

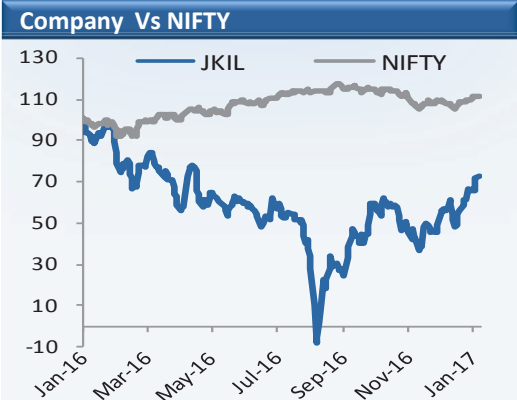
KEC International

Result Update	
CMP	238
Target Price	330
Previous Target Price	-
Upside	39%
Change from Previous	-

Market Data	
BSE Code	532940
NSE Symbol	JKIL
52wk Range H/L	372/105
Mkt Capital (Rs Cr)	1,801
Av. Volume	75897
Nifty	8398

Stock Performance			
	1Month	3 Month	1Year
Absolute	15.4	17.9	-30.5
Rel.to Nifty	11.8	19.4	-43.4

Share Holding Pattern-%			
	2QFY17	1QFY17	4QFY16
Promoters	44%	44%	43%
Public	56%	56%	57%



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Robust Revenue visibility :-

JKIL has 10000 Cr worth of Orders in hand as of 30th Sep 2016. 3 metro projects in Mumbai and one on-going Delhi metro project contribute 70% of the order book and remaining portion is roads, flyovers, and pilling. Current order book is 7 times of the FY16 revenue which implies robust revenue visibility going forward for JKIL. We expect healthy revenue growth of 18% and 34% in FY17E and FY18E respectively with strong EBITDA margin. JKIL is very selective in choosing new projects and it will focus on execution so we expect that company will take Rs 2000 Cr worth of new orders in order to maintain Rs 10000cr plus order book in FY18E.

Growth Driver:- Mumbai Metro projects

JKIL has commenced work on all 3 metro projects in Mumbai and we expect slow execution considering the initial stage of the projects in FY17 and expect the full swing in FY18 & FY19. Management is confident to complete the significant portion of metro line 2A and line 7 in next two fiscal years. FY18 and FY19 revenue growth heavily depends on Mumbai metro projects execution. On conservative basis, we expect 300 Cr & 1000 Cr of revenue contribution from Mumbai metro projects in H2FY17 and FY18 respectively

Strong Operating Margin:-

JKIL enjoying superior margin compare to peers in the industry. JKIL owns the large fleet of critical equipment and does minimal work through sub-contracting. This helps JKIL to achieve higher margin. Normally metro projects having better margin compare to road projects. As Metro projects contribute around 70% of the current order book and in Mumbai metro line 3 which having 50% tunnel work (tunnel work has better margin relatively), hence we believe operating margin will remain strong.

Healthy Order pipeline:-

In H1FY17, JKIL has received orders worth of Rs. 6700 Cr (including L1 order Mumbai metro line 3 into firm order) and sign contract with DMRC for the line 2A. We expect continuous robust orders from the metro, road project from NHA and others. JKIL will go slow and selective in terms of new order intake and concentrate mainly in Maharashtra. Huge opportunities are coming up in Maharashtra: - metro line 2B worth of 2000 Cr, Line 4 (4 packages of 2000-3000 cr each), tunnel widening of Mumbai-Pune highway (around 300-400 cr per package), Mumbai trans harbor link project of 1300 Cr. Management has indicated to take around 2000 cr of new orders in next year in order to maintain 10000 Cr+ order book.

Comfortable Debt to Equity position:-

JKIL's debt to equity stands at 0.25 times, which is the best in the industry with 3.2 times interest coverage ratio. JKIL needs to incur 500 Cr of capex. over the period of 3 years (Rs.75-80 Cr in FY17E, 250 Cr in FY18E and 175 Cr in FY19E). We expect little increment in the longer term borrowing despite huge capex requirement based on strong cash generation from operation. Delhi metro project likely to complete (back ended nature) in June 2017 and better payment cycle of Mumbai metro project will ease out working capital. Company will receive 10% interest free mobilization advances for the metro projects which will utilize for the working capital and capex. We expect debt to equity of 0.38 times by FY19E.

Management/ Concall Highlights:-

- ◆ Management revise its revenue guidance to 1600-1700 Cr from 1800 Cr due to delay in start of Mumbai metro line-3
- ◆ Management expect ramp up in execution on stuck JNPT project and expect to book 250 Cr of revenue in H2FY17
- ◆ Normalize level of debtors by the year end
- ◆ Rs. 300 cr of BMC projects are slow moving and 100 Cr of flyover project has not start and expect to start by Q4FY17
- ◆ For line 2A & 7 execution period is 30 months and expected to complete significant portion in next 2 years.
- ◆ Top line of Rs. 2000-2100 Cr in FY18
- ◆ Avg. 2000 Cr of order inflow to maintain 10000 Cr of order book
- ◆ Very selective and slow in terms of acquiring new orders
- ◆ Current WC cycle is 180 days and expects to bring down it to 160 days
- ◆ JKIL will bid for Trans harbuor project worth of 1300 Cr

View and Valuation:-

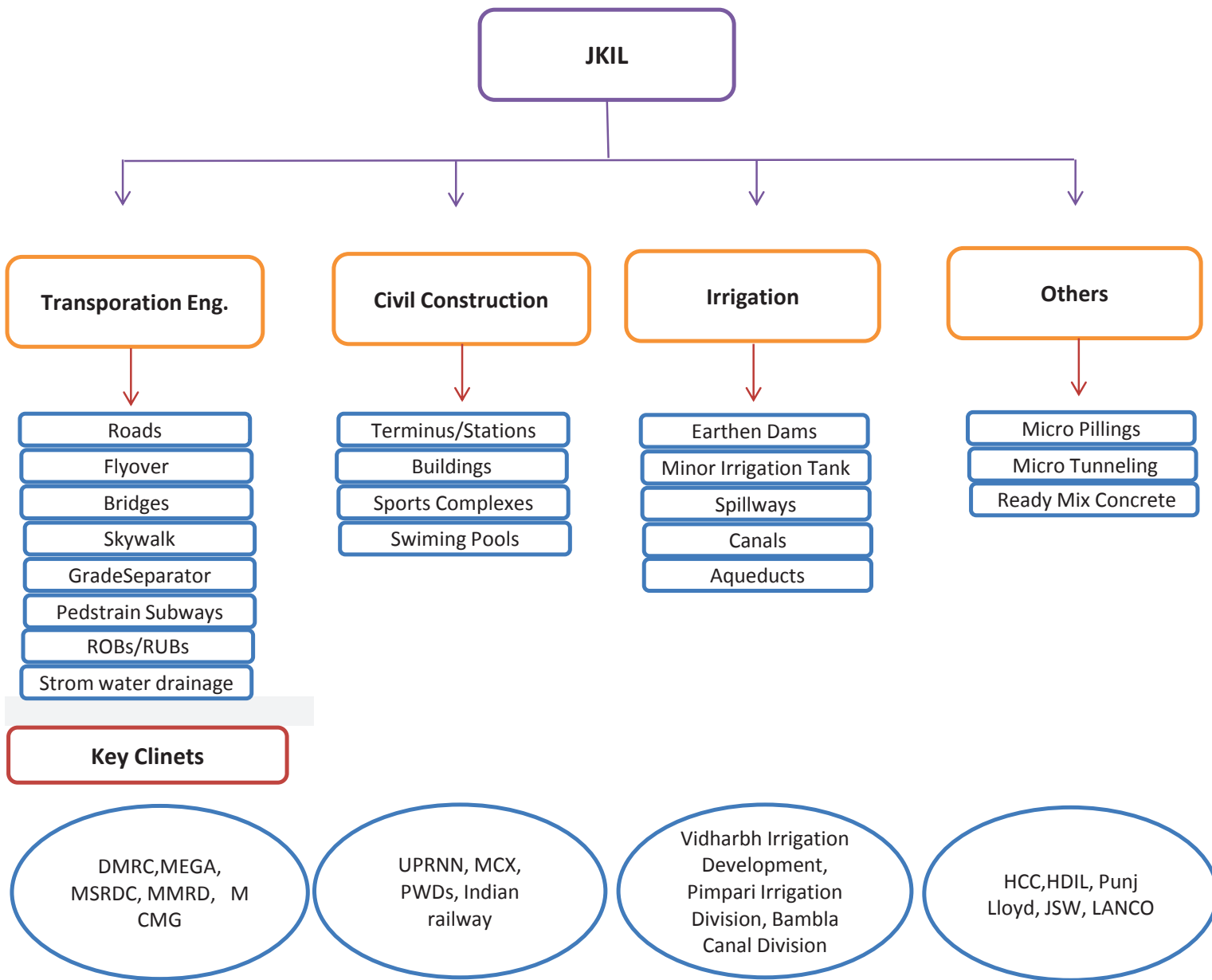
JKIL Q2FY17 was impacted due to heavy monsoon but we expect to ramp up in execution in H2FY17. Work has commenced on 3 Mumbai metro projects. However, the major revenue booking from Mumbai metro projects will start from FY18E as the projects are in the initial stage. We expect top line of Rs.1540 Cr @ 9% YoY growth in FY17E based on execution ramp up on stuck JNPT road projects and robust top line of Rs.2226 Cr @ 44% YoY growth in FY18E with strong operating margin. Currently, the stock is trading at 5.9 times of FY17E EV/EBITDA and 1.3 P/B. We expect RoE of 8.6% in FY17E and 11.7% in FY18E. Hence, we initiate our coverage on the stock and recommend "BUY" with target price Rs. 330

Mumbai Metro Projects Details

Metro projects	Lenghts(Km)	Value	Strech	Execution Peric	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	1QFY15	2QFY15	3QFY15	4QFY15	1QFY16	2QFY16	3QFY16	QFY16	1QFY17	2QFY17	YoY%	QoQ%
Net Sales	333	296	297	393	355	322	299	390	391	303	-6%	-22%
Other Operating Income	4	5	7	10	9	9	11	13	13	7	-29%	-49%
Net Sales	337	300	303	403	364	331	310	404	403	310	-6%	-23%
Change in Invenotry	10	5	17	7	26	18	12	(1)	32	6		
RM Cost	197	169	156	240	218	196	171	247	246	190	-3%	-23%
COGS	207	173	173	246	244	215	183	247	279	195	-9%	-30%
Employee Expenses	16	17	18	23	17	18	21	24	19	22	26%	18%
Other Expenses	24	26	27	40	20	21	33	44	21	23	9%	11%
Labour Exp	28	22	26	26	16	17	16	26	17	13	-25%	-24%
Total Expenditure	276	238	244	335	296	271	253	341	335	253	-6%	-24%
EBITDA	61	62	60	68	67	60	57	63	68	56	-6%	-17%
Depreciation	10	12	12	13	12	13	13	13	13	13	5%	2%
EBIT	51	50	47	55	55	47	44	50	55	43	-9%	-22%
Intreset	18	18	18	23	19	16	13	14	18	17	6%	-4%
PBT	35	35	31	38	38	34	34	45	43	32	-6%	-26%
Tax	12	15	7	10	12	12	11	16	13	9	-27%	-35%
PAT	23	20	24	27	26	22	24	29	30	23	5%	-22%

Margin Profile											YoY (+/-)	QoQ (+/-)
Gross Margin	38.6%	42.3%	43.0%	38.8%	33.0%	35.1%	40.9%	38.9%	30.9%	37.0%	190	610
EBIDTA	18.0%	20.8%	19.7%	16.9%	18.5%	18.1%	18.3%	15.7%	16.9%	18.2%	10	130
EBIT	15.0%	16.7%	15.6%	13.7%	15.1%	14.3%	14.2%	12.4%	13.6%	13.9%	(40)	30
PAT	6.8%	6.7%	7.9%	6.8%	7.1%	6.6%	7.7%	7.1%	7.3%	7.4%	80	10

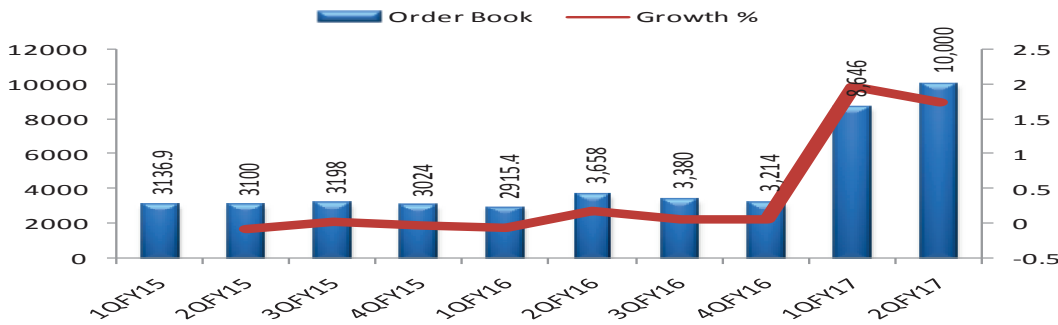
Growth YoY										
Sales Growth	50%	27%	11%	-11%	8%	10%	2%	0%	11%	-6%
EBIDTA Growth	55%	45%	19%	-7%	11%	-4%	-5%	-7%	1%	-6%
EBIT Growth	58%	44%	14%	-10%	9%	-6%	-7%	-9%	0%	-9%
PAT Growth	43%	15%	21%	-13%	13%	8%	0%	5%	14%	5%

Operating Matrix	FY09	FY10	FY11	FY12	FY13	FY14	FY15	FY16	YoY%	H1FY16	H1FY17	YoY%
Opening Order Book	737	1219	1480	1266	2512	3661	3122	3024	-3%	3024	3214	6%
Revenue Booking	365	723	878	879	955	1146	1285	1328	3%	694	713	3%
Order Intake	847	984	664	2125	2104	607	1187	1518	28%	1438	6700*	366%
Closing Order Book	1219	1480	1266	2512	3661	3122	3024	3214	6%	3658	10000	173%

* Consider Mumbai metro line 3 project of 50 bn in Order Intake during Q2FY17

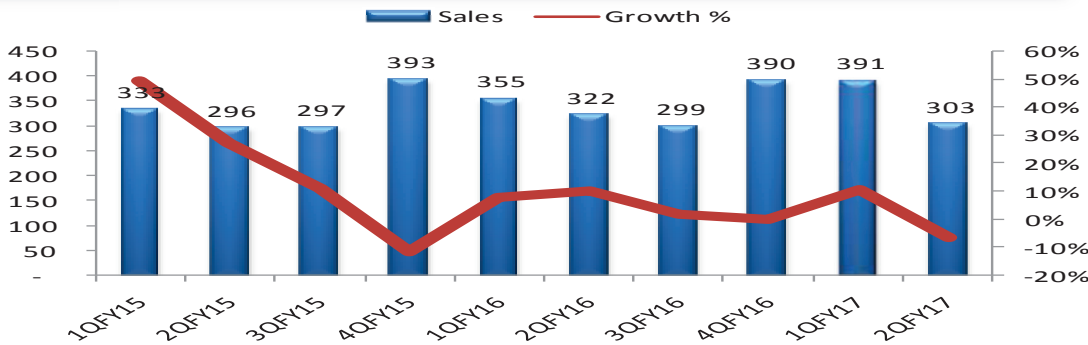
- ◆ Revenue de grew by 6% in Q2FY17 due to heavy monsoon but we expect robust revenue growth going ahead
- ◆ JKIL will slow and selective in terms of new order intake in order to focus on execution. Management has guided for Rs.2000 Cr of new order inflow for the next year to maintain 10000 Cr + order 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 :-



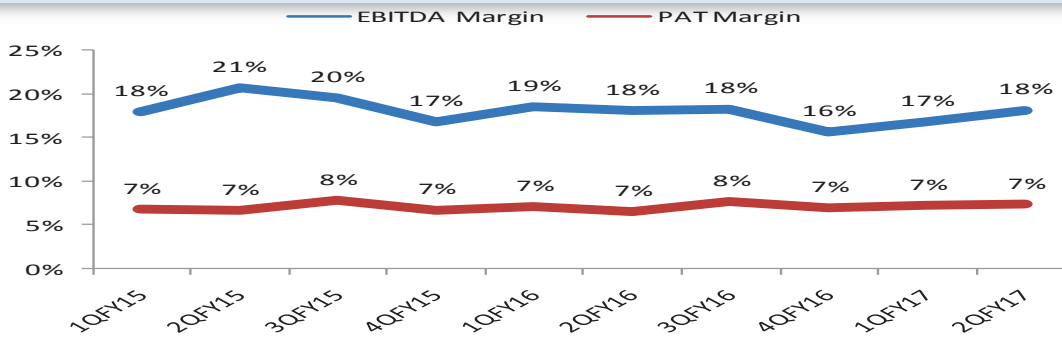
JKIL will go slow in terms of new order intake to focus more on execution. Avg. order intake will be in range of Rs.2000 Cr in order to maintain 10000 Cr plus Order book

Quarterly Sales Trend :-

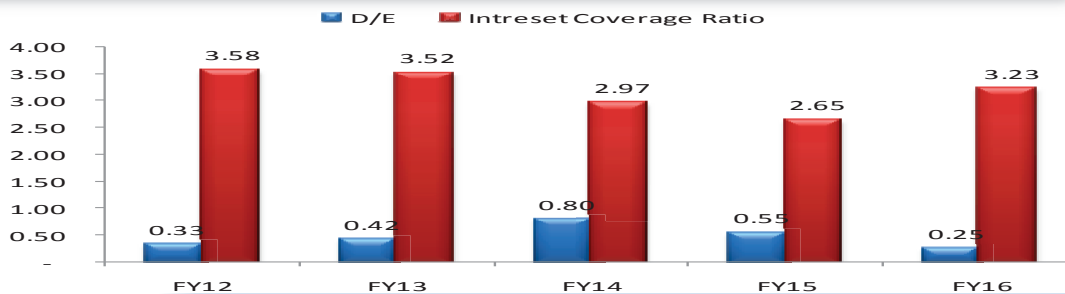


Mumbai metro projects will drive the revenue growth going ahead

Strong Operating Margin :-



Healthy Debt to Equity position with strong Interest coverage ratio:-



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

Financials Snap Shot

INCOME STATEMENT

	FY16	FY17E	FY18E	FY19E
Revenue	1409	1540	2226	2590
Other Income	18	17	10	10
Total Revenue	1426	1557	2236	2600
EBITDA	248	266	389	459
EBITDA Margin (%)	0	0	0	0
Depreciation	51	51	54	77
EBIT	197	215	335	382
Interest	61	60	81	90
PBT	154	171	264	302
Tax	51	53	84	89
Tax Rate (%)	0	0	0	0
Reported PAT	103	118	180	213
Dividend Paid	18	21	32	38
No. of Shares	8	8	8	8

RATIOS

	FY16	FY17E	FY18E	FY19E
EPS	14	16	24	28
Book Value	170	182	202	225
DPS	2.3	2.7	4.2	5.0
Payout (incl. Div. Tax.)	17%	18%	18%	18%
Valuation(x)				
P/E	20.2	19.5	17.3	17.1
Price / Book Value	1.6	1.7	2.0	2.1
Dividend Yield	1%	1%	1%	1%
Profitability Ratios				
RoE	8%	9%	12%	13%
RoCE	12%	12%	16%	16%
Turnover Ratios				
Asset Turnover (x)	0.7	0.7	0.9	0.9
Debtors (No. of Days)	77	60	60	60
Inventory (No. of Days)	200	170	170	170
Creditors (No. of Days)	30	25	25	25
Net Debt/Equity (x)	0.25	0.25	0.36	0.37

BALANCE SHEET

	FY16	FY17E	FY18E	FY19E
Share Capital	38	38	38	38
Reserves	1245	1343	1491	1666
Net Worth	1283	1381	1529	1704
Long term Debt	29	13	50	50
Short term Debt	294	327	493	582
Deferred Tax	17	17	17	17
Total Capital Employed	1312	1394	1579	1754
Net Fixed Assets	497	521	717	815
Capital WIP	68	68	68	68
Debtors	296	324	468	544
Cash & Bank Balances	174	249	129	120
Trade payables	114	125	180	210
Total Provisions	25	27	41	49
Net Current Assets	762	1032	1187	1353
Total Assets	1965	2092	2512	2813

CASH FLOW

	FY16	FY17E	FY18E	FY19E
OP/(Loss) before Tax	154	171	264	302
Depreciation	51	51	54	77
Direct Taxes Paid	43	53	84	89
Op. befor WC Change	249	266	389	460
CF from Op. Activity	64	148	(28)	195
Non Current investments	0	0	0	0
Capex	55	75	250	175
CF from Inv. Activity	(226)	(8)	(183)	(164)
Repayment of LTB	(75)	(16)	37	0
Interest Paid	61	60	81	90
Divd Paid (incl Tax)	16	21	32	38
CF from Fin. Activity	171	(64)	91	(40)
Inc/(Dec) in Cash	9	76	(120)	(9)
Add: Opening Balance	20	174	249	129
Closing Balance	29	249	129	120