

November 11, 2020

Q2FY21 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	2,987	5,051	5,926
Margin (%)	14.4	13.5	15.3	15.3
PAT (Rs. m)	1,836	684	2,221	2,805
EPS (Rs.)	24.3	9.0	29.4	37.1
Gr. (%)	3.7	(62.7)	224.8	26.3
DPS (Rs.)	1.3	1.3	-	-
Yield (%)	1.2	1.2	-	-
RoE (%)	10.5	3.7	11.1	12.5
RoCE (%)	12.4	6.2	12.9	14.1
EV/Sales (x)	0.3	0.5	0.3	0.3
EV/EBITDA (x)	2.3	3.5	2.1	1.7
PE (x)	4.3	11.6	3.6	2.8
P/BV (x)	0.4	0.4	0.4	0.3

Key Data

JKIP.BO | JKIL IN

52-W High / Low	Rs.180 / Rs.65
Sensex / Nifty	43,594 / 12,749
Market Cap	Rs.8bn/ \$ 107m
Shares Outstanding	76m
3M Avg. Daily Value	Rs.34.34m

Shareholding Pattern (%)

Promoter's	45.32
Foreign	7.70
Domestic Institution	10.88
Public & Others	36.10
Promoter Pledge (Rs bn)	0.87

Stock Performance (%)

	1M	6M	12M
Absolute	(3.2)	40.6	(31.6)
Relative	(10.0)	1.8	(36.7)

Viral Shah

viralshah@plindia.com | 91-22-66322250

Shivang Joshi

shivangjoshi@plindia.com | 91-22-66322391

Labour availability improving

Quick Pointers:

- Revenues for Q2 came in above our and street estimates at Rs4.8bn led by strong execution and labour availability reaching pre-covid levels.
- OB strong at Rs106.4bn (4.4x TTM sales, excluding Rs10.5bn order received in Nov'20); Incremental order inflows targeted at Rs20-30bn for FY21E.
- Management raised its revenue guidance for FY21 to Rs22bn (vs earlier guidance of Rs20bn), with EBITDA margins in the range of 13-14%.

JKIL reported a healthy operational performance with revenues coming in above our and street estimates and margins showing resilience through several cost control measures adopted by the company. Further, execution picked up sharply as labour force are back to pre-covid levels and the projects are operating at 80-90% efficiency levels. With strong order book, healthy bid pipeline and labour force at pre-covid levels, management raised its guidance for FY21 revenues to ~Rs22bn (earlier Rs20bn) and maintained its FY22 guidance of ~Rs35bn topline.

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 (Rs106.4bn as at 2QFY21) with steadily increasing order ticket size, b) strong execution capabilities, c) controlled financial leverage (D:E of ~0.3), and d) strong EBITDA margins (~15-16% over FY16-20). We have upgraded our FY21E PAT estimates from Rs355mn to Rs684mn on the back of healthy 1H performance and revised management guidance. At CMP, the stock trades at a P/E of 11.6x/3.6x on FY21E/FY22E EPS and at an EV of 3.5x/2.1x of FY21E/FY22E EBITDA. We maintain BUY rating on the stock with a TP of Rs176 (same as earlier).

Healthy revenues amidst pandemic, margins resilient: During 2QFY21, JKIL's revenues fell by 24.5% to Rs4.8bn (above our/ street estimates of Rs3.5bn/ Rs3.9bn), as execution was strong on the back of pickup in labour availability. EBITDA declined by 41.3% YoY to Rs632mn (PLe Rs460mn) with EBITDAM contracting 379bps YoY to 13.2% (PLe 7%) attributed to negative operating leverage kicking in. On bottom-line front, adj PAT came in at Rs71mn (above our/ street estimates: loss of Rs90mn/ Rs37mn) led by better than expected execution.

Healthy order book, strong bid pipeline: JKIL bagged metro projects worth Rs0.9bn in Q2FY21 taking the order book to Rs106.4bn as on 2QFY21 translating into order book-to-sales of 4.4x its trailing revenues. Further, the company bagged Rs10.5bn elevated corridor project in Nov'20. Of the total order book, Metro segment contributes ~57% (underground: 19% and elevated: 38%), Flyovers, roads & Bridges ~41% and Civil & other segment ~2%. With strong bid pipeline and bids already submitted for over Rs60bn projects (metro and flyover), company targets incremental order inflows of Rs20-30bn in FY21E.

Exhibit 1: Quarterly Financials (Standalone): Strong execution led by rising labour force drive revenues above estimates

Y/e March (Rs mn)	Q2FY20	Q3FY20	Q4FY20	Q1FY21	Q2FY21	YoY gr. (%)	QoQ gr. (%)	1HFY21	1HFY20	YoY gr. (%)
Revenue	6,320	7,930	8,778	2,853	4,774	-24.5	67.4	7,626	12,997	-41.3
Total Revenues	6,320	7,930	8,778	2,853	4,774	-24.5	67.4	7,626	12,997	-41.3
Expenditure	5,243	6,751	7,858	2,569	4,142	-21.0	61.2	6,711	10,807	-37.9
<i>as % of sales</i>	<i>83.0</i>	<i>85.1</i>	<i>89.5</i>	<i>90.1</i>	<i>86.8</i>			<i>88.0</i>	<i>83.2</i>	
Consumption of RM	3,567	4,854	5,702	1,683	2,745	-23.0	63.1	4,429	7,614	-41.8
<i>as % of sales</i>	<i>56.4</i>	<i>61.2</i>	<i>65.0</i>	<i>59.0</i>	<i>57.5</i>			<i>58.1</i>	<i>58.6</i>	
Employee Cost	690	841	823	353	503	-27.0	42.5	856	1,323	-35.3
<i>as % of sales</i>	<i>10.9</i>	<i>10.6</i>	<i>9.4</i>	<i>12.4</i>	<i>10.5</i>			<i>11.2</i>	<i>10.2</i>	
Other expenditure	987	1,056	1,334	533	893	-9.5	67.6	1,426	1,870	-23.7
<i>as % of sales</i>	<i>15.6</i>	<i>13.3</i>	<i>15.2</i>	<i>18.7</i>	<i>18.7</i>			<i>18.7</i>	<i>14.4</i>	
EBITDA	1,076	1,180	919	283	632	-41.3	123.3	915	2,190	-58.2
Depreciation	312	311	350	350	353	13.0	0.7	704	601	17.0
EBIT	764	869	569	-67	279	-63.5	-513.8	212	1,588	-86.7
Other Income	58	89	80	61	59	2.0	-2.9	120	114	5.2
Interest	251	218	247	268	239	-4.7	-10.9	507	512	-1.0
PBT	571	740	403	-275	99	-82.7	-136.0	-176	1,190	-114.8
Total Tax	12	183	93	-67	28	129.3	-141.9	-39	222	-117.5
Adjusted PAT	559	557	311	-208	71	-87.3	-134.2	-137	968	-114.2
(Profit)/loss from JV's/Ass/MI	0	0	0	0	0	NA	0.0	0	0	0.0
PAT after MI	559	557	311	-208	71	-87.3	-134.2	-137	968	-114.2
Extra ordinary items	0	0	0	0	0	NA		0	0	
Reported PAT	559	557	311	-208	71	-87.3	-134.2	-137	968	-114.2
Adjusted EPS	7.4	7.4	4.1	-2.8	0.9	-87.3	-134.2	-1.8	12.8	-114.2
						<i>bps</i>	<i>bps</i>			<i>bps</i>
EBIDTA	17.0	14.9	10.5	9.9	13.2	-379	331	12.0	16.8	-485
EBIT	12.1	11.0	6.5	-2.4	5.8	-625	821	2.8	12.2	-945
EBT	9.0	9.3	4.6	-9.6	2.1	-696	1171	-2.3	9.2	-1146
PAT	8.8	7.0	3.5	-7.3	1.5	-736	878	-1.8	7.4	-925
Effective Tax rate	2.1	24.7	23.0	24.3	28.2	2608	394	22.1	18.6	342

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	2,212	3,301	3,873
Other Expenses	3,763	2,655	3,961	4,648
EBITDA	4,289	2,987	5,051	5,926
YoY gr. (%)	(1.7)	(30.4)	69.1	17.3
Margin (%)	14.4	13.5	15.3	15.3
Depreciation and Amortization	1,263	1,368	1,478	1,588
EBIT	3,027	1,618	3,572	4,338
Margin (%)	10.2	7.3	10.8	11.2
Net Interest	977	1,061	1,139	1,218
Other Income	283	354	528	620
Profit Before Tax	2,333	912	2,962	3,740
Margin (%)	7.9	4.1	9.0	9.7
Total Tax	497	228	740	935
Effective tax rate (%)	21.3	25.0	25.0	25.0
Profit after tax	1,836	684	2,221	2,805
Minority interest	-	-	-	-
Share Profit from Associate	-	-	-	-
Adjusted PAT	1,836	684	2,221	2,805
YoY gr. (%)	3.7	(62.7)	224.8	26.3
Margin (%)	6.2	3.1	6.7	7.2
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	1,836	684	2,221	2,805
YoY gr. (%)	3.7	(62.7)	224.8	26.3
Margin (%)	6.2	3.1	6.7	7.2
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	1,836	684	2,221	2,805
Equity Shares O/s (m)	76	76	76	76
EPS (Rs)	24.3	9.0	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	12,581	13,681	14,781	15,881
Tangibles	12,581	13,681	14,781	15,881
Intangibles	-	-	-	-
Acc: Dep / Amortization	4,036	5,404	6,882	8,471
Tangibles	4,036	5,404	6,882	8,471
Intangibles	-	-	-	-
Net fixed assets	8,545	8,277	7,899	7,411
Tangibles	8,545	8,277	7,899	7,411
Intangibles	-	-	-	-
Capital Work In Progress	987	987	987	987
Goodwill	-	-	-	-
Non-Current Investments	3,015	3,552	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	3,334	4,522	5,306
Trade receivables	6,448	6,061	8,139	9,020
Cash & Bank Balance	4,950	5,140	5,380	6,503
Other Current Assets	8,475	8,849	9,903	11,619
Total Assets	36,795	37,704	42,982	48,061
Equity				
Equity Share Capital	378	378	378	378
Other Equity	17,931	18,521	20,647	23,358
Total Networkth	18,310	18,899	21,026	23,736
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	5,761	6,261	6,761	7,261
Trade payables	4,604	4,000	5,969	7,004
Other current liabilities	6,531	6,955	7,638	8,472
Total Equity & Liabilities	36,795	37,704	42,982	48,061

Source: Company Data, PL Research

Cash Flow (Rs m)

Y/e Mar	FY20	FY21E	FY22E	FY23E
PBT	2,333	912	2,962	3,740
Add. Depreciation	1,263	1,368	1,478	1,588
Add. Interest	977	1,061	1,139	1,218
Less Financial Other Income	283	354	528	620
Add. Other	(229)	-	-	-
Op. profit before WC changes	4,343	3,341	5,579	6,546
Net Changes-WC	(821)	(1,168)	(2,765)	(2,576)
Direct tax	(934)	(228)	(740)	(935)
Net cash from Op. activities	2,588	1,945	2,074	3,035
Capital expenditures	(1,269)	(1,100)	(1,100)	(1,100)
Interest / Dividend Income	231	-	-	-
Others	(189)	-	-	-
Net Cash from Inv. 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)	(1,061)	(1,139)	(1,218)
Others	-	-	-	-
Net cash from Fin. activities	(1,475)	(655)	(733)	(812)
Net change in cash	(113)	189	240	1,123
Free Cash Flow	1,012	845	974	1,935

Source: Company Data, PL Research

Key Financial Metrics

Y/e Mar	FY20	FY21E	FY22E	FY23E
Per Share(Rs)				
EPS	24.3	9.0	29.4	37.1
CEPS	40.9	27.1	48.9	58.1
BVPS	242.0	249.8	277.9	313.7
FCF	13.4	11.2	12.9	25.6
DPS	1.3	1.3	-	-
Return Ratio(%)				
RoCE	12.4	6.2	12.9	14.1
ROIC	12.2	5.8	12.0	13.4
RoE	10.5	3.7	11.1	12.5
Balance Sheet				
Net Debt : Equity (x)	0.1	0.1	0.1	0.1
Net Working Capital (Days)	94	140	116	115
Valuation(x)				
PER	4.3	11.6	3.6	2.8
P/B	0.4	0.4	0.4	0.3
P/CEPS	2.6	3.9	2.1	1.8
EV/EBITDA	2.3	3.5	2.1	1.7
EV/Sales	0.3	0.5	0.3	0.3
Dividend Yield (%)	1.2	1.2	-	-

Source: Company Data, PL Research

Quarterly Financials (Rs m)

Y/e Mar	Q3FY20	Q4FY20	Q1FY21	Q2FY21
Net Revenue	7,930	8,778	2,853	4,774
YoY gr. (%)	15.6	(9.3)	(57.3)	(24.5)
Raw Material Expenses	167	-	-	-
Gross Profit	7,763	8,778	2,853	4,774
Margin (%)	97.9	100.0	100.0	100.0
EBITDA	1,180	919	283	632
YoY gr. (%)	6.0	(31.4)	(74.6)	(41.3)
Margin (%)	14.9	10.5	9.9	13.2
Depreciation / Depletion	311	350	350	353
EBIT	869	569	(67)	279
Margin (%)	11.0	6.5	(2.4)	5.8
Net Interest	218	247	268	239
Other Income	89	80	61	59
Profit before Tax	740	403	(275)	99
Margin (%)	9.3	4.6	(9.6)	2.1
Total Tax	183	93	(67)	28
Effective tax rate (%)	24.7	23.0	24.3	28.2
Profit after Tax	557	311	(208)	71
Minority interest	-	-	-	-
Share Profit from Associates	-	-	-	-
Adjusted PAT	557	311	(208)	71
YoY gr. (%)	26.1	(45.8)	(150.9)	(87.3)
Margin (%)	7.0	3.5	(7.3)	1.5
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	557	311	(208)	71
YoY gr. (%)	26.1	(45.8)	(150.9)	(87.3)
Margin (%)	7.0	3.5	(7.3)	1.5
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	557	311	(208)	71
Avg. Shares O/s (m)	76	76	76	76
EPS (Rs)	7.4	4.1	(2.8)	0.9

Source: Company Data, PL Research

Price Chart
Recommendation History


No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	08-Oct-20	BUY	176	109
2	21-Aug-20	BUY	176	112
3	07-Jul-20	BUY	176	102
4	29-Jun-20	BUY	176	93
5	09-Apr-20	BUY	340	185
6	07-Apr-20	BUY	218	76
7	12-Feb-20	BUY	239	149
8	03-Jan-20	BUY	239	153
9	23-Dec-19	BUY	239	135

Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	ABB	Hold	880	894
2	Ahluwalia Contracts (India)	BUY	288	231
3	Ashoka Buildcon	BUY	147	64
4	Bharat Electronics	Hold	99	94
5	BHEL	Hold	34	28
6	Capacite's Infraprojects	BUY	162	120
7	Container Corporation of India	BUY	468	378
8	Cummins India	Accumulate	472	434
9	Engineers India	BUY	104	64
10	GE T&D India	Hold	86	89
11	H.G. Infra Engineering	BUY	259	185
12	IRB Infrastructure Developers	BUY	152	112
13	ITD Cementation India	BUY	67	50
14	J.Kumar Infraprojects	BUY	176	109
15	Kalpataru Power Transmission	BUY	296	251
16	KEC International	Accumulate	339	338
17	KNR Constructions	BUY	305	257
18	Larsen & Toubro	BUY	1,284	935
19	NCC	BUY	83	36
20	PNC Infratech	BUY	219	167
21	Power Grid Corporation of India	BUY	205	170
22	Sadbhav Engineering	BUY	87	52
23	Siemens	BUY	1,402	1,275
24	Thermax	Accumulate	798	790
25	Triveni Turbine	BUY	85	69
26	Voltamp Transformers	BUY	1,283	1,032

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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3rd Floor, Sadhana House, 570, P. B. Marg, Worli, Mumbai-400 018, India | Tel: (91 22) 6632 2222 Fax: (91 22) 6632 2209

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