

J. Kumar Infraprojects

Execution recovery leads to beat

J Kumar (JKIL) reported revenue/EBITDA/PAT at Rs 8.1/1.2/0.45bn, beating our estimate by 21/7/12% on better-than-expected execution recovery. However, the company disappointed on margin (14.2% vs 16% est.). YTD order inflow stood at Rs 21bn. While the order backlog is robust at 3.7x FY20 revenue, near-term execution challenges have alleviated now to a large extent. At 5.6x FY23E EPS, valuations are compelling. We maintain BUY on JKIL with an increased target price of Rs 220/sh (7x Dec-22E EPS) and revise FY21/FY22/FY23 EPS est. by 5.5x/5%/7% to account for execution recovery. Key risk: Delay in order conversion within estimated timeline.

- Strong momentum in execution:** JKIL registered revenue at Rs 8.1bn, above the pre-COVID level and 21% ahead of our estimates as execution ramped up significantly. However, lower-than-expected margins, narrowed the EBITDA beat to 7%. Consequently, higher other income and lower taxes led to APAT of Rs 450mn (-19%/6.3x YoY/QoQ), beat of 12% on estimate. JKIL has increased revenue guidance to Rs 24bn for FY21E and retained Rs 35bn for FY22. EBITDA margin guidance remained unchanged at 13-14%/15%+ for FY21/FY22 respectively. All the projects are expected to start contributing to revenue from 1QFY22, aiding execution ramp-up.
- Order book healthy; Rs 40bn inflow targeted for FY21/FY22:** Total order book as on 3QFY21 stood at Rs 109.2bn (3.7x FY20 revenue). While metro projects contribute ~51%, flyover, bridges & roads projects contribute ~48% to the order book. YTD order inflows stood at Rs 21bn. With an L1 position in Rs 14bn Mumbai Metro order, JKIL is confident of achieving Rs 40bn guidance for FY21.
- Stable leverage and NWC:** Gross debt remained stable at Rs 5.7bn (Rs 5.9/6.7bn at the end of 2QFY21/4QFY20), with gross D/E at 0.31x. JKIL has incurred Capex of Rs 600mn in 9MFY21 and further Rs 200-400mn outlay is envisaged for 4QFY21. With ramp-up in execution, debt may increase, going forward. JKIL expects NWC to be at 120days for FY21 vs 144days in FY20.

Financial Summary (Standalone)

YE March (Rs mn)	3QFY21	3QFY20	YoY (%)	2QFY21	QoQ (%)	FY20	FY21E	FY22E	FY23E
Net Sales	8,162	7,930	2.9	4,774	71.0	29,706	24,186	32,651	37,548
EBITDA	1,155	1,180	(2.1)	632	82.8	4,290	3,269	4,886	5,768
APAT	450	557	(19.2)	71	533.1	1,836	827	1,930	2,522
Diluted EPS (Rs)	5.9	7.4	(19.2)	0.9	533.1	24.3	10.9	25.5	33.3
P/E (x)						7.7	17.0	7.3	5.6
EV / EBITDA (x)						4.7	5.8	3.5	2.9
RoE (%)						10.5	4.4	9.7	11.5

Estimate Change Summary (Standalone)

Particulars	FY21E			FY22E			FY22E		
	New	Old	% Chg.	New	Old	% Chg.	New	Old	% Chg.
Revenues (Rs mn)	24,186	20,605	17.4	32,651	29,877	9.3	37,548	34,359	9.3
EBITDA (Rs mn)	3,269	2,199	48.7	4,886	4,651	5.1	5,768	5,349	7.8
Margins (%)	13.5	10.7	284.5	15.0	15.6	(60.2)	15.4	15.6	(20.6)
APAT (Rs mn)	827	152	445.4	1,930	1,843	4.8	2,522	2,350	7.3

Source: Company, HSIE Research

BUY

CMP (as on 10 Feb 2021)	Rs 188
Target Price	Rs 220
NIFTY	15,107

KEY CHANGES	OLD	NEW	
Rating	BUY	BUY	
Price Target	Rs 206	Rs 220	
EPS	FY21E	FY22E	FY23E
change %	+445.4	+4.8	+7.3

KEY STOCK DATA

Bloomberg code	JKIL IN
No. of Shares (mn)	76
MCap (Rs bn) / (\$ mn)	14/196
6m avg traded value (Rs mn)	30
52 Week high / low	Rs 197/65

STOCK PERFORMANCE (%)

	3M	6M	12M
Absolute (%)	73.9	98.9	28.8
Relative (%)	55.3	64.6	3.5

SHAREHOLDING PATTERN (%)

	Sep-20	Dec-20
Promoters	45.32	45.32
FIs & Local MFs	10.88	10.83
FPIs	7.7	7.96
Public & Others	36.1	35.89
Pledged Shares	10.57	10.57

Source: BSE

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Disclosure:

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