

# JMC Projects (India) Ltd

BUY

CMP Rs76

Target Rs93

Upside 22%

## Execution set to pick up - BUY

### Q3 FY21 Conference call takeaways

- ✓ JMC reported its highest quarterly revenue of Rs.1.7 bn driven by better execution in B&F and Infrastructure businesses.
- ✓ The profitability during the quarter was impacted due to additional cost incurred for transportation & accommodation for labour during COVID. The company witnessed sharp price increase in commodities (Rs.90 mn impact) and mobilizing the labour from the hometown and incentivizing (Rs.130 mn impact) which impacted the margins.
- ✓ The company expects double digit growth of 15-20% with double digit margin in FY22 on the back of strong orderbook.
- ✓ The order inflow for the company till date stands at Rs.74.84 bn. It has received new orders of ~Rs.10.5 bn in Q3 FY21 and Rs.7.6 bn in Q4 FY21. L1 position stands at ~Rs.7.5 bn. B&F forms 58% followed by Infrastructure 39% and Industrial 4%. Expects good inflows in the infra projects in coming time.
- ✓ Revenue mix during Q3 stood at ~40% of Infra and balance of B&F. The Company expects this mix to be half of Infra and half of B&F during Q4 and FY22. The strong order book of Infra and pick up in execution to support the equal revenue mix.
- ✓ The overall orderbook at the end of Q3 stands at Rs.142 bn, of which B&F Private forms 51% followed by infrastructure 38%.
- ✓ The revenue/day collection in BOT toll projects improved to ~Rs.61 lac vs Rs.52 lac in Q2FY21 and Rs.52.5 lac in Q3FY20. Total JMC investment in Road BOT Assets at the end of Q3 stood at Rs. 8.2bn while no investments made in FY21. The Company availed moratorium for all four assets. The restructuring of projects is at advanced stages and some development could be expected by Q1 FY21.
- ✓ Net debt stood reduced to Rs.6.6bn in Q3FY21 on the back of better collections and efficient working capital management. Overall company has reduced Rs.1 bn debt in Q3 vs FY20 end. The company continues to focus on debt reduction in coming years.

### Our view

- ✓ We expect execution to pick up during Q4 FY21 and FY22 with better labor availability and robust order book. We expect operating margin to improve gradually to 10-11% levels as execution ramps up in subsequent quarters and certain one-time costs incurred during COVID time goes away. The restructuring of BOT-toll projects and higher toll collections would be additional positive. We increase our revenue and earnings estimates for FY21/22 to incorporate the strong Q3 performance and improved outlook. We roll forward our estimates to FY23 and maintain a BUY rating on the stock for revised target of Rs.93 (based on SOTP valuation).

### JMC Projects (India) Ltd Q3 FY21 results summary

- ✓ JMC Projects reported topline growth of 15% yoy (to Rs.10.7 bn) on standalone basis which ahead of our estimates (Rs.8.8bn). The execution saw sharp improvement post monsoon with better labor availability.
- ✓ Operating margin stood at 9.9% during Q3 FY21 (11.1% in Q3 FY20). Higher depreciation and tax outgo saw PAT decline 34% yoy to Rs.257 mn during the quarter.
- ✓ During the quarter, the company won new order worth Rs.7.4 bn.
- ✓ Order book at the end of Q3 FY21 stood at ~Rs.142 bn.

#### ALOK DEORA

Lead Analyst

alok.deora@ysil.in

+91 98205 13792



#### NISHANT SHAH, Associate

nishant.shah@ysil.in

#### AMAR AMBANI, Sr. President, Head of Research

amar.ambani@ysil.in

## Exhibit 1: Result table (Standalone)

Y/e 31 Mar (Rs m)	Q3 FY21	Q3 FY20	yoy(%)	Q2 FY21	qoq (%)
Revenue	10,660	9,288	14.8	8,038	32.6
Operating Profit	955	1,030	(7.3)	730	30.9
OPM(%)	9.0	11.1	-214 bps	9.1	-12 bps
Other Income	57	55	4.9	56	2.3
Depreciation	(356)	(295)	20.9	(345)	3.2
Interest	(268)	(306)	(12.4)	(305)	(12.0)
PBT	388	485	(19.9)	136	186.0
Tax	(131)	(98)	34.4	(64)	104.7
Reported PAT	257	387	(33.6)	72	258.8

## Exhibit 2: Financial Summary (Standalone)

Y/e 31 Mar (Rs m)	FY20	FY21E	FY22E	FY23E
Revenues	37,130	37,873	44,690	51,394
yoy growth (%)	14.1	2.0	18.0	15.0
Operating profit	4,114	3,044	4,614	5,473
OPM (%)	11.1	8.0	10.3	10.7
Reported PAT	790	431	1,502	2,049
Adjusted PAT	1,584	431	1,502	2,049
yoy growth (%)	11.5	(72.8)	248.3	36.5
EPS (Rs)	9.4	2.6	8.9	12.2
P/E (x)	4.9	29.6	8.5	6.2
EV/EBITDA (x)	3.5	6.8	4.4	3.6
Debt/Equity (x)	0.8	0.9	0.8	0.6
RoE (%)	8.3	4.4	14.0	16.6

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### YES Securities (India) Limited

**Registered Address:** Unit No. 602 A, 6th Floor, Tower 1 & 2,  
One International Center, Senapati Bapat Marg, Elphinstone Road,  
Mumbai - 400013, Maharashtra, India  
Email: [research@ysil.in](mailto:research@ysil.in) | Website: <https://yesinvest.in>

**Registration Nos.:** CIN: U74992MH2013PLC240971 | SEBI Single  
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INH000002376 | INVESTMENT ADVISER: INA000007331 | Sponsor and  
Investment Manager to YSL Alternates Alpha Plus Fund (Cat III AIF) SEBI  
Registration No.: IN/AIF3/20-21/0818 | AMFI ARN Code - 94338 |

**Details of Compliance Officer:** Vaibhav Purohit,  
Email: [compliance@ysil.in](mailto:compliance@ysil.in), Contact No.: +91-22-33479208

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