

J.Kumar Infracore Limited

20-Feb-17

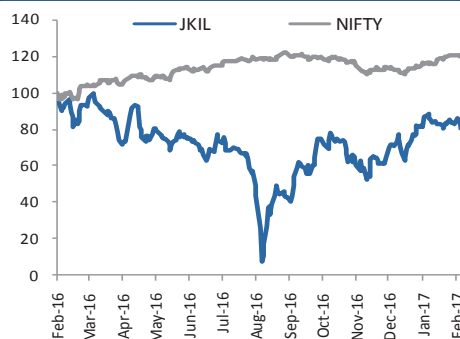
Result Update	
CMP	223
Target Price	NA
Previous Target Price	
Upside	
Change from Previous	-

Market Data	
BSE Code	532940
NSE Symbol	JKIL
52wk Range H/L	328/105
Mkt Capital (Rs Cr)	1,693
Av. Volume	40210
Nifty	8822

Stock Performance			
	1Month	3 Month	1Year
Absolute	-7.8	23.6	-23.3
Rel.to Nifty	-12.9	14.4	-48.4

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

Company Vs NIFTY



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JKIL has reported Q3FY17 numbers largely in line with our estimate. Top line has clocked ~19% YoY growth to Rs. 369 Cr on back of work commencement on Mumbai metro projects. Rs.120 Cr of revenue has booked in Q3FY17 from 3 Mumbai metro projects. EBITDA during the quarter has come down by 120 bps to 17.1% due to higher employee cost. Employee cost was higher on account of start of new metro projects and it will be normalize as the work start in full swing. Preliminary work on Mumbai metro projects has completed and we expect to generate healthy revenue in Q4FY17 and going forward.

Growth Driver:- Mumbai Metro projects

Mumbai metro projects are the key growth driver for JKIL revenue growth for next 3-4 years. As on 31st December 2016 JKIL order book stands at 9700 Cr, out this Mumbai metro contributes nearly ~68%. Preliminary work on all 3 metro projects (line 2A, 3 and 7) has completed and execution is on full swing. According to management Mumbai metro will generate revenue around Rs. 200-250 Cr in Q4FY17E, Rs.1300-1400 Cr in FY18E and around Rs.1700-1800 Cr in FY19E. This will not only support the better revenue growth but also strengthen the operating margin.

No Clarity on JNPT road project, higher level of Debtors is the concern :-

JNPT road projects contribute ~11% to current order book. Earlier management had guided for Rs. 250 Cr of execution in H2FY17 but no significant revenue booked during the quarter. Project was already delayed due to land acquisition and still we don't have any clarity about the execution timeline, which is the concern for JKIL. Management had guided for normalize level of debtors days based on better payment cycle of Mumbai metro projects but that was not reflected in the numbers at the end of Q3FY17. This is the second concern for us regarding JKIL. At the end of the Q3FY17 debtors are higher (Rs.563 Cr) compare to what management had guided earlier.

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 in Q3FY16.
- ◆ Order book as on 31st Dec 2017 stands at Rs. 9700 Cr out of this 6850 Cr in metro (including Delhi metro project).

Mangement/ 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:-

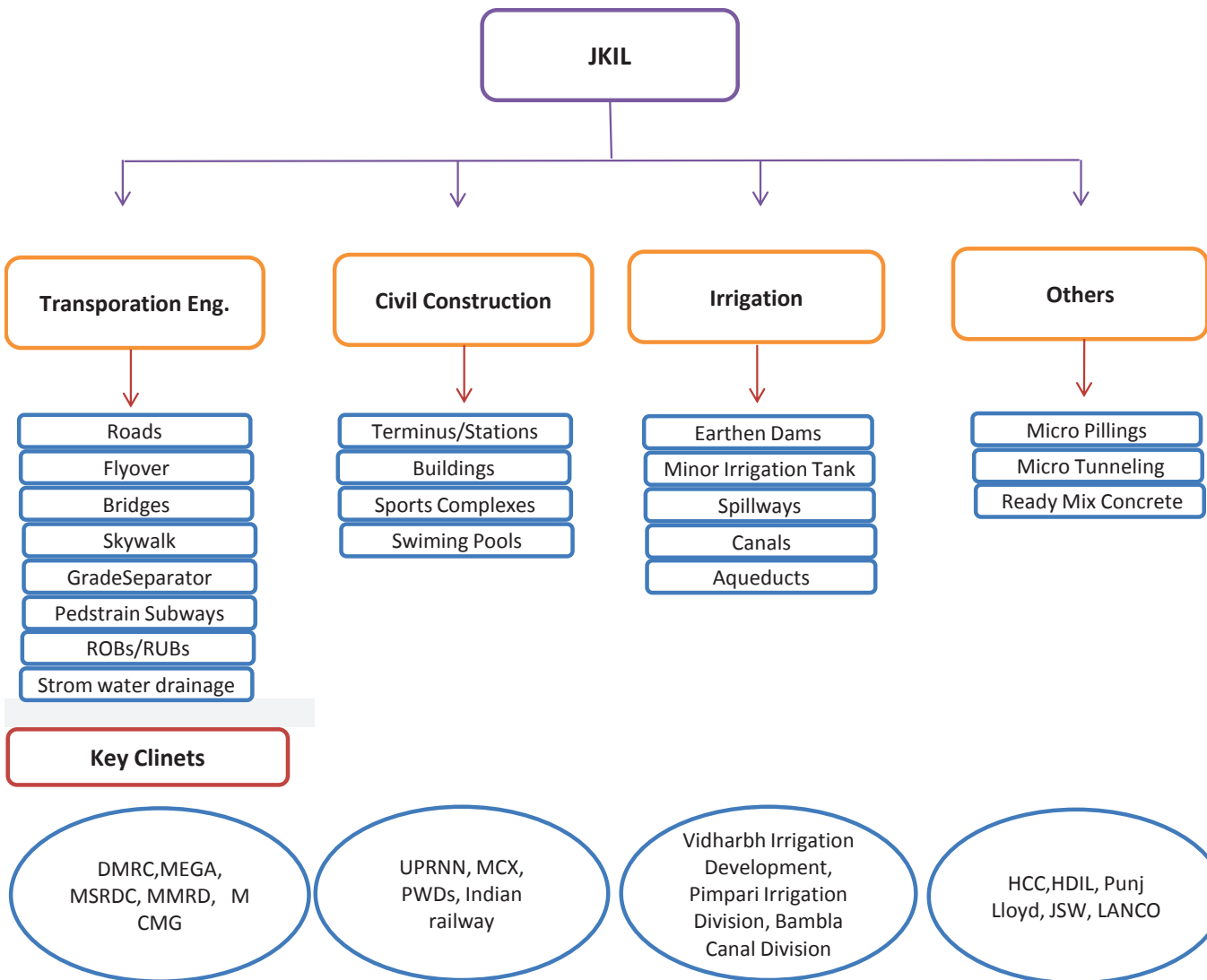
JKIL is the one of the best EPC Company with lower Debt to equity. Commencement work on Mumbai metro projects has led to strong revenue growth in Q3FY17 and we expect to continue it but we need certain clarification regarding execution time line of JNPT road projects and debtors to make clear cut view on JKIL. Presently we are waiting for further clarification; **hence this stock is under our review. As the clarity emerges we will rate the stock as per its fundamental.**

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%
Net Sales	300	303	403	364	331	310	404	403	310	369	19%	19%
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%
COGS	173	173	246	244	215	183	247	279	195	243	33%	24%
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%
Total Expenditure	238	244	335	296	271	253	341	335	253	306	21%	21%
EBITDA	62	60	68	67	60	57	63	68	56	63	11%	12%
Depreciation	12	12	13	12	13	13	13	13	13	14	12%	8%
EBIT	50	47	55	55	47	44	50	55	43	49	11%	13%
Interset	18	18	23	19	16	13	14	18	17	15	21%	-11%
PBT	35	31	38	38	34	34	45	43	32	40	15%	25%
Tax	15	7	10	12	12	11	16	13	9	13	24%	49%
PAT	20	24	27	26	22	24	29	30	23	27	11%	15%

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 :-



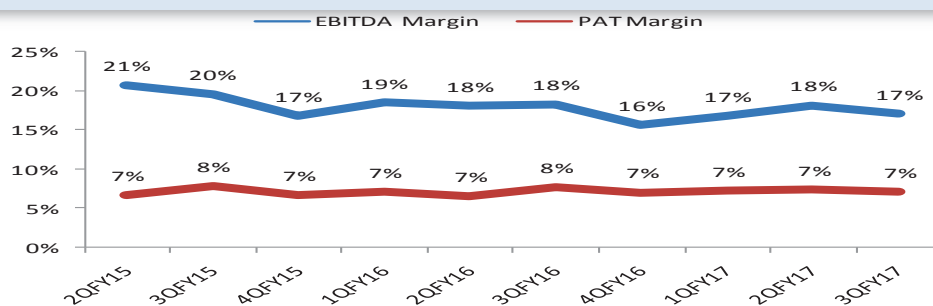
JKIL will go slow in terms of new order intake to focus more on execution. Avg. order intake will be in range of Rs.2000 Cr in order to maintain 10000 Cr plus Order book

Quarterly Sales Trend :-

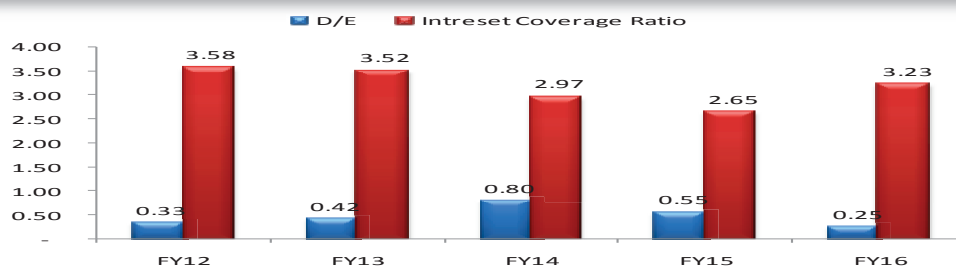


Mumbai metro projects will drive the revenue growth going ahead

Strong Operating Margin :-



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



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

Financials Snap Shot

INCOME STATEMENT

	FY13	FY14	FY15	FY16
Revenue	1001	1187	1343	1409
Other Income	9	11	13	18
Total Revenue	1010	1198	1356	1426
EBITDA	167	206	251	248
EBITDA Margin (%)	17%	17%	19%	18%
Depreciation	24	35	47	51
EBIT	143	171	203	197
Interest	41	58	77	61
PBT	111	124	139	154
Tax	35	40	45	51
Tax Rate (%)	32%	32%	32%	33%
Reported PAT	76	84	94	103
Dividend Paid	10	10	13	15
No. of Shares	3	3	3	8

RATIOS

	FY13	FY14	FY15	FY16
EPS	27	30	29	14
Book Value	181	207	245	170
DPS	3.5	3.8	4.0	2.0
Payout (incl. Div. Tax.)	13%	12%	14%	15%
Valuation(x)				
P/E	3.6	2.9	11.7	20.2
Price / Book Value	0.5	0.4	1.4	1.6
Dividend Yield	3%	4%	1%	1%
Profitability Ratios				
RoE	15%	15%	12%	8%
RoCE	20%	17%	17%	12%
Turnover Ratios				
Asset Turnover (x)	0.9	0.7	0.8	0.7
Debtors (No. of Days)	42	41	55	77
Inventory (No. of Days)	144	174	148	126
Creditors (No. of Days)	33	56	37	30
Net Debt/Equity (x)	0.42	0.80	0.55	0.25

BALANCE SHEET

	FY13	FY14	FY15	FY16
Share Capital	28	28	32	38
Reserves	476	547	757	1245
Net Worth	503	575	789	1283
Long term Debt	86	135	53	29
Short term Debt	124	322	380	294
Deferred Tax	5	7	13	17
Total Capital Employed	589	710	842	1312
Net Fixed Assets	310	501	493	497
Capital WIP	101	175	63	68
Debtors	115	132	201	296
Cash & Bank Balances	112	121	155	174
Trade payables	91	182	135	114
Total Provisions	11	17	20	25
Net Current Assets	290	396	557	762
Total Assets	1158	1653	1692	1965

CASH FLOW

	FY13	FY14	FY15	FY16
OP/(Loss) before Tax	111	124	139	154
Depreciation	24	35	47	51
Direct Taxes Paid	42	33	39	43
Op. befor WC Change	168	208	253	249
CF from Op. Activity	127	(25)	59	64
Non Current investment	0	2	0	0
Capex	86	225	43	55
CF from Inv. Activity	(120)	(238)	(53)	(226)
Repayment of LTB	39	123	(101)	(75)
Interest Paid	41	58	77	61
Divd Paid (incl Tax)	7	11	14	16
CF from Fin. Activity	(9)	252	3	171
Inc/(Dec) in Cash	(2)	(12)	8	9
Add: Opening Balance	114	23	12	20
Closing Balance	112	12	20	29