6 February 2025

J Kumar Infraprojects

Order inflow gained momentum; upgrading to a Buy

Rating: **Buy**
Target Price (12-mth): Rs.971
Share Price: Rs.741

J Kumar's execution velocity grew accompanied by steady margins, and a sound balance sheet. Together, these can facilitate a greater scale of operations ahead. Order additions gained momentum post H1 FY25, with inflow of ~Rs36bn and L1 of ~Rs50bn. The government's intention to lever capital investment to spur economic growth was reassured in the recent Budget. We see the company emerging as one of the beneficiaries of enhanced infrastructure spending (especially the increased allocation to metro projects in the Budget). On the positive outlook, we upgrade to a Buy with a higher TP of Rs971 (earlier Rs909).

Order inflow in H2 compensated for no orders in H1. With four firm orders of ~Rs35.8bn till Jan'25, inflows have started. Prospects are bright with additions likely continuing (~Rs50bn, L1 orders). The government's emphasis on metro projects with increased allocation of ~Rs312bn (from ~Rs247bn FY25RE) augurs well for the company. It plans to take orders worth Rs60bn-80bn out of the identified bid pipeline of Rs400bn. With inflow of ~Rs26.8bn in Q3, the resuscitated order inflow turned assurance sturdier (~3.7x TTM revenue). Incl. post-Q3 orders, the OB is up to ~Rs214bn, with assurance sturdier (~3.9x TTM revenue) and enhancing further if L1 of ~Rs50bn is considered.

Gross debt up q/q, net down. Gross debt rose ~Rs0.9bn in Q3 to kick in execution of new projects, but healthy internal accruals and prudent financial management meant that the net debt declined to a negative ~Rs0.3bn (net cash positive). The company's balance sheet is well set for further growth.

Surging revenue aided by stable margins. In Q3, revenue increased 22% y/y to ~Rs14.9bn (~Rs12.2bn last year). The EBITDA margin stood steady at ~14.7%, with ~Rs2.2bn EBITDA; the PAT margin was stable at ~6.7%, with ~Rs1bn PAT. We estimate FY26 revenue growing ~20.6% to ~Rs69.2bn and for FY27, ~15.7% to ~Rs80bn on enhanced execution following increased OB. For FY26/27, the EBITDA margin is expected to be steady at ~14.7%, with EBITDA at ~Rs10bn and ~Rs11.7bn, respectively.

Valuation. On strong order visibility, a favorable macro environment and improving margin trajectory, we upgrade to a Buy with a TP of Rs971 (earlier Rs909), 13x FY27 revised EPS of Rs74.7. **Risk.** Rising gross debt, slower-than-expected execution, slowdown in orders from the government.

Key financials (YE Mar)	FY23	FY24	FY25e	FY26e	FY27e
Sales (Rs m)	42,031	48,792	57,397	69,239	80,091
Net profit (Rs m)	2,744	3,286	3,986	4,894	5,654
EPS (Rs)	36.3	43.4	52.7	64.7	74.7
Growth (%)	33.3	19.8	21.3	22.8	15.5
P/E (x)	7.0	14.5	14.1	11.5	9.92
EV / EBITDA (x)	3.5	6.9	7.0	5.9	5.0
P/BV (x)	0.8	1.8	1.9	1.6	1.4
RoE (%)	12.4	13.2	14.1	15.1	15.1
RoCE (%)	17.4	18.5	19.4	20.6	20.7
Net debt / equity (x)	0.1	0.0	0.1	0.1	0.1

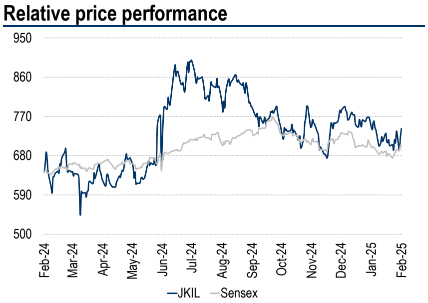
Source: Company, Anand Rathi Research

Key data	JKIL IN / JKIP.BO
52-week high / low	Rs937 / 536
Sensex / Nifty	78271 / 23696
3-m average volume	$1.9m
Market cap	Rs.56bn / $641.8m
Shares outstanding	76m

Shareholding pattern (%)	Dec-24	Sep-24	Jun-24
Promoters	46.7	46.7	46.7
- of which, Pledged	*10.6*	*10.6*	*10.6*
Free float	53.4	53.4	53.4
- Foreign institutions	10.5	10.0	10.5
- Domestic institutions	16.2	16.6	16.9
- Public	26.7	26.8	26.0

Estimates revision (%)	FY25e	FY26e	FY27e
Sales	2.2	7.0	7.5
EBITDA	2.7	7.2	8.2
EPS	1.1	6.9	6.9

Relative price performance



Source: Bloomberg

Bhavin Modi
Research Analyst

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Research Analyst

Quick Glance – Financials and Valuations (standalone)

Fig 1 – Income statement (Rs m)

Year-end: Mar	FY23	FY24	FY25e	FY26e	FY27e
Order backlog	1,18,540	2,10,110	2,33,744	2,50,714	2,70,344
Order inflow	39,131	1,36,941	79,905	84,852	98,151
Net revenues	**42,031**	**48,792**	**57,397**	**69,239**	**80,091**
Growth (%)	19.2	16.1	17.6	20.6	15.7
Direct costs	33,499	38,358	45,001	54,192	62,745
SG&A	2,561	3,393	4,018	4,847	5,606
EBITDA	**5,971**	**7,041**	**8,378**	**10,201**	**11,740**
EBITDA margins (%)	14.2	14.4	14.6	14.7	14.7
Depreciation	1,547	1,680	1,870	2,176	2,491
Other income	304	284	277	263	251
Finance costs	992	1,238	1,361	1,629	1,807
PBT	3,736	4,406	5,424	6,659	7,693
Effective tax rates (%)	26.5	25.4	26.5	26.5	26.5
+ Associates / (Minorities)	-	-	-	-	-
Net income	2,744	3,286	3,986	4,894	5,654
Adjusted income	2,744	3,286	3,986	4,894	5,654
WANS	75.7	75.7	75.7	75.7	75.7
FDEPS (Rs)	36.3	43.4	52.7	64.7	74.7

Fig 2 – Balance sheet (Rs m)

Year-end: Mar	FY23	FY24	FY25e	FY26e	FY27e
Share capital	378	378	378	378	378
Net worth	23,397	26,419	30,103	34,695	40,046
Debt	5,164	5,760	7,380	8,172	8,529
Minority interest	-	-	-	-	-
DTL / (Assets)	229	149	149	149	149
Capital employed	**28,790**	**32,328**	**37,632**	**43,015**	**48,724**
Net tangible assets	9,251	9,707	10,642	12,466	12,975
Net intangible assets	-	-	-	-	-
Goodwill	-	-	-	-	-
CWIP (tang. & intang.)	1,067	1,112	1,089	1,101	1,095
Investments (strategic)	10	14	14	14	14
Investments (financial)	-	-	-	-	-
Current assets (excl. cash)	29,464	31,204	39,373	46,403	53,569
Cash	3,765	5,043	5,006	4,540	5,488
Current liabilities	14,767	14,752	18,493	21,508	24,417
Working capital	14,696	16,452	20,880	24,895	29,152
Capital deployed	**28,790**	**32,328**	**37,632**	**43,015**	**48,724**
Contingent liabilities	24,955	28,115			

Fig 3 – Cash-flow statement (Rs m)

Year-end: Mar	FY23	FY24	FY25e	FY26e	FY27e
PBT + Net interest expense	4,423	5,361	6,507	8,025	9,248
+ Non-cash items	1,547	1,680	1,870	2,176	2,491
Oper. prof. before WC	5,971	7,041	8,378	10,201	11,740
- Incr. / (decr.) in WC	2,452	1,756	4,428	4,014	4,257
Others incl. taxes	1,005	1,201	1,437	1,765	2,039
Operating cash-flow	2,514	4,084	2,512	4,422	5,444
- Capex (tang. + intang.)	2,452	2,180	2,783	4,011	2,994
Free cash-flow	62	1,904	-271	411	2,449
Acquisitions	-	-	-	-	-
- Div. (incl. buyback & taxes)	227	265	303	303	303
+ Equity raised	-	-	-	-	-
+ Debt raised	852	596	1,620	792	357
- Fin investments	-12	4	-	-	-
- Net interest expense + misc.	669	954	1,084	1,366	1,556
Net cash-flow	30	1,277	-37	-466	948

Source: Company, Anand Rathi Research

Fig 4 – Ratio analysis

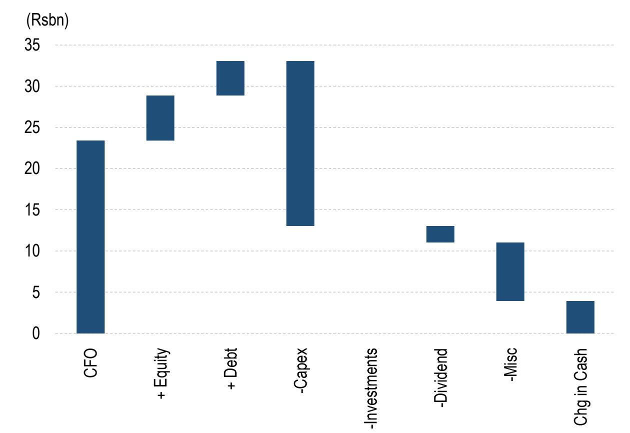
Year-end: Mar	FY23	FY24	FY25e	FY26e	FY27e
P/E (x)	7.0	14.5	14.1	11.5	9.9
EV / EBITDA (x)	3.5	6.9	7.0	5.9	5.0
EV / Sales (x)	0.5	1.0	1.0	0.9	0.7
P/B (x)	0.8	1.8	1.9	1.6	1.4
RoE (%)	12.4	13.2	14.1	15.1	15.1
RoCE (%)	17.4	18.5	19.4	20.6	20.7
RoIC (%)	14.9	16.1	16.7	17.1	17.1
DPS (Rs)	3.0	3.5	4.0	4.0	4.0
Dividend yield (%)	1.2	0.6	0.5	0.5	0.5
Dividend payout (%) - incl. DDT	8.3	8.1	7.6	6.2	5.4
Net debt / equity (x)	0.1	0.0	0.1	0.1	0.1
Receivables (days)	99	89	93	97	99
Inventory (days)	34	36	39	39	39
Payables (days)	55	44	50	50	50
CFO: PAT (%)	91.6	124.3	63.0	90.4	96.3

Source: Company, Anand Rathi Research

Fig 5 – Price movement

Source: Bloomberg

Fig 6 – Cumulative capital allocation, FY23-24



Source: Company, Anand Rathi Research

Results/ Concall Highlights

Income statement

- **Q3 FY25 execution reassuring**. Roads/road tunnels (up ~367% y/y), elevated corridors/flyovers (up ~59%) and underground metro-rail (up ~2%) were the key growth drivers, accounting for ~73% of Q3's revenue from operations. However, the segments comprising ~27% balance (elevated metro-rail, water and civil & others) declined ~29% y/y on an aggregate basis. Q/q, civil grew the strongest (up ~107%), roads/road tunnels rose ~47% and elevated corridors/flyovers, ~19%. The other three segments with a ~38% share in revenue fell ~9% on aggregate.
  - All the above combined led to ~22% y/y higher revenue (~Rs12.2bn). Q/q, revenue rose ~15%.

Fig 7 – Financial highlights

(Rs m)	Q2 FY24	Q3 FY24	Q4 FY24	Q1 FY25	Q2 FY25	Q3 FY25	% Y/Y	% Q/Q
Revenue from operations	11,042	12,187	14,250	12,815	12,924	14,869	22.0	15.1
EBITDA	1,596	1,795	2,031	1,842	1,885	2,186	21.8	16.0
EBITDA margins (%)	*14.5*	*14.7*	*14.3*	*14.4*	*14.6*	14.7	-2bps	12bps
Finance costs	273	325	367	326	331	466	43.2	40.7
Depreciation	423	431	412	409	407	424	-1.6	4.3
Other income	56	71	87	89	76	67	-5.7	-11.3
PBT	956	1,109	1,340	1,196	1,222	1,363	22.9	11.5
Tax	221	283	343	332	321	366	29.2	14.1
PAT	734	826	997	864	902	997	20.7	10.6

Source: Company

  - Based on order execution, the proportion in Q3 revenue of **elevated corridors/flyovers** was ~30% (~23% a year ago, ~29% the prior quarter). On the faster pace of execution, the underground metro-rail's share was ~20% (vs. ~24% a year ago, ~26% the previous quarter), Roads/road tunnels ranked second, with ~23% share (from ~6%, ~18%) due to order inflow in Q4. Elevated metro-rail was fourth with a ~14% share (from ~18%, ~17%). Water, civil & others constituted the balance (~9%).

- **~14.7% EBITDA margin, within the guided-to range.** The change in job/ project mixes led to the gross margin expanding ~12bps q/q, but compressing ~3bps y/y, to ~14.7%. The Q3 FY25 EBITDA margin was well within the 14-15% guidance. With the scale set to rise further and potentially greater contribution from the recent orders (especially complex ones), management spoke about margin expansion ahead. With better margins, it expects the RoE to touch ~15% in two years.

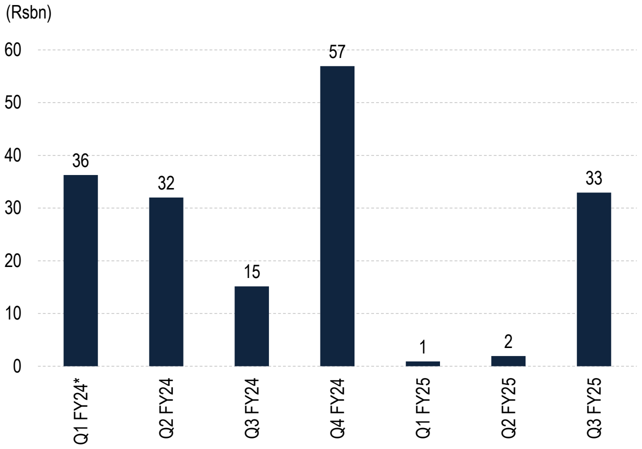
- **Inspiring earnings growth.** Net income in Q3 grew ~21% y/y to ~Rs1bn, led by higher revenue from operations and a steady EBITDA margin. Growth was further aided by lower depreciation. Q/q, net income rose ~11% q/q, largely due to higher revenue and expanded margin. Finance costs rose ~41% q/q due to charges paid on bank guarantee commissions and margins to kick start execution of fresh orders. With respect to depreciation, uptick in Q4 will be on additional capex.

- **Property tax of ~Rs5.5bn.** With respect to the ongoing contention of property tax of ~Rs5.5bn raised by the BMC, the company maintains that it is not liable to pay the same and the onus of payment lies on the awarding authority, MMRDA. MMRDA has allocated seven land parcels across various wards to J Kumar to establish casting yards and RMC plants for executing metro projects. MMRDA is responsible for payment per the company as it is not the land owner and shall hand it over on project completion.

Order backlog/ growth opportunities

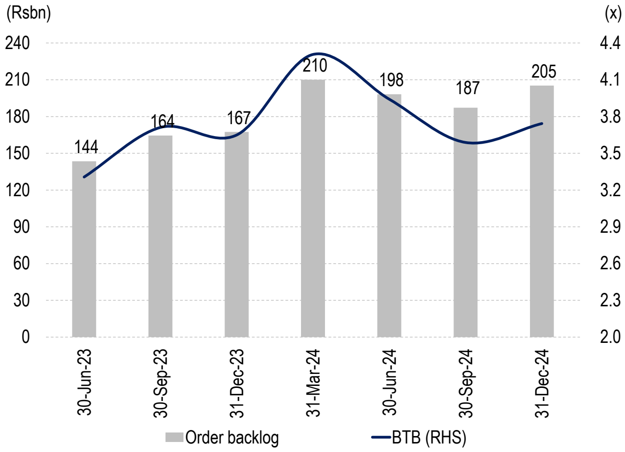
- Inflows picked up post H1 FY25 with no additions prior. Post-H1, the company has been successful with four orders of ~Rs35.8bn EPC potential. Besides, it appears to hold L1 statuses in a couple of large orders.
  - The four orders post-H1 orders are: the ~Rs18.5bn elevated road in Thane (MMR) and a ~Rs2.98bn one from the Pune Municipal Corporation (PMC) involving development of a part of the Mula River, Hari Nagar Depot of ~Rs5.4bn in New Delhi and Development of Silicon City Phase IV in Noida at an EPC cost (excl. taxes) of ~Rs9.0bn.
  - L1 status worth ~Rs50bn: two road packages of Virar-Alibaug Corridor (VAMMC) of ~Rs40bn and a coastal road project in Navi Mumbai by CIDCO worth ~Rs10.2bn, expected to be awarded in Q4. The company expects to receive LoI of VAMMC in Q4 FY25/Q1 FY26 as land acquisition progresses.
  - Additionally, it has placed bids for projects worth ~Rs41bn (Indore Metro worth ~Rs25bn, twin tunnel construction for Indore Budni railway of Rs13bn, other small orders worth ~Rs3bn-4bn).
- With inflows gaining momentum from Q3 post dormancy in H1, the order backlog expanded ~Rs18bn q/q to ~Rs205bn. The end-Q3 firm order backlog implied sturdy revenue assurance of ~3.7x TTM revenue from operations.

Fig 8 – Gained inflow momentum in Q3 post a lacklustre H1; added ~Rs33bn post-H1



Source: Company ^ Incl. change-in-scope and price variations

Fig 9 – End-Dec'24 OB: ~Rs205bn; ~3.7x TTM revenue; incl. post-Q3 orders, OB: ~Rs214bn



Source: Company

- Including post-Q3 orders of ~Rs9bn, the OB is up to ~Rs214bn and the assurance sturdier (~3.9x TTM revenue). This further enhances if L1 orders of ~Rs50bn are considered. With this sturdy OB and the pace of execution, growth ahead is likely to be sound.
- Elevated corridors/flyovers and roads/road tunnels together contributed the most to OB (~67%; up from ~64% in Q1); metro-rail added ~20% (down from ~25% a quarter ago), water accounted for

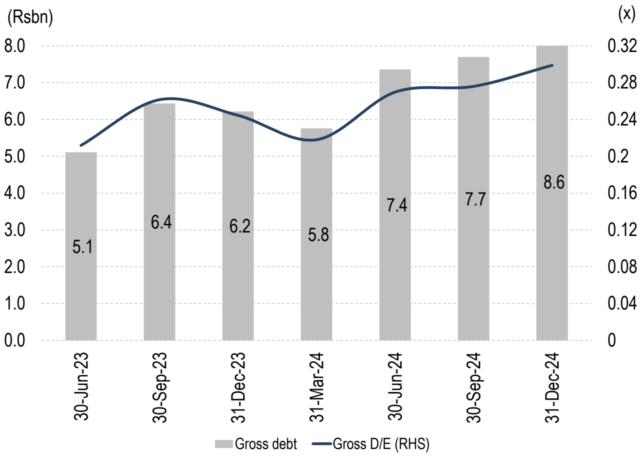
~6% (~5% in Q1) and civil & others make up the balance ~7% (~6% in Q1).

- Maharashtra dominated the overall OB with a ~65% share (up from ~64 in Q1). Tamil Nadu's was ~19% (down from ~21% the quarter prior). The NCR's (incl. Delhi) share rose to ~10% (from ~8% the prior quarter). The rest were from Gujarat (~2%), Karnataka (~1%) and Uttar Pradesh (~3%).
  - Management highlighted its plans to place further bids for identified projects worth ~Rs480bn in the next 2-3 quarters spread across metros (Rs70bn-80bn), buildings (Rs80bn-90bn), elevated corridors (~Rs300bn), etc. It mentioned participating in upcoming tenders of the Versova Dahisar Corridor, elevated structures and metros in Chennai, upcoming metro projects in Mumbai connecting two airports, Navi Mumbai SIDCO's two lines, Pune, etc.
  - Management guided to see enhanced inflows in upcoming years and is sanguine of reaching OB size of Rs300bn by end-FY27 (from earlier Rs250bn).

Balance sheet

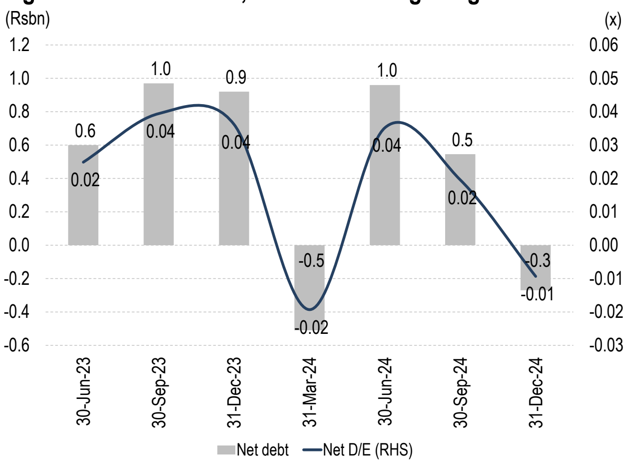
- The company availed fresh debt in Q3 to meet the WC and initial needs to stack up execution of orders won last fiscal year. Gross debt, thus, was up ~Rs0.9bn q/q to ~Rs8.6bn at end-Q3. Simultaneously, financial prudence and healthy operations helped q/q higher cash & equivalents (up ~Rs1.7bn q/q). Consequently, net debt contracted ~Rs0.8bn q/q to ~Rs0.27bn. This renders the balance sheet sturdy enough for an even greater scale of operation.

Fig 10 – Gross debt up q/q on fresh debt availed



Source: Company, Anand Rathi Research

Fig 11 – Net debt down, notwithstanding the greater scale



Source: Company, Anand Rathi Research

- Considering the working capital needed for greater scale and capex required (especially for the GMRL project), the end-Q3 figure of ~Rs8.6bn is more than the targeted debt of ~Rs7.5bn. Further, the company did not avail high-cost mobilization advance for the Chennai elevated project and took lower-cost debt from SBI instead.
- Movement in some of the key variables constituting the cash-conversion cycle: inventories up ~Rs0.51bn q/q to ~Rs5.2bn, trade receivables down ~Rs0.9bn q/q to ~Rs13.9bn and trade payables ~Rs5.97bn (no change q/q).
- The company is estimated to have incurred additional capex in Q3 of ~Rs0.3bn, taking the 9M FY25 spend to ~Rs1.07bn. The company

plans to further spend ~Rs1.5bn in Q4 and ~Rs3.5bn-4bn in FY26 for TBM and other equipment for the ongoing GMLR and Chennai elevated project.

Guidance

- On the continuing healthy pace of execution, access to sturdy assurance as it looks to add more, management reaffirmed guidance for FY25 rising ~15% y/y. This would imply ~Rs56-57bn FY25 revenue.
  - 9M FY25's ~17.6% revenue growth suggests the company is tracking the guidance well.
  - FY26's growth of ~15%+ stays, and management identifies that it is well-equipped (resources and processes having been put in place) to attain the targeted scale.
- It initially looked to add Rs60bn in FY25, but looking at the prospects, in Q3 FY25, the guidance was raised to Rs80bn.
- Looking at the targeted order backlog of ~Rs230bn-250bn by end-FY25, robust inflow and the bidding pipeline thereafter with a healthy conversion rate, management views previous guidance of order backlog of Rs250bn as conservative and now aims to secure Rs300bn by FY27.
- The FY25 EBITDA margin is likely to be 14-15%, given the present OB mix; the 9M FY25 reported ~14.6% margin is well within the guided-to range.
  - However, management sees potential ahead with better-margin orders added; margins to scale up to 15%+ ahead.
- Capex was ~Rs1.1bn during 9M FY25 (incl. ~Rs0.28bn in Q3). For the growth momentum to persist, management expects to incur ~Rs1.5bn in Q4. Besides, it had talked of the need to incur capex for the GMLR project and the Chennai Elevated Corridor at ~Rs3.5bn-4bn in FY26.

Valuation

As project execution has been progressing as expected and inflows are gaining momentum, we revise our FY25e/26e/27e revenue. Revenue for FY25e is increased ~2.2%, compared to the previous estimate. Similarly, our FY26e/27e revenue are up ~7% and 7.5%, respectively. EBITDA margins are expected to increase 16bps/3bps/10bps, compared to the previous FY25e/26e/27e.

On revision, EPS for FY25e/26e/27e stands at ~Rs52.7/Rs64.7/Rs74.7 per share. We value the stock at a P/E of 13x FY27e. Consequently, the TP works out to Rs971 per share.

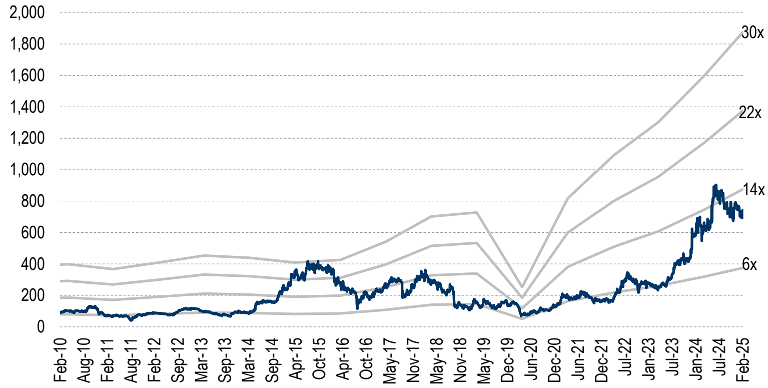
Fig 12 – Change in estimates

(Rs m)	Previous			Revised			Change (%)		
	FY25e	FY26e	FY276e	FY25e	FY26e	FY27e	FY25	FY26	FY27
Revenue	56,157	64,725	74,532	57,397	69,239	80,091	2.2	7.0	7.5
EBITDA	8,154	9,514	10,851	8,378	10,201	11,740	2.7	7.2	8.2
EPS (Rs)	52.1	60.5	69.9	52.7	64.7	74.7	1.1	6.9	6.9

Source: Anand Rathi Research

At the ruling price of ~Rs741 per share, the stock trades at P/E of 14.1x FY25e, 11.5x FY26e and 9.9x FY27e. On P/BV, it quotes at 1.9x FY25e, 1.6x FY26e and 1.4x FY27e. This is against our TP-implied exit-P/BV of 1.8x FY27e.

Fig 13 – P/E band



Source: Bloomberg, Anand Rathi Research

Risks

- Rising gross debt, slower-than-expected execution, slowdown in orders from the government.

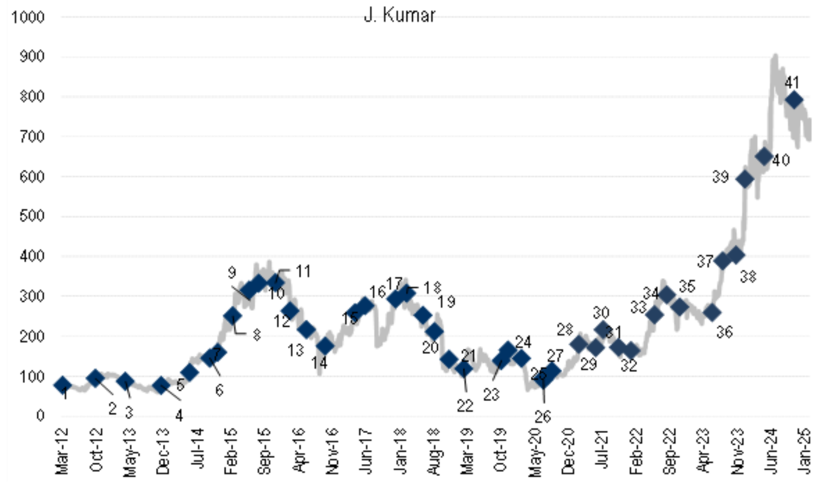
Appendix

Analyst Certification

The views expressed in this Research Report accurately reflect the personal views of the analyst(s) about the subject securities or issuers and no part of the compensation of the research analyst(s) was, is, or will be directly or indirectly related to the specific recommendations or views expressed by the research analyst(s) in this report. The research analysts are bound by stringent internal regulations and also legal and statutory requirements of the Securities and Exchange Board of India (hereinafter "SEBI") and the analysts' compensation are completely delinked from all the other companies and/or entities of Anand Rathi, and have no bearing whatsoever on any recommendation that they have given in the Research Report.

Important Disclosures on subject companies

Rating and Target Price History (as of 5 February 2025)



	Date	Rating	TP (Rs)	Share Price (Rs)
28	10-Feb-21	**Buy**	239	188
29	27-May-21	**Buy**	221	176
30	12-Aug-21	**Buy**	265	209
31	13-Nov-21	**Buy**	271	179
32	9-Feb-22	**Buy**	291	180
33	2-Jun-22	**Buy**	311	259
34	4-Aug-22	**Hold**	350	323
35	14-Nov-22	**Hold**	361	271
36	24-May-23	**Buy**	359	261
37	9-Aug-23	**Hold**	478	405
38	31-Oct-23	**Hold**	476	403
39	3-Feb-24	**Hold**	693	664
40	30-May-24	**Hold**	738	661
41	1-Nov-24	**Hold**	909	793

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Analysts' ratings and the corresponding expected returns take into account our definitions of Large Caps, Mid Caps & Small Caps as described in the Ratings Table below:

Ratings Guide (12 months)	**Buy**	**Hold**	**Sell**
Large Caps (Top 100 companies)	>15%	0-15%	<0%
Mid Caps (101st-250th company)	>20%	0-20%	<0%
Small Caps (251st company onwards)	>25%	0-25%	<0%

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