

J Kumar Infraprojects Ltd.

SENSEX: 25285

CMP: INR 285



Infrastructure

We met the management of JKIL to get a feel of ground reality on factors effecting infrastructure companies and JKIL's key future strategies to emerge afloat. JKIL is a well established EPC player executing civil engineering & infrastructure development projects with primary focus on development of roads, skywalks, flyovers, commercial and residential building, airport and railway terminals, sports complexes, piling work and irrigation projects. The company operates through four business verticals - transport engineering (97% of OB), civil construction, irrigation and piling.

Robust order book position

JKIL has robust order backlog of INR 34 bn as on Dec 2015 (implying order book to bill ratio of 2.5x), which provides healthy revenue visibility. The average execution period for the order book is 2 years. JKIL has bagged fresh orders worth INR 15 bn in 9MFY16 and is L1 for orders worth ~INR 6 bn.

Mumbai metro package - to be awarded soon

JKIL has emerged as the lowest bidder in 2 packages of Mumbai Metro line 3 worth ~INR 52 bn, including which the order backlog will swell to over INR 85 bn (6.8x book to bill). The order has been delayed by 5 months as JKIL's bid was 16% above MMRC's new DPR estimate. After negotiations, it has reduced pricing by 6% and work on this project is now expected to commence from May 17. Management expects to book revenue of INR 3 bn & INR 8 bn from this project in FY17 & FY18 respectively.

Strong order pipeline

Order pipeline of JKIL remains strong given its increasing focus on transportation segment. JKIL is targeting to bid aggressively for metro projects across cities like Mumbai, Navi Mumbai, Ahmedabad, Nagpur etc. (bid pipeline ~INR 40 bn) and expects huge opportunity from other urban Infra projects. Key projects expected to be awarded over next 15 months includes a) Mumbai Trans Harbour link - INR 120 bn, b) coastal road project in Mumbai - INR 120 bn, and c) Goregaon-Mulund elevated road - INR 20 bn.

Large fleet of owned equipments

JKIL owns a large fleet of modern construction equipment and machinery (including 4 Tunnel Boring Machines & 22 hydraulic piling rigs) due to which it is able to execute the projects efficiently and in time, which helps in controlling cost and improves margins. In addition, it also creates credibility in the industry among the clients.

Other Highlights

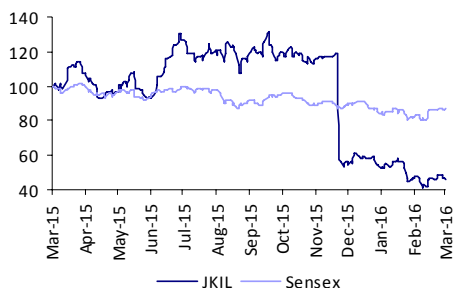
- JKIL expects to clock a turnover of ~INR 15 bn in FY16 (+11% YoY) and INR 17 bn in FY17 (+13% YoY, INR 20 bn including metro revenue). It expects to maintain a PAT margin of ~7%.
- Gross debt stands at INR 3.5 bn.
- It will incur a maintenance capex of INR 300 mn in FY17. Additionally it will incur a capex of INR 2500 mn for Mumbai Metro Project over next 2 years.

Outlook & Valuation

Given its dominant position in transportation segment, JKIL remains well placed to benefit from increasing investments in Metro projects, Flyovers, Bridges and Skywalks. Robust order backlog and strong execution skills ensures healthy revenues in coming years. Large fleet of owned machinery and almost nil sub-contracting of work will enable the company to deliver higher margins as compared to other industry players. Strong balance sheet and healthy return ratios too bodes well for the company. Currently the stock trades at a P/E of 21.8x its TTM earnings.

Shareholding (%)	Dec-15
Promoters	43.48
FII's	24.03
DII's	21.92
Others	10.57

Relative Price Performance



Key Data	
BSE Code	532940
NSE Code	JKIL
Bloomberg Code	JKIL IN
Reuters Code	JKIP.BO
Shares O/S (mn)	75.66
Face Value	5
Mcap (INR bn)	21.95
52 Week H/L	449.75/255.00
2W Avg. Qty, NSE	31456
Free Float (INR bn)	12.41
Beta	0.80

Y/E March (INR mn)	FY12	FY13	FY14	FY15
Net Sales	9316	10007	11868	13432
Growth	-1.86%	7.42%	18.60%	13.18%
EBIDTA Margin	16.10%	16.73%	17.34%	18.65%
APAT	681	757	841	944
Growth	-7.93%	11.27%	10.98%	12.29%
EPS	6.12	6.81	7.56	14.64
P/E	7.08	7.19	5.69	23.22
P/BV	1.10	1.08	0.83	2.78
EV/EBIDTA	3.44	3.80	4.22	9.68
Net Debt-Equity Ratio	0.13	0.25	0.76	0.46
RoACE	23.83	22.49	19.42%	17.73%
RoAE	16.66	16.07	15.59%	13.84%

Quarterly Result

Particulars (INR mn)	Q3FY15	Q4FY15	Q1FY16	Q2FY16	Q3FY16	YoY Chg	QoQ Chg	9MFY16	9MFY15	YoY Chg
Net Sales	2967	3934	3546	3216	2995	0.91%	-6.90%	9757	9253	5.45%
Other Operating Income	67	96	89	92	108	62.03%	17.32%	290	150	93.65%
Other Income	24	55	28	32	31	27.05%	-3.13%	91	76	20.63%
Total Income	3059	4085	3664	3341	3134	2.46%	-6.19%	10138	9478	6.97%
Total Expenditure	2438	3351	2962	2703	2534	3.92%	-6.27%	8196	7576	8.19%
Raw Materials	1558	2398	2177	1964	1714	10.00%	-12.73%	5832	5211	11.92%
Change in WIP	172	66	258	184	119	-30.81%	-35.15%	561	318	76.30%
Raw Materials Consumed	1730	2465	2435	2148	1833	5.94%	-14.64%	6393	5529	15.62%
Employee Cost	178	229	166	170	207	16.39%	21.30%	546	512	6.54%
Other Expenses	530	657	361	385	494	-6.87%	28.20%	1258	1535	-18.06%
EBIDTM	621	734	701	638	600	-3.27%	-5.85%	1942	1902	2.11%
EBIDTM	19.65%	16.85%	18.52%	18.31%	18.35%	(130 bps)	4 bps	18.42%	19.42%	(100 bps)
Interest	184	231	193	163	128	-30.67%	-21.63%	471	537	-12.34%
EBDTM	437	504	508	475	473	8.26%	-0.44%	1471	1365	7.80%
Depreciation	124	126	125	127	128	3.30%	0.79%	380	348	9.47%
PBT	313	377	384	348	345	10.24%	-0.89%	1091	1017	7.23%
Tax	74	104	124	116	105	42.41%	-9.24%	345	347	-0.46%
APAT	239	273	259	232	240	0.29%	3.28%	746	670	11.20%
APATM	7.87%	6.78%	7.13%	7.01%	7.72%	(15 bps)	71 bps	7.42%	7.13%	29 bps
EPS	3.70	4.24	4.02	3.60	3.17	-14.55%	-12.01%	9.85	10.40	-5.26%
Equity	322	322	322	322	378	17.38%	17.38%	378	322	17.38%

Financials

Income Statement

Y/E March (INR mn)	FY12	FY13	FY14	FY15
Net Sales	9316	10007	11868	13432
<i>Growth</i>	-1.86%	7.42%	18.60%	13.18%
Raw Materials Consumed	5847	6264	6820	7993
Sub-contract charges	0	0	0	0
Total Expenditure	7816	8333	9810	10926
EBIDTA (without OI)	1500	1674	2058	2506
<i>Growth</i>	4.55%	11.61%	22.97%	21.73%
<i>EBITDA Margin</i>	16.10%	16.73%	17.34%	18.65%
Depreciation	189	244	348	474
EBIT	1311	1430	1711	2032
<i>EBIT Margin</i>	14.07%	14.29%	14.41%	15.13%
Interest Expenses	366	406	576	768
Other Income	67	89	108	131
EBT	1012	1112	1242	1395
Tax Expenses	331	354	402	451
PAT	681	757	841	944
Excep./Extra. Items	0	0	0	0
APAT	681	757	841	944
<i>Growth</i>	-7.93%	11.27%	10.98%	12.29%
<i>APAT Margin</i>	7.31%	7.57%	7.08%	7.03%

Key Ratios

Y/E March	FY12	FY13	FY14	FY15
Per Share Data (INR)				
Adjusted EPS	6.12	6.81	7.56	14.64
CEPS	7.87	9.09	10.86	22.95
BVPS	78.96	90.54	103.47	122.42
Return Ratios				
RoACE	23.83	22.49	19.42%	17.73%
RoAE	16.66	16.07	15.59%	13.84%
Balance Sheet Ratios				
Net Debt-Equity Ratio	0.13	0.25	0.76	0.46
Current Ratio	2.33	1.76	1.97	2.71
Interest Cover Ratio	3.76	3.74	3.16	2.82
Efficiency Ratios				
Total Asset Turnover	1.61	1.48	1.27	1.10
Inventory Days	141	198	247	212
Debtors Days	35	42	41	55
Creditors Days	26	46	79	53
Valuations				
P/E	7.08	7.19	5.69	23.22
P/BV	1.10	1.08	0.83	2.78
Market Cap / Sales	0.52	0.54	0.40	1.63
EV/EBIDTA	3.44	3.80	4.22	9.68

Balance Sheet

Y/E March (INR mn)	FY12	FY13	FY14	FY15
SOURCES OF FUNDS				
Share Capital	278	278	278	322
Reserves	4112	4756	5475	7569
Total Networth	4390	5034	5753	7891
Total Debt	1706	2363	5572	5154
Other Liabilities	9	2	6	14
Total Liabilities	6105	7399	11330	13059
APPLICATION OF FUNDS				
Net Block	1468	2089	3255	4301
Capital Work in Progress	598	1013	1752	633
Investments	1	1	23	11
Total Current Assets	5553	7288	10086	10122
Total Current Liabilities	2385	4132	5130	3732
Net Current Assets	3169	3156	4956	6390
Net Deferred Tax	(43)	(51)	(71)	(131)
Other Assets	912	1193	1414	1856
Total Assets	6105	7400	11330	13059

Cash Flow

Y/E March (INR mn)	FY12	FY13	FY14	FY15
EBT	1012	1112	1242	1395
Add: Depreciation	189	244	348	474
Add: Interest paid	366	406	576	768
Change in Working Capital	576	(7)	(1707)	(1098)
Direct taxes paid	(325)	(346)	(383)	(389)
Less: Other Income/Exceptionals	(67)	(89)	(108)	(131)
Cash flow from operations (a)	1750	1321	(31)	1019
Change in Investments	0	0	(22)	12
Change in Fixed Assets	(516)	(865)	(1514)	(1517)
Change in CWIP	0	(415)	(740)	1120
Others	(157)	(199)	(109)	(303)
Cash flow from investing (b)	(673)	(1479)	(2385)	(689)
Change in Equity	0	0	0	44
Debt Raised/(Repaid)	32	657	3208	(417)
Dividend paid	(63)	(63)	(97)	(104)
Interest paid	(366)	(406)	(576)	(768)
Others	(10)	(50)	(25)	1251
Cash flow from financing (c)	(407)	138	2510	6
Net Change in Cash (a+b+c)	671	(20)	94	336
Opening Cash	468	1139	1119	1212
Closing Cash	1139	1119	1212	1548

Sharad Avasthi

Head - Equity Research

sharad.avasthi@spagroupindia.com

Tel.: +91-33-4011 4800

Ext.832

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