

## J.Kumar Infraprojects Limited

10-Mar-17

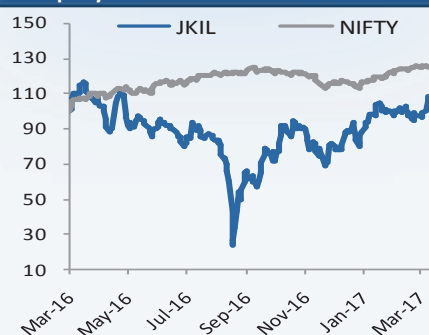
Result Update	
CMP	248
Target Price	330
Previous Target Price	33%
Upside	
Change from Previous	

Market Data	
BSE Code	532940
NSE Symbol	JKIL
52wk Range H/L	328/105
Mkt Capital (Rs Cr)	1,880
Av. Volume	94368
Nifty	8927

Stock Performance			
	1Month	3 Month	1Year
Absolute	7.4	33.0	-15.9
Rel.to Nifty	5.6	24.8	-35.1

Share Holding Pattern-%			
	3QFY17	2QFY17	1QFY17
Promoters	44%	44%	43%
Public	56%	56%	57%
Others	0%	0%	0%
<b>Total</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

### Company Vs NIFTY



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JKIL has a strong order book of Rs. 9680 Cr at the end of the Q3FY17. It gives revenue visibilities for approx. 6.5 years (based on TTM revenue), which is positive for the company. Earlier we had a concern regarding execution timeline of JNPT road projects, but recently we have received clarification from the management and now we are in a position to make a clear view. The unexecuted portion of JNPT road projects stands at Rs. 980 Cr (equivalent to ~10% of Order Book) and we expect healthy execution in FY18 as the utility shifting work will be completed in Q4FY17. Mumbai metro projects are continue to be a growth driver for the JKIL and we expect around Rs. 1275 Cr of revenue from 3 Mumbai metro projects in FY18 and Rs. 1770 Cr in FY19. However, we are still not clear on the higher level of debtors, but we don't think it will impact working capital in the bigger way. We will update on the same as and when any clarity emerge.

### Growth Driver:- Mumbai Metro projects

Mumbai metro projects are continue to be a growth driver for the JKIL for next 3-4 years. The unexecuted work on all 3 Mumbai metro projects contributes nearly 67% to current order book. All the initial ground work is completed and we expect full swing in execution and management is confident to complete significant portion of line 2A and 7 by FY19. We expect Rs. 1275 Cr of revenue from 3 Mumbai metro projects in FY18, around Rs.1000 Cr revenue from line 3 only in FY19 and Rs.770 Cr of revenue from line 2A & 7 in FY19. This will not only support the better revenue growth but also strengthen the operating margin as the metro projects have better margin compare to normal road projects.

### Strong Order Pipeline :-

Around Rs. 10000 Cr of new metro projects in state of Maharashtra will be bided out in next 1-2 years. JKIL will bid for the Mumbai metro line 2B and 4, total of 10 packages of 500 Cr each, tunnel work of Mumbai- Pune expressway, Mumbai- Nasik expressway, Vijayawada and Bangalore metro projects. But JKIL will go slow in terms of new order acquisition in order to focus on execution.

### Q3FY17 Result Highlights:-

- ◆ JKIL reported robust revenue growth of ~19% YoY to Rs.369 Cr as against Rs.310 Cr on account of work commencement on Mumbai metro projects.
- ◆ EBITDA has clocked 10.8% of growth to Rs.63 Cr as against Rs.57 Cr in corresponding period last year led by higher revenue growth.
- ◆ Profit after Tax has grew by 10.8% to Rs. 27 Cr as against Rs. 24 Cr.
- ◆ Order book as on 31<sup>st</sup> Dec 2017 stands at Rs. 9700 Cr out of this 6850 Cr in metro ( including Delhi metro project).

**Management/ Concall Highlights:-**

- ◆ Will Maintain top line of 1600 Cr in FY17 and Rs. 2000 Cr in FY18
- ◆ Employee expense has gone during the quarter as the JKIL has started metro project in big way and full fledge revenue yet to come
- ◆ Preliminary work has completed on Mumbai metro project and work is in full swing
- ◆ Debtors of 563 Cr at the end of the Q3FY17, but has come down to 440 Cr in Feb
- ◆ Inventory at the end of Q3FY17: - 106 Cr of RM, 280 Cr of WIP
- ◆ Protest by localized people against tree cutting but its awarding authority concern and it will not hamper execution.
- ◆ Advances of 125 Cr has taken from line 3 & 7 and in month time advances will receive from line 2A
- ◆ Payment cycle for Mumbai metro project is 45 days from date of bill raised
- ◆ No significant revenue during the Q3FY17 from JNPT project due to utility work is going on
- ◆ Mgt. expects 200-250 Cr of revenue from Mumbai metro, 200 Cr from other road and flyover projects
- ◆ Pending work on Delhi metro is tune of 250 Cr at the end of the Q3FY17
- ◆ Unexecuted portion of JNPT road project is 1050 Cr
- ◆ Utility revenue of 30 Cr was booked from JNPT road project in Q3FY17
- ◆ 480 Cr of Debt as on 31st Dec 2016
- ◆ FY18 Top line :- 1300-1400 Cr from Mumbai metro, 400 Cr from JNPT, 200 cr from others
- ◆ Will maintain 17-18% EBITDA margin going forward
- ◆ Debt FY17:- 350-400 Cr, FY18 :- 500-550 Cr
- ◆ Current Working capital days is 174 and expect to bring down to 160 days
- ◆ 1000 Cr of revenue from Line 3, 700-800 Cr of revenue from line 2A & 7 in FY19

**View and Valuation:-**

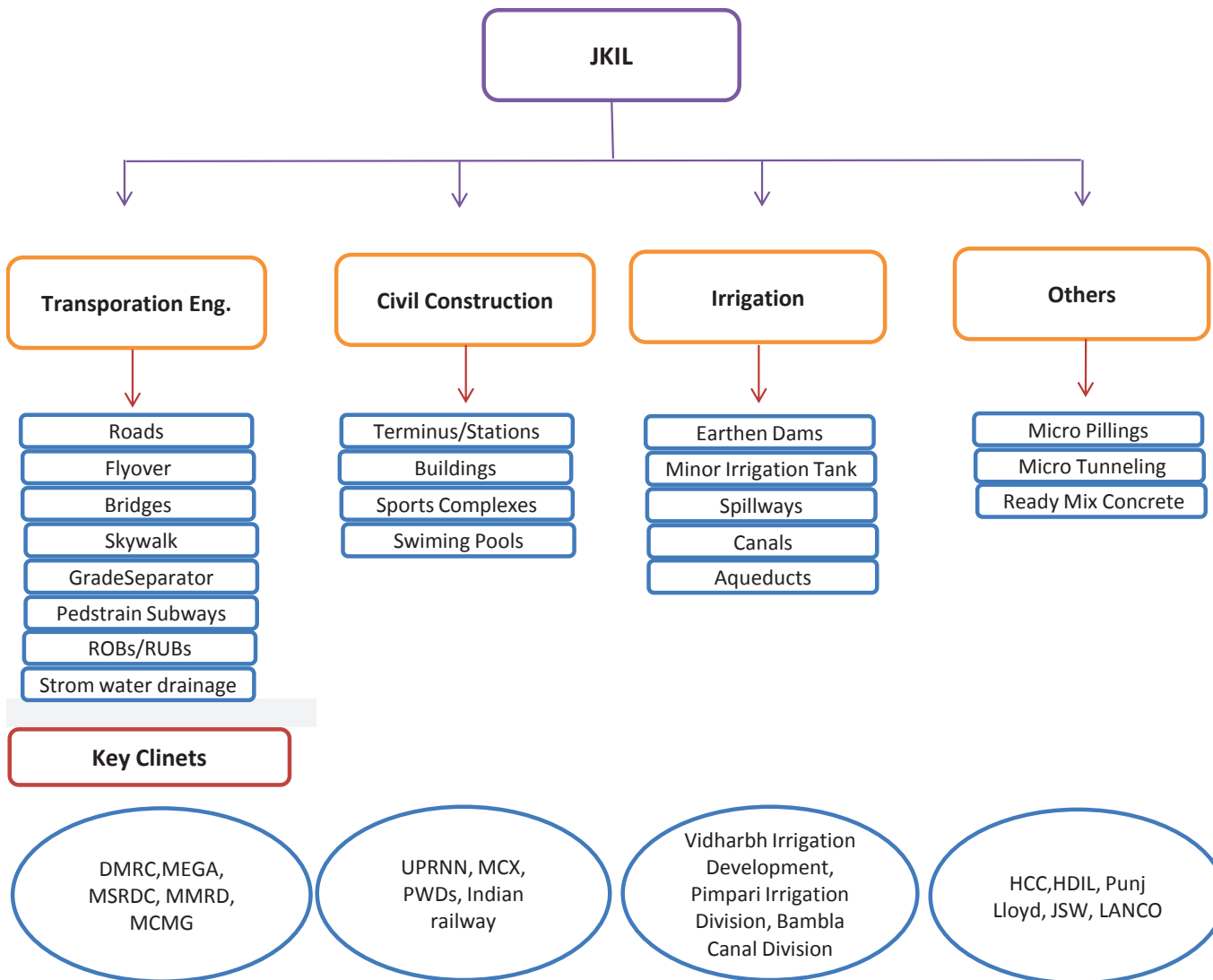
JKIL is the one of the best EPC Company with lower Debt to equity. Strong order book and execution of Mumbai metro projects boosted revenue in Q3FY17 and we expect it to continue. Earlier we had a concern related to execution of JNPT road project but now we have received clarification from management and we expect healthy execution from JNPT projects in FY18 as the utility shifting work will complete in Q4FY17. However, still we do not have clear view on higher level of debtors but we believe it will not affect working capital in bigger way. We expect 9%, 20% and 27% revenue growth in FY17, FY18 & FY19 respectively based on the strong order book and Mumbai metro projects. **So considering the clarification on JNPT road projects and strong revenue growth going forward, we recommend "BUY" on the stock with unchanged target price of Rs.330.**

**Mumbai Metro Projects Details**

Metro projects	Lenghts(Km)	Value	Strech	Execution Period	Type	Agency Agency
Line 2A	18.6	1350	Dahisar to DN Nagar	30 Months	Elevated	DMRC
Line 3	9.2	5001	Dharavi - International Airport	54 Months	Underground	MMRD
Line 7	5.9	360	Andheri (E) - Dahisar (E)	30 Months	Elevated	MMRD

**About the Company :-**

J. Kumar Infraprojects Limited is engaged in construction activities. The Company designs and constructs roads, bridges, flyovers, subways, over bridges, skywalks and railway terminus/stations, among others. The Company's offerings in civil construction segment include office/commercial buildings, sports complexes and swimming pools. In Irrigation Projects segment, the Company builds dams, canals, aqueducts and irrigation tanks, and spillways. The Company has approximately 20 hydraulic piling rigs, which are used to build pile foundations for buildings and flyovers, marine structures and offshore platforms. Its Piling segment caters to various real estate and infrastructure companies. The Company's projects include Underground Metro CC-24, Delhi Metro Tunnel, Ahmedabad Metro, Balewadi Bridge and Dhankawadi Flyover. Its other projects include Kapurbawadi Flyover, Kherwadi Flyover, Amarmahal Flyover, Amarmahal Flyover, Thakur Flyover, Bhivandi Flyover and Aurangabad Flyover.



Quarterly Performance	2QFY15	3QFY15	4QFY15	1QFY16	2QFY16	3QFY16	4QFY16	1QFY17	2QFY17	3QFY17	YoY%	QoQ%
Net Sales	296	297	393	355	322	299	390	391	303	363	21%	20%
Other Operating Income	5	7	10	9	9	11	13	13	7	6	-41%	-2%
<b>Net Sales</b>	<b>300</b>	<b>303</b>	<b>403</b>	<b>364</b>	<b>331</b>	<b>310</b>	<b>404</b>	<b>403</b>	<b>310</b>	<b>369</b>	<b>19%</b>	<b>19%</b>
Change in Inventory	5	17	7	26	18	12	(1)	32	6	23	1	3
RM Cost	169	156	240	218	196	171	247	246	190	220	28%	16%
<b>COGS</b>	<b>173</b>	<b>173</b>	<b>246</b>	<b>244</b>	<b>215</b>	<b>183</b>	<b>247</b>	<b>279</b>	<b>195</b>	<b>243</b>	<b>33%</b>	<b>24%</b>
Employee Expenses	17	18	23	17	18	21	24	19	22	31	49%	38%
Other Expenses	26	27	40	20	21	33	44	21	23	20	-39%	-13%
Labour Exp	22	26	26	16	17	16	26	17	13	12	-25%	-6%
<b>Total Expenditure</b>	<b>238</b>	<b>244</b>	<b>335</b>	<b>296</b>	<b>271</b>	<b>253</b>	<b>341</b>	<b>335</b>	<b>253</b>	<b>306</b>	<b>21%</b>	<b>21%</b>
<b>EBITDA</b>	<b>62</b>	<b>60</b>	<b>68</b>	<b>67</b>	<b>60</b>	<b>57</b>	<b>63</b>	<b>68</b>	<b>56</b>	<b>63</b>	<b>11%</b>	<b>12%</b>
Depreciation	12	12	13	12	13	13	13	13	13	14	12%	8%
<b>EBIT</b>	<b>50</b>	<b>47</b>	<b>55</b>	<b>55</b>	<b>47</b>	<b>44</b>	<b>50</b>	<b>55</b>	<b>43</b>	<b>49</b>	<b>11%</b>	<b>13%</b>
Interset	18	18	23	19	16	13	14	18	17	15	21%	-11%
<b>PBT</b>	<b>35</b>	<b>31</b>	<b>38</b>	<b>38</b>	<b>34</b>	<b>34</b>	<b>45</b>	<b>43</b>	<b>32</b>	<b>40</b>	<b>15%</b>	<b>25%</b>
Tax	15	7	10	12	12	11	16	13	9	13	24%	49%
<b>PAT</b>	<b>20</b>	<b>24</b>	<b>27</b>	<b>26</b>	<b>22</b>	<b>24</b>	<b>29</b>	<b>30</b>	<b>23</b>	<b>27</b>	<b>11%</b>	<b>15%</b>

Margin Profile	2QFY15	3QFY15	4QFY15	1QFY16	2QFY16	3QFY16	4QFY16	1QFY17	2QFY17	3QFY17	YoY (+/-)	QoQ (+/-)
Gross Margin	42.3%	43.0%	38.8%	33.0%	35.1%	40.9%	38.9%	30.9%	37.0%	34.2%	(670 bps)	(280 bps)
EBIDTA	20.8%	19.7%	16.9%	18.5%	18.1%	18.3%	15.7%	16.9%	18.2%	17.1%	(120 bps)	(110 bps)
EBIT	16.7%	15.6%	13.7%	15.1%	14.3%	14.2%	12.4%	13.6%	13.9%	13.2%	(100 bps)	(70 bps)
PAT	6.7%	7.9%	6.8%	7.1%	6.6%	7.7%	7.1%	7.3%	7.4%	7.2%	(50 bps)	(20 bps)

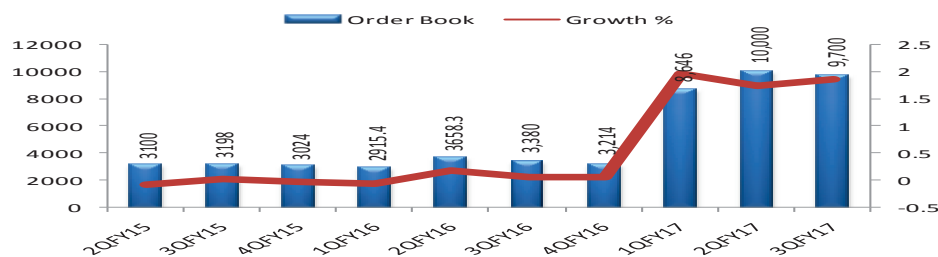
#### Growth YoY

Sales Growth	27%	11%	-11%	8%	10%	2%	0%	11%	-6%	19%
EBIDTA Growth	45%	19%	-7%	11%	-4%	-5%	-7%	1%	-6%	11%
EBIT Growth	44%	14%	-10%	9%	-6%	-7%	-9%	0%	-9%	11%
PAT Growth	15%	21%	-13%	13%	8%	0%	5%	14%	5%	11%

Operating Matrix	FY09	FY10	FY11	FY12	FY13	FY14	FY15	FY16	YoY%	Q3FY16	Q3FY17	YoY%
Opening Order Book	737	1219	1480	1266	2512	3661	3122	3024	-3%	3658	10000	173%
Revenue Booking	365	723	878	879	955	1146	1285	1328	3%	310	369	19%
Order Intake	847	984	664	2125	2104	607	1187	1518	28%	32	0	-100%
Closing Order Book	1219	1480	1266	2512	3661	3122	3024	3214	6%	3380	9700	187%

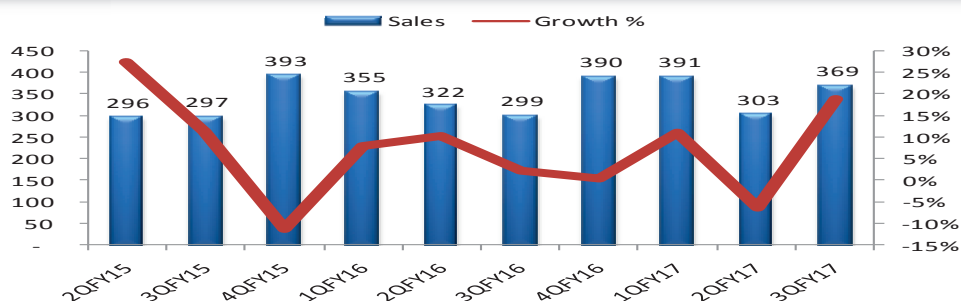
- ◆ Strong revenue growth of 19% in Q3FY17 was on account of work commencement on Mumbai metro projects.
- ◆ JKIL will slow and selective in terms of new order intake in order to focus on execution. Management has guided for Rs.2000 Cr of new order inflow for the next year to maintain 10000 Cr + order book.
- ◆ We anticipate healthy operating margin in range of 16-18%, margin depend on revenue mix (tunnel work has better margin comparatively)

### Robust Order book :-



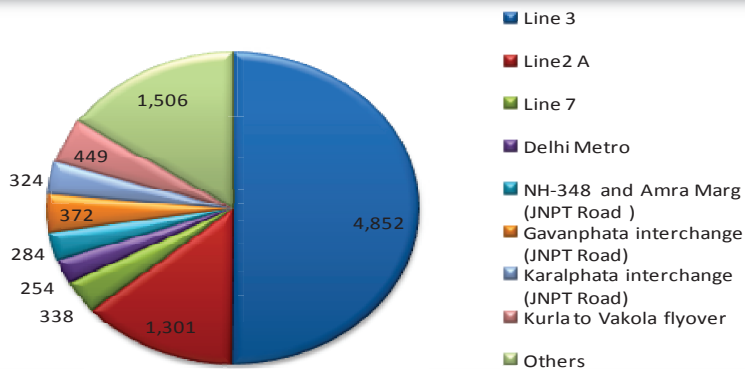
JKIL will go slow in terms of new order intake to focus more on execution. Avg. order intake will be in range of Rs.2000 Cr in order to maintain 10000 Cr plus Order book

### Quarterly Sales Trend :-

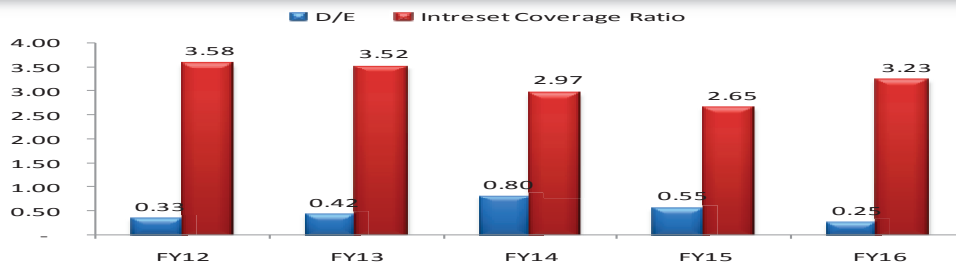


Mumbai metro projects will drive the revenue growth going ahead

### Order Book Break up:-



### Healthy Debt to Equity position with strong Intreset coverage ratio:-



D/E will remain strong in range of 0.25 to 0.38

### Financials Snap Shot

#### INCOME STATEMENT

	FY16	FY17E	FY18E	FY19E
Revenue	1409	1537	1866	2372
Other Income	18	29	23	23
Total Revenue	1426	1566	1889	2395
EBITDA	248	267	341	438
EBITDA Margin (%)	18%	17%	18%	18%
Depreciation	51	60	89	85
EBIT	197	207	252	353
Interest	61	69	88	99
PBT	154	167	187	276
Tax	51	55	62	91
Tax Rate (%)	33%	33%	33%	33%
Reported PAT	103	112	125	185
Dividend Paid	15	16	18	27
No. of Shares	8	8	8	8

#### RATIOS

	FY16	FY17E	FY18E	FY19E
EPS	14	15	17	25
Book Value	170	182	195	216
DPS	2.0	2.2	2.4	3.6
Payout (incl. Div. Tax.)	15%	15%	15%	15%
<b>Valuation(x)</b>				
P/E	20.2	20.1	21.5	18.6
Price / Book Value	1.6	1.6	1.8	2.1
Dividend Yield	1%	1%	1%	1%
<b>Profitability Ratios</b>				
RoE	8%	8%	8%	11%
RoCE	12%	12%	12%	16%
<b>Turnover Ratios</b>				
Asset Turnover (x)	0.7	0.7	0.8	0.9
Debtors (No. of Days)	77	102	102	102
Inventory (No. of Days)	126	100	100	100
Creditors (No. of Days)	30	30	30	30
Net Debt/Equity (x)	0.25	0.29	0.37	0.38

#### BALANCE SHEET

	FY16	FY17E	FY18E	FY19E
Share Capital	38	38	38	38
Reserves	1245	1338	1441	1594
Net Worth	1283	1376	1479	1632
Long term Debt	29	13	73	73
Short term Debt	294	380	470	550
Deferred Tax	17	17	17	17
Total Capital Employed	1312	1389	1552	1705
Net Fixed Assets	497	512	724	698
Capital WIP	68	68	68	68
Debtors	296	430	522	664
Cash & Bank Balances	174	185	116	113
Trade payables	114	124	151	192
Total Provisions	25	25	29	63
Net Current Assets	762	827	896	1079
Total Assets	1965	2144	2477	2783

#### CASH FLOW

	FY16	FY17E	FY18E	FY19E
OP/(Loss) before Tax	154	167	187	276
Depreciation	51	60	89	85
Direct Taxes Paid	43	55	62	91
Op. befor WC Change	249	267	341	438
CF from Op. Activity	64	164	141	161
Non Current investment	0	0	0	0
Capex	55	75	300	60
CF from Inv. Activity	(226)	(122)	(252)	(38)
Repayment of LTB	(75)	(16)	60	0
Interest Paid	61	69	88	99
Divd Paid (incl Tax)	16	20	22	33
CF from Fin. Activity	171	(18)	40	(52)
Inc/(Dec) in Cash	9	23	(71)	71
Add: Opening Balance	20	174	185	116
Closing Balance	29	197	114	187