40-45bn for FY21:** Total order book as on 2QFY21 stood at Rs 106.4bn (3.6x FY20 revenue). Metro projects contribute ~57%, while Flyover, Bridges & Roads projects contribute ~41%. Order inflows during 2QFY21 stood at Rs 0.9bn. In 3QFY20, MMRDA awarded Rs 10bn trans-harbour connector project to JKIL, in which it has the L1 position. Order inflow guidance for FY21 is maintained at Rs ~40bn, the same as FY20, implying ~25-30bn inflows in 2HFY21. AD for Dwarka Expressway for Pkg-1 has been received. Near-term bid pipeline is strong, including projects like Surat Metro (Rs 25bn), Mumbai Metro Line 2B (Rs 11bn), Delhi-Saharanpur flyover (Rs 28bn), etc.
- Stable leverage and NWC:** Gross D/E as of 2QFY21 stands at 0.32x vs 0.37x as of 4QFY20. The gross debt for the company is stable at Rs 5.9bn (Rs 5.6/6.7bn at the end of 1QFY21/4QFY20). With no significant Capex planned during the FY21E/FY22E (Rs 0.5bn in FY21), partial release of BGs by government agencies, and utilisation of mobilisation advances, we expect D/E ratio to be maintained in 0.37-0.40x range. However, with the ramp-up in execution from 3QFY21, gross debt levels may increase to Rs 6-6.5bn. JKIL expects NWC to be at 120days for FY21 vs 144days in FY20.

Financial Summary (Standalone)

YE March	2QFY21	2QFY20	YoY (%)	1QFY21	QoQ (%)	FY20	FY21E	FY22E	FY23E
Net Sales	4,774	6,320	(24.5)	2,853	67.4	29,706	20,605	29,877	34,359
EBITDA	632	1,076	(41.3)	283	123.2	4,290	2,199	4,560	5,244
APAT	71	559	(87.3)	(208)	(134.2)	1,836	152	1,775	2,271
Diluted EPS (Rs)	0.9	7.4	(87.3)	(2.7)	(134.2)	24.3	2.0	23.5	30.0
P/E (x)						4.3	52.5	4.5	3.5
EV / EBITDA (x)						3.3	6.2	2.8	2.4
RoE (%)						10.5	0.8	9.4	11.1

Source: Company, HSIE Research

BUY

CMP (as on 11 Nov 2020)	Rs 105
Target Price	Rs 160
NIFTY	12,749

KEY CHANGES	OLD	NEW	
Rating	BUY	BUY	
Price Target	Rs 160	Rs 160	
EPS	FY21E	FY22E	FY23E
change %	-	-	-

KEY STOCK DATA

Bloomberg code	JKIL IN
No. of Shares (mn)	76
MCap (Rs bn) / (\$ mn)	8/107
6m avg traded value (Rs mn)	19
52 Week high / low	Rs 180/65

STOCK PERFORMANCE (%)

	3M	6M	12M
Absolute (%)	8.9	39.2	(31.6)
Relative (%)	(4.6)	1.1	(39.6)

SHAREHOLDING PATTERN (%)

	Jun-20	Sep-20
Promoters	45.32	45.32
FIs & Local MFs	12.09	10.88
FPIs	8.19	7.70
Public & Others	34.40	36.10
Pledged Shares	10.57	10.57

Source: BSE

Parikshit D Kandpal, CFA
 parikshitd.kandpal@hdfcsec.com
 +91-22-6171-7317

Rohan Rustagi
 rohan.rustagi@hdfcsec.com
 +91-22-6171-7355

Chintan Parikh
 Chintan.parikh@hdfcsec.com
 +91-22-6171-7330

Disclosure:

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HDFC securities Limited, I Think Techno Campus, Building - B, "Alpha", Office Floor 8, Near Kanjurmarg Station, Opp. Crompton Greaves, Kanjurmarg (East), Mumbai 400 042 Phone: (022) 3075 3400 Fax: (022) 2496 5066 Compliance Officer: Binkle R. Oza Email: complianceofficer@hdfsec.com Phone: (022) 3045 3600

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HDFC securities**Institutional Equities**

Unit No. 1602, 16th Floor, Tower A, Peninsula Business Park,

Senapati Bapat Marg, Lower Parel, Mumbai - 400 013

Board: +91-22-6171-7330 www.hdfsec.com