

J.Kumar Infraprojects (JKIL IN)

Rating: BUY | CMP: Rs177 | TP: Rs272

May 27, 2021

Q4FY21 Result Update

☑ Change in Estimates | ☑ Target | ■ Reco

Change in Estimates

	Current		Previous	
	FY22E	FY23E	FY22E	FY23E
Rating	BUY		BUY	
Target Price	272		260	
Sales (Rs. m)	34,110	39,942	34,110	39,942
% Chng.	-	-	-	-
EBITDA (Rs. m)	5,014	5,871	5,014	5,871
% Chng.	-	-	-	-
EPS (Rs.)	30.8	38.8	29.5	37.1
% Chng.	4.4	4.5	-	-

Key Financials - Standalone

Y/e Mar	FY20	FY21	FY22E	FY23E
Sales (Rs. m)	29,705	25,708	34,110	39,942
EBITDA (Rs. m)	4,289	3,114	5,014	5,871
Margin (%)	14.4	12.1	14.7	14.7
PAT (Rs. m)	1,836	639	2,329	2,937
EPS (Rs.)	24.3	8.4	30.8	38.8
Gr. (%)	3.7	(65.2)	264.4	26.1
DPS (Rs.)	1.3	1.3	-	-
Yield (%)	0.7	0.7	-	-
RoE (%)	10.5	3.4	11.7	13.0
RoCE (%)	12.4	6.8	14.1	15.2
EV/Sales (x)	0.5	0.5	0.5	0.4
EV/EBITDA (x)	3.6	4.0	3.7	3.0
PE (x)	7.3	20.9	5.7	4.6
P/BV (x)	0.7	0.7	0.6	0.6

Key Data

JKIP.BO | JKIL IN

52-W High / Low	Rs.216 / Rs.76
Sensex / Nifty	51,115 / 15,338
Market Cap	Rs.13bn/ \$ 184m
Shares Outstanding	76m
3M Avg. Daily Value	Rs.68.19m

Shareholding Pattern (%)

Promoter's	46.51
Foreign	8.54
Domestic Institution	10.62
Public & Others	34.33
Promoter Pledge (Rs bn)	1.41

Stock Performance (%)

	1M	6M	12M
Absolute	(3.5)	48.9	129.5
Relative	(7.6)	28.6	41.9

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Healthy execution; Subdued margins

Quick Pointers:

- With order inflows of Rs22.6bn in FY21, order book stands strong at Rs109.3bn (4.3x TTM sales); targets order inflows of Rs40-50bn in FY22E.
- Amidst second wave of Covid, labour availability at project sites down by 30-35% vs pre-covid levels; management expects normalcy by Jun'21 end.
- With debt reduction of Rs1.4bn in FY21, gross debt stands low at Rs5.3bn. With Cash balance of Rs6bn, company turned Net cash as at 4QFY21.

JKIL's 4Q results were a mixed bag with healthy revenues (above our and street estimates), but disappointed on margins front. Amidst the second wave of Covid, it lost Rs1bn revenues in 4QFY21 and is currently facing a drop in labour availability by 30-35% compared to Feb-Mar'21. Despite these headwinds, the company maintains a strong liquidity position by turning Net Cash as at 4Q. On the back of strong order book, healthy bid pipeline and execution expected to reach normalcy by Jun'21 end, management guided for robust revenues of Rs30-35bn in FY22 (earlier guidance ~Rs35bn) with EBITDAM to normalize in the range of ~14-16%.

With a strong track record of executing roads, bridges, structural buildings, urban infrastructure such as metro, railways, subways and skywalks, JKIL stands strong on the back of a) healthy order book (~Rs109bn as at 4QFY21) with increasing ticket size, b) strong execution capabilities, c) controlled debt (Net cash as at Mar'21), and d) strong EBITDA margins (~15-16% over FY16-20). With lower debt levels, we have tweaked our finance cost estimates and consequently raised our earnings estimates by 4.4%/4.5% for FY22E/ FY23E. At CMP, the stock trades at a P/E of 5.7x/4.6x on FY22E/ FY23E EPS and an EV of 3.7x/3x of FY22E/ FY23E EBITDA. We maintain BUY rating with a revised TP of Rs272 (earlier TP Rs260).

Healthy revenues but margins remain bleak: For Q4FY21, JKIL's revenues grew 13% YoY to Rs9.9bn (above our/street estimates of Rs9.1bn/Rs9.3bn), with healthy execution across project sites. EBITDA grew 13.6% YoY to Rs1,044mn (PLe Rs1290mn) with EBITDAM largely flat YoY (down 362bps QoQ) to 10.5% (below our/street estimates of 14.2%/14.5%), as the company lost revenues of ~Rs1bn due to Covid second wave but fixed costs continued. Adj. PAT grew 5.3% YoY and came in at Rs327mn (below our/ street estimates: Rs569mn/ Rs585mn), due to lower operating margins and higher finance costs Rs292mn (up 18% YoY).

Healthy order book, robust bid pipeline: With order inflows of ~Rs22.6bn in FY21, order book of JKIL stands healthy at Rs109.3bn as at 4QFY21 This translates order book-to-sales of 4.3x trailing revenues. Metro segment makes up 55% of the order book (underground: 22% & elevated: 33%), Flyovers, roads & Bridges ~44% and Civil & other segment ~1%. With strong bid pipeline across metro, roads, buildings, railways and HSR space, and having already bid for Rs30bn projects, the company targets order inflows of Rs40-50bn in FY22E.

Exhibit 1: Quarterly Financials (Standalone): Execution remain strong but higher material & operating costs dent margins

Y/e March (Rs mn)	Q4FY20	Q1FY21	Q2FY21	Q3FY21	Q4FY21	YoY gr. (%)	QoQ gr. (%)	FY21	FY20	YoY gr. (%)
Revenue	8,778	2,853	4,774	8,162	9,920	13.0	21.5	25,708	29,705	-13.5
Total Revenues	8,778	2,853	4,774	8,162	9,920	13.0	21.5	25,708	29,705	-13.5
Expenditure	7,858	2,569	4,142	7,008	8,876	12.9	26.7	22,595	25,416	-11.1
as % of sales	89.5	90.1	86.8	85.9	89.5			87.9	85.6	
Consumption of RM	5,702	1,683	2,745	5,125	6,567	15.2	28.1	16,635	18,169	-8.4
as % of sales	65.0	59.0	57.5	62.8	66.2			64.7	61.2	
Employee Cost	823	353	503	658	798	-3.1	21.3	2,312	2,987	-22.6
as % of sales	9.4	12.4	10.5	8.1	8.0			9.0	10.1	
Other expenditure	1,334	533	893	1,224	1,511	13.3	23.4	3,648	4,260	-14.4
as % of sales	15.2	18.7	18.7	15.0	15.2			14.2	14.3	
EBITDA	919	283	632	1,155	1,044	13.6	-9.6	3,114	4,289	-27.4
Depreciation	350	350	353	361	372	6.4	3.1	1,437	1,263	13.8
EBIT	569	-67	279	793	672	18.0	-15.3	1,677	3,027	-44.6
Other Income	80	61	59	69	65	-19.7	-5.9	253	283	-10.6
Interest	247	268	239	245	292	18.3	19.3	1,044	977	6.9
PBT	403	-275	99	617	444	10.2	-28.0	886	2,333	-62.0
Total Tax	93	-67	28	168	117	26.7	-30.2	247	497	-50.4
Adjusted PAT	311	-208	71	449	327	5.3	-27.2	639	1,836	-65.2
(Profit)/loss from JV's/Ass/MI	0	0	0	0	0	NA	0.0	0	0	0.0
PAT after MI	311	-208	71	449	327	5.3	-27.2	639	1,836	-65.2
Extra ordinary items	0	0	0	0	0	NA		0	0	
Reported PAT	311	-208	71	449	327	5.3	-27.2	639	1,836	-65.2
Adjusted EPS	4.1	-2.8	0.9	5.9	4.3	5.3	-27.2	8.4	24.3	-65.2
Margins (%)						bps	bps			bps
EBIDTA	10.5	9.9	13.2	14.1	10.5	5	-362	12.1	14.4	-233
EBIT	6.5	-2.4	5.8	9.7	6.8	28	-295	6.5	10.2	-367
EBT	4.6	-9.6	2.1	7.6	4.5	-11	-308	3.4	7.9	-441
PAT	3.5	-7.3	1.5	5.5	3.3	-24	-221	2.5	6.2	-369
Effective Tax rate	23.0	24.3	28.2	27.2	26.4	344	-83	27.8	21.3	653

Source: Company, PL

Exhibit 2: Key Assumptions

Rs mn	FY18	FY19	FY20	FY21	FY22E	FY23E
Order inflow	1,543	56,498	42,715	13,245	44,590	51,469
Revenues	20,091	27,871	29,705	24,888	34,110	39,942
Order book	74,800	1,03,427	1,16,437	1,04,793	1,15,273	1,26,800
Execution cycle (%)	24%	31%	27%	23%	31%	33%
Ob to sales (x)	3.7	3.7	3.9	4.2	3.4	3.2

Source: Company, PL

Concall Highlights

- Awarding momentum is expected to remain strong across Metro, Roads, Railways and HSR segments.
 - The company has already bid for projects worth Rs30bn (including L-1 in Rs14bn project).
 - Bid pipeline includes Rs60bn projects from DMRC, HSR projects worth Rs20bn and other projects coming up from MMRDA, NHAI, MCGM, etc.
 - With strong bid pipeline, company targets order inflows of Rs40-50bn in FY22E.
- The company bagged orders worth ~Rs22.6bn in FY21, taking the order book to Rs109.3bn as at 4QFY21 translating into order book-to-sales of 4.3x trailing revenues.
 - Of the total order book, the Metro segment contributes ~55% (underground: 22% and elevated: 33%). Fly overs, Roads & Bridges ~44%, and the Civil & other segment ~1%.
 - In 4Q, JKIL bagged a metro project in Surat (Rs9.4bn) in 4QFY21 and is L-1 in one Mumbai metro project (~Rs14bn), LoA for which is expected in next one month.
- Due to impact of second wave of Covid, the company lost ~Rs1bn revenues in 4QFY21, while the operating fixed costs continued, resulting in lower EBITDA margins of 10.5% (vs 14.1% QoQ).
 - The impact worsened in Apr-May'21 as the labour availability across project sites fell by 30-35% compared to Feb-Mar'21 levels. With reduction in intensity of the pandemic, management expects to reach pre-covid levels by end of Jun'21.
- Despite the second wave, management guided for FY22 revenues in the range of Rs30-35bn (earlier Rs35bn) and expects EBITDAM to normalize in the range of 14-16% going ahead.
- JKIL's gross debt came down to Rs5.3bn vs Rs5.7bn QoQ (down Rs1.4bn in FY21). With cash & cash equivalents of ~Rs6bn, the company has turned Net Cash as at Mar'21.
- The company plans total capex of Rs0.8-1bn in FY22E.

Financials

Income Statement (Rs m)

Y/e Mar	FY20	FY21	FY22E	FY23E
Net Revenues	29,705	25,708	34,110	39,942
YoY gr. (%)	6.6	(13.5)	32.7	17.1
Cost of Goods Sold	18,169	16,121	21,148	24,764
Gross Profit	11,536	9,587	12,962	15,178
Margin (%)	38.8	37.3	38.0	38.0
Employee Cost	2,987	2,312	3,343	3,914
Other Expenses	3,763	3,648	4,093	4,793
EBITDA	4,289	3,114	5,014	5,871
YoY gr. (%)	(1.7)	(27.4)	61.0	17.1
Margin (%)	14.4	12.1	14.7	14.7
Depreciation and Amortization	1,263	1,437	1,463	1,573
EBIT	3,027	1,677	3,551	4,299
Margin (%)	10.2	6.5	10.4	10.8
Net Interest	977	1,044	992	1,022
Other Income	283	253	546	639
Profit Before Tax	2,333	886	3,105	3,916
Margin (%)	7.9	3.4	9.1	9.8
Total Tax	497	247	776	979
Effective tax rate (%)	21.3	27.8	25.0	25.0
Profit after tax	1,836	639	2,329	2,937
Minority interest	-	-	-	-
Share Profit from Associate	-	-	-	-
Adjusted PAT	1,836	639	2,329	2,937
YoY gr. (%)	3.7	(65.2)	264.4	26.1
Margin (%)	6.2	2.5	6.8	7.4
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	1,836	639	2,329	2,937
YoY gr. (%)	3.7	(65.2)	264.4	26.1
Margin (%)	6.2	2.5	6.8	7.4
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	1,836	639	2,329	2,937
Equity Shares O/s (m)	76	76	76	76
EPS (Rs)	24.3	8.4	30.8	38.8

Source: Company Data, PL Research

Balance Sheet Abstract (Rs m)

Y/e Mar	FY20	FY21	FY22E	FY23E
Non-Current Assets				
Gross Block	12,581	13,529	14,629	15,729
Tangibles	12,581	13,529	14,629	15,729
Intangibles	-	-	-	-
Acc: Dep / Amortization	4,036	5,473	6,936	8,509
Tangibles	4,036	5,473	6,936	8,509
Intangibles	-	-	-	-
Net fixed assets	8,545	8,056	7,693	7,220
Tangibles	8,545	8,056	7,693	7,220
Intangibles	-	-	-	-
Capital Work In Progress	987	1,498	1,498	1,498
Goodwill	-	-	-	-
Non-Current Investments	3,015	2,684	4,280	5,009
Net Deferred tax assets	(274)	(246)	(246)	(246)
Other Non-Current Assets	484	609	512	599
Current Assets				
Investments	-	-	-	-
Inventories	3,126	2,861	4,673	5,472
Trade receivables	6,448	6,198	8,411	9,302
Cash & Bank Balance	4,950	5,985	584	1,702
Other Current Assets	8,475	8,021	10,233	11,983
Total Assets	36,795	36,450	39,451	44,621
Equity				
Equity Share Capital	378	378	378	378
Other Equity	17,931	18,491	20,725	23,567
Total Network	18,310	18,869	21,103	23,945
Non-Current Liabilities				
Long Term borrowings	1,315	941	941	941
Provisions	-	-	-	-
Other non current liabilities	-	-	-	-
Current Liabilities				
ST Debt / Current of LT Debt	5,761	4,070	4,570	5,070
Trade payables	4,604	4,578	5,607	6,566
Other current liabilities	6,531	7,746	6,984	7,853
Total Equity & Liabilities	36,795	36,450	39,451	44,621

Source: Company Data, PL Research



Cash Flow (Rs m)

Y/e Mar	FY20	FY21	FY22E	FY23E
PBT	2,333	886	3,105	3,916
Add. Depreciation	1,263	1,437	1,463	1,573
Add. Interest	977	1,044	992	1,022
Less Financial Other Income	283	253	546	639
Add. Other	(229)	(185)	-	-
Op. profit before WC changes	4,343	3,182	5,560	6,511
Net Changes-WC	(821)	902	(8,499)	(2,696)
Direct tax	(934)	(396)	(776)	(979)
Net cash from Op. activities	2,588	3,687	(3,715)	2,835
Capital expenditures	(1,269)	(782)	(1,100)	(1,100)
Interest / Dividend Income	231	179	-	-
Others	(189)	(511)	-	-
Net Cash from Invt. activities	(1,226)	(1,113)	(1,100)	(1,100)
Issue of share cap. / premium	-	-	-	-
Debt changes	(326)	(1,600)	500	500
Dividend paid	(205)	(95)	(95)	(95)
Interest paid	(945)	(1,013)	(992)	(1,022)
Others	-	-	-	-
Net cash from Fin. activities	(1,475)	(2,708)	(587)	(617)
Net change in cash	(113)	(134)	(5,401)	1,119
Free Cash Flow	1,012	2,895	(4,815)	1,735

Source: Company Data, PL Research

Key Financial Metrics

Y/e Mar	FY20	FY21	FY22E	FY23E
Per Share(Rs)				
EPS	24.3	8.4	30.8	38.8
CEPS	40.9	27.4	50.1	59.6
BVPS	242.0	249.4	278.9	316.5
FCF	13.4	38.3	(63.6)	22.9
DPS	1.3	1.3	-	-
Return Ratio(%)				
RoCE	12.4	6.8	14.1	15.2
ROIC	12.2	6.5	10.8	12.1
RoE	10.5	3.4	11.7	13.0
Balance Sheet				
Net Debt : Equity (x)	0.1	(0.1)	0.2	0.2
Net Working Capital (Days)	94	75	132	130
Valuation(x)				
PER	7.3	20.9	5.7	4.6
P/B	0.7	0.7	0.6	0.6
P/CEPS	4.3	6.4	3.5	3.0
EV/EBITDA	3.6	4.0	3.7	3.0
EV/Sales	0.5	0.5	0.5	0.4
Dividend Yield (%)	0.7	0.7	-	-

Source: Company Data, PL Research

Quarterly Financials (Rs m)

Y/e Mar	Q1FY21	Q2FY21	Q3FY21	Q4FY21
Net Revenue	2,853	4,774	8,162	9,920
YoY gr. (%)	(57.3)	(24.5)	2.9	13.0
Raw Material Expenses	-	-	-	-
Gross Profit	2,853	4,774	8,162	9,920
Margin (%)	100.0	100.0	100.0	100.0
EBITDA	283	632	1,155	1,044
YoY gr. (%)	(74.6)	(41.3)	(2.1)	13.6
Margin (%)	9.9	13.2	14.1	10.5
Depreciation / Depletion	350	353	361	372
EBIT	(67)	279	793	672
Margin (%)	(2.4)	5.8	9.7	6.8
Net Interest	268	239	245	292
Other Income	61	59	69	65
Profit before Tax	(275)	99	617	444
Margin (%)	(9.6)	2.1	7.6	4.5
Total Tax	(67)	28	168	117
Effective tax rate (%)	24.3	28.2	27.2	26.4
Profit after Tax	(208)	71	449	327
Minority interest	-	-	-	-
Share Profit from Associates	-	-	-	-
Adjusted PAT	(208)	71	449	327
YoY gr. (%)	(150.9)	(87.3)	(19.4)	5.3
Margin (%)	(7.3)	1.5	5.5	3.3
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	(208)	71	449	327
YoY gr. (%)	(150.9)	(87.3)	(19.4)	5.3
Margin (%)	(7.3)	1.5	5.5	3.3
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	(208)	71	449	327
Avg. Shares O/s (m)	76	76	76	76
EPS (Rs)	(2.8)	0.9	5.9	4.3

Source: Company Data, PL Research

Price Chart

Recommendation History

No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	06-Apr-21	BUY	260	183
2	10-Feb-21	BUY	260	188
3	07-Jan-21	BUY	176	142
4	03-Dec-20	BUY	176	133
5	11-Nov-20	BUY	176	105
6	08-Oct-20	BUY	176	109
7	21-Aug-20	BUY	176	112
8	07-Jul-20	BUY	176	102
9	29-Jun-20	BUY	176	93

Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	ABB India	Hold	1,337	1,388
2	Ahluwalia Contracts (India)	BUY	384	293
3	Apar Industries	BUY	543	373
4	Ashoka Buildcon	BUY	160	96
5	Bharat Electronics	Accumulate	110	131
6	BHEL	Hold	34	49
7	Capacite's Infraprojects	BUY	270	199
8	Container Corporation of India	Hold	607	634
9	Cummins India	Hold	546	879
10	Engineers India	BUY	115	76
11	GE T&D India	Hold	122	119
12	H.G. Infra Engineering	BUY	476	333
13	IRB Infrastructure Developers	BUY	157	108
14	ITD Cementation India	BUY	97	76
15	J.Kumar Infraprojects	BUY	260	183
16	Kalpataru Power Transmission	BUY	448	382
17	KEC International	Accumulate	420	383
18	KNR Constructions	Accumulate	253	227
19	Larsen & Toubro	BUY	1,604	1,416
20	NCC	BUY	111	78
21	PNC Infratech	BUY	295	256
22	Power Grid Corporation of India	BUY	205	170
23	Sadbhav Engineering	BUY	115	63
24	Siemens	Accumulate	1,856	1,786
25	Thermax	Accumulate	1,559	1,455
26	Triveni Turbine	BUY	98	102
27	Voltamp Transformers	BUY	1,466	1,058

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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