

August 11, 2021

## Q1FY22 Result Update

■ Change in Estimates | ■ Target | ■ Reco

### Change in Estimates

	Current		Previous	
	FY22E	FY23E	FY22E	FY23E
Rating	BUY		BUY	
Target Price	272		272	
Sales (Rs. m)	34,110	39,942	34,110	39,942
% Chng.	-	-	-	-
EBITDA (Rs. m)	5,014	5,871	5,014	5,871
% Chng.	-	-	-	-
EPS (Rs.)	30.8	38.8	30.8	38.8
% Chng.	-	-	-	-

### Key Financials - Standalone

Y/e Mar	FY20	FY21	FY22E	FY23E
Sales (Rs. m)	29,705	25,708	34,110	39,942
EBITDA (Rs. m)	4,289	3,114	5,014	5,871
Margin (%)	14.4	12.1	14.7	14.7
PAT (Rs. m)	1,836	639	2,329	2,937
EPS (Rs.)	24.3	8.4	30.8	38.8
Gr. (%)	3.7	(65.2)	264.4	26.1
DPS (Rs.)	1.3	1.3	-	-
Yield (%)	0.6	0.6	-	-
RoE (%)	10.5	3.4	11.7	13.0
RoCE (%)	12.4	6.8	14.1	15.2
EV/Sales (x)	0.6	0.6	0.5	0.5
EV/EBITDA (x)	4.3	4.9	3.7	3.1
PE (x)	8.9	25.5	7.0	5.5
P/BV (x)	0.9	0.9	0.8	0.7

### Key Data

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52-W High / Low	Rs.232 / Rs.88
Sensex / Nifty	54,526 / 16,282
Market Cap	Rs.16bn / \$ 219m
Shares Outstanding	76m
3M Avg. Daily Value	Rs.198.61m

### Shareholding Pattern (%)

Promoter's	46.51
Foreign	8.54
Domestic Institution	10.62
Public & Others	34.33
Promoter Pledge (Rs bn)	1.41

### Stock Performance (%)

	1M	6M	12M
Absolute	10.6	15.8	121.2
Relative	6.2	9.4	55.8

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## Stellar quarter

### Quick Pointers:

- Despite challenging environment, JKIL reported stellar execution at Rs6.7bn (up ~137% YoY) with EBITDA margins resilient at 14.3%.
- Order inflows came in at Rs13.1bn (up 30% QoQ); with strong tender pipeline, management maintains order inflow guidance of Rs40-50bn for FY22E.
- Gross debt stands at Rs5.5bn with cash & cash equivalents at Rs4.5bn as on 1Q; management expects to bring NWC to 120days.

**JKIL reported a strong set of numbers with revenues and margins coming in above our and street estimates, led by execution pick up in newly awarded and existing projects. The company lost revenue of Rs1-1.2bn, owing to pandemic and labour availability falling to 50% pre-covid levels. However, it has improved to pre-covid levels from mid-June'21 with decent execution ramp up. On the back of sharp execution pickup, strong order book and healthy bid pipeline, management has maintained its revenue guidance of Rs30-35bn with EBITDA margins at 14-15% range.**

**A strong track record of executing roads, bridges, structural buildings, urban infrastructure such as metro, railways, subways and skywalks, JKIL stands strong on the back of a) healthy order book (~Rs116bn as at 1QFY22) with increasing ticket size, b) strong execution capabilities, c) controlled debt levels (Net D:E of ~0.1x), and d) strong EBITDA margins (~15-16% over FY16-20). Given strong 1Q, we expect revenue/PAT CAGR of 25%/114% over FY21-23E. At CMP, the stock trades at a P/E of 7x/5.5x on FY22E/ FY23E EPS and an EV of 3.7x/3.1x of FY22E/ FY23E EBITDA. We maintain 'BUY' rating with a TP of Rs272 (unchanged).**

**Strong execution with healthy margin:** JKIL's revenues came in at Rs6.8bn (above PlE ~Rs5.1bn), on the back of strong execution across project sites. EBITDA came in at Rs968mn (PlE Rs624mn) with EBITDAM expanding by 441bps YoY to 14.3% (above PlE 12.2%), due to lower other expenses as % of sales (12.7% as on Q1FY22 vs 18.7% as on Q1FY21) and employee cost (10.0% vs 12.4% in Q1FY21). On bottom-line front, adj. PAT came in at Rs321mn (above PlE Rs116mn) largely due to strong operational performance.

**Strong order book, robust bid pipeline:** During 1Q, JKIL bagged projects worth Rs13.1bn and is further L1 in orders worth Rs6bn (MCGM tunneling work- Rs4.3bn and Coastal road-Rs2bn). The company's order books stand healthy at ~Rs116bn (3.9x trailing revenues) providing strong revenue visibility for next 2-3 years. Metro segment makes up 59% of the order book (underground: 19% & elevated: 40%), Flyovers, Roads & Bridges ~40% and Civil & other segment ~1%. With strong bid pipeline across metro, roads, buildings, railways and HSR space, the company targets total order inflows of Rs40-50bn in FY22E.

**Exhibit 1: Quarterly Financials (Standalone): Strong execution across project sites**

Y/e March (Rs mn)	Q1FY21	Q2FY21	Q3FY21	Q4FY21	Q1FY22	YoY gr. (%)	QoQ gr. (%)	FY21	FY20	YoY gr. (%)
Revenue	2,853	4,774	8,162	9,920	6,751	136.7	-31.9	25,708	29,705	-13.5
Total Revenues	2,853	4,774	8,162	9,920	6,751	136.7	-31.9	25,708	29,705	-13.5
Expenditure	2,569	4,142	7,008	8,876	5,783	125.1	-34.8	22,595	25,416	-11.1
as % of sales	90.1	86.8	85.9	89.5	85.7			87.9	85.6	
Consumption of RM	1,683	2,745	5,125	6,567	4,250	152.5	-35.3	16,635	18,169	-8.4
as % of sales	59.0	57.5	62.8	66.2	63.0			64.7	61.2	
Employee Cost	353	503	658	798	676	91.5	-15.2	2,312	2,987	-22.6
as % of sales	12.4	10.5	8.1	8.0	10.0			9.0	10.1	
Other expenditure	533	893	1,224	1,511	856	60.6	-43.3	3,648	4,260	-14.4
as % of sales	18.7	18.7	15.0	15.2	12.7			14.2	14.3	
EBITDA	283	632	1,155	1,044	968	241.9	-7.3	3,114	4,289	-27.4
Depreciation	350	353	361	372	370	5.6	-0.6	1,437	1,263	13.8
EBIT	-67	279	793	672	598	-986.8	-11.0	1,677	3,027	-44.6
Other Income	61	59	69	65	52	-15.2	-20.2	253	283	-10.6
Interest	268	239	245	292	222	-17.2	-24.0	1,044	977	6.9
PBT	-275	99	617	444	427	NA	-3.9	886	2,333	-62.0
Total Tax	-67	28	168	117	106	NA	-9.5	247	497	-50.4
Adjusted PAT	-208	71	449	327	321	NA	-1.8	639	1,836	-65.2
(Profit)/loss from JV's/Ass/MI	0	0	0	0	0	NA	0.0	0	0	0.0
PAT after MI	-208	71	449	327	321	-NA	-1.8	639	1,836	-65.2
Extra ordinary items	0	0	0	0	0	NA		0	0	
Reported PAT	-208	71	449	327	321	NA	-1.8	639	1,836	-65.2
Adjusted EPS	-2.8	0.9	5.9	4.3	4.2	NA	-1.8	8.4	24.3	-65.2
<b>Margins (%)</b>	<b>Q1FY21</b>	<b>Q2FY21</b>	<b>Q3FY21</b>	<b>Q4FY21</b>	<b>Q1FY22</b>	<b>Bps</b>	<b>bps</b>	<b>FY21</b>	<b>FY20</b>	<b>bps</b>
EBIDTA	9.9	13.2	14.1	10.5	14.3	441	381	12.1	14.4	-233
EBIT	-2.4	5.8	9.7	6.8	8.9	NA	208	6.5	10.2	-367
EBT	-9.6	2.1	7.6	4.5	6.3	NA	185	3.4	7.9	-441
PAT	-7.3	1.5	5.5	3.3	4.8	NA	146	2.5	6.2	-369
Effective Tax rate	24.3	28.2	27.2	26.4	24.8	58	-155	27.8	21.3	653

Source: Company, PL

**Exhibit 2: Key Assumptions**

Rs mn	FY18	FY19	FY20	FY21	FY22E	FY23E
Order inflow	1,543	56,498	42,715	13,245	44,590	51,469
Revenues	20,091	27,871	29,705	24,888	34,110	39,942
Order book	74,800	103,427	116,437	104,793	115,273	126,800
Execution cycle (%)	24%	31%	27%	23%	31%	33%
Ob to sales (x)	3.7	3.7	3.9	4.2	3.4	3.2

Source: Company, PL

## Conference Call Highlights:

- Tender pipeline continues to remain strong across segment such as Roads, Flyovers, Bridges Metro, HSR, Railways, etc.
  - The company has already bided for project worth ~Rs47.5bn and is planning to bid for projects worth Rs130-140bn for FY22E.
  - Given strong bid pipeline, the company is targeting order inflows of Rs40-50bn for FY22E.
- Labour availability has fallen to 50% pre covid levels, however it has recovered to normalcy from June'21 onwards.
- Company's order book stands at Rs116.2bn converting in order book-to-sales ratio of 3.9x TTM revenues. During 1Q, the company bagged orders worth ~Rs13.1bn and is further L1 in orders worth Rs6bn (MCGM tunnel project-Rs4.3bn and Coastal road projects-Rs2bn).
  - Of the total order book, the Metro segment contributes ~59% (underground: 19% and elevated: 40%). Fly overs, Roads & Bridges ~35%, and the Civil & other segment ~1%.
- Despite healthy execution, gross debt level continues to remain low at Rs5.5bn (Rs5.4bn in 4QFY21) with cash & cash bank balance of Rs4.5bn as on 1QFY22. Management continues to remain focused on cash collection, improving working capital utilisation etc. and expects to maintain working capital days around 120 days.
- Given strong order book, management has maintained its revenue guidance of revenue of Rs30-35bn with EBITDA margins of 14-15% range for FY22E.
- The company has incurred a capex of Rs300mn in 1QFY22 from the planned capex of Rs1bn in FY22E.

## Financials

### Income Statement (Rs m)

Y/e Mar	FY20	FY21	FY22E	FY23E
<b>Net Revenues</b>	<b>29,705</b>	<b>25,708</b>	<b>34,110</b>	<b>39,942</b>
YoY gr. (%)	6.6	(13.5)	32.7	17.1
Cost of Goods Sold	18,169	16,121	21,148	24,764
Gross Profit	11,536	9,587	12,962	15,178
Margin (%)	38.8	37.3	38.0	38.0
Employee Cost	2,987	2,312	3,343	3,914
Other Expenses	3,763	3,648	4,093	4,793
<b>EBITDA</b>	<b>4,289</b>	<b>3,114</b>	<b>5,014</b>	<b>5,871</b>
YoY gr. (%)	(1.7)	(27.4)	61.0	17.1
Margin (%)	14.4	12.1	14.7	14.7
Depreciation and Amortization	1,263	1,437	1,463	1,573
<b>EBIT</b>	<b>3,027</b>	<b>1,677</b>	<b>3,551</b>	<b>4,299</b>
Margin (%)	10.2	6.5	10.4	10.8
Net Interest	977	1,044	992	1,022
Other Income	283	253	546	639
<b>Profit Before Tax</b>	<b>2,333</b>	<b>886</b>	<b>3,105</b>	<b>3,916</b>
Margin (%)	7.9	3.4	9.1	9.8
Total Tax	497	247	776	979
Effective tax rate (%)	21.3	27.8	25.0	25.0
<b>Profit after tax</b>	<b>1,836</b>	<b>639</b>	<b>2,329</b>	<b>2,937</b>
Minority interest	-	-	-	-
Share Profit from Associate	-	-	-	-
<b>Adjusted PAT</b>	<b>1,836</b>	<b>639</b>	<b>2,329</b>	<b>2,937</b>
YoY gr. (%)	3.7	(65.2)	264.4	26.1
Margin (%)	6.2	2.5	6.8	7.4
Extra Ord. Income / (Exp)	-	-	-	-
<b>Reported PAT</b>	<b>1,836</b>	<b>639</b>	<b>2,329</b>	<b>2,937</b>
YoY gr. (%)	3.7	(65.2)	264.4	26.1
Margin (%)	6.2	2.5	6.8	7.4
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	1,836	639	2,329	2,937
<b>Equity Shares O/s (m)</b>	<b>76</b>	<b>76</b>	<b>76</b>	<b>76</b>
<b>EPS (Rs)</b>	<b>24.3</b>	<b>8.4</b>	<b>30.8</b>	<b>38.8</b>

Source: Company Data, PL Research

### Balance Sheet Abstract (Rs m)

Y/e Mar	FY20	FY21	FY22E	FY23E
<b>Non-Current Assets</b>				
<b>Gross Block</b>	<b>12,581</b>	<b>13,529</b>	<b>14,629</b>	<b>15,729</b>
Tangibles	12,581	13,529	14,629	15,729
Intangibles	-	-	-	-
<b>Acc: Dep / Amortization</b>	<b>4,036</b>	<b>5,473</b>	<b>6,936</b>	<b>8,509</b>
Tangibles	4,036	5,473	6,936	8,509
Intangibles	-	-	-	-
<b>Net fixed assets</b>	<b>8,545</b>	<b>8,056</b>	<b>7,693</b>	<b>7,220</b>
Tangibles	8,545	8,056	7,693	7,220
Intangibles	-	-	-	-
Capital Work In Progress	987	1,498	1,498	1,498
Goodwill	-	-	-	-
Non-Current Investments	3,015	2,684	3,598	4,210
Net Deferred tax assets	(274)	(246)	(246)	(246)
Other Non-Current Assets	484	609	512	599
<b>Current Assets</b>				
Investments	-	-	-	-
Inventories	3,126	2,861	4,486	5,253
Trade receivables	6,448	6,198	7,943	9,302
Cash & Bank Balance	4,950	5,985	3,069	4,066
Other Current Assets	8,475	8,021	9,551	11,184
<b>Total Assets</b>	<b>36,795</b>	<b>36,450</b>	<b>39,919</b>	<b>45,168</b>
<b>Equity</b>				
Equity Share Capital	378	378	378	378
Other Equity	17,931	18,491	20,725	23,567
<b>Total Network</b>	<b>18,310</b>	<b>18,869</b>	<b>21,103</b>	<b>23,945</b>
<b>Non-Current Liabilities</b>				
Long Term borrowings	1,315	941	941	941
Provisions	-	-	-	-
Other non current liabilities	-	-	-	-
<b>Current Liabilities</b>				
ST Debt / Current of LT Debt	5,761	4,070	4,570	5,070
Trade payables	4,604	4,578	6,074	7,113
Other current liabilities	6,531	7,746	6,984	7,853
<b>Total Equity &amp; Liabilities</b>	<b>36,795</b>	<b>36,450</b>	<b>39,919</b>	<b>45,168</b>

Source: Company Data, PL Research



## Cash Flow (Rs m)

Y/e Mar	FY20	FY21	FY22E	FY23E
PBT	2,333	886	3,105	3,916
Add. Depreciation	1,263	1,437	1,463	1,573
Add. Interest	977	1,044	992	1,022
Less Financial Other Income	283	253	546	639
Add. Other	(229)	(185)	-	-
Op. profit before WC changes	4,343	3,182	5,560	6,511
Net Changes-WC	(821)	902	(6,013)	(2,818)
Direct tax	(934)	(396)	(776)	(979)
<b>Net cash from Op. activities</b>	<b>2,588</b>	<b>3,687</b>	<b>(1,229)</b>	<b>2,713</b>
Capital expenditures	(1,269)	(782)	(1,100)	(1,100)
Interest / Dividend Income	231	179	-	-
Others	(189)	(511)	-	-
<b>Net Cash from Invt. activities</b>	<b>(1,226)</b>	<b>(1,113)</b>	<b>(1,100)</b>	<b>(1,100)</b>
Issue of share cap. / premium	-	-	-	-
Debt changes	(326)	(1,600)	500	500
Dividend paid	(205)	(95)	(95)	(95)
Interest paid	(945)	(1,013)	(992)	(1,022)
Others	-	-	-	-
<b>Net cash from Fin. activities</b>	<b>(1,475)</b>	<b>(2,708)</b>	<b>(587)</b>	<b>(617)</b>
<b>Net change in cash</b>	<b>(113)</b>	<b>(134)</b>	<b>(2,916)</b>	<b>997</b>
Free Cash Flow	1,012	2,895	(2,329)	1,613

Source: Company Data, PL Research

## Key Financial Metrics

Y/e Mar	FY20	FY21	FY22E	FY23E
<b>Per Share(Rs)</b>				
EPS	24.3	8.4	30.8	38.8
CEPS	40.9	27.4	50.1	59.6
BVPS	242.0	249.4	278.9	316.5
FCF	13.4	38.3	(30.8)	21.3
DPS	1.3	1.3	-	-
<b>Return Ratio(%)</b>				
RoCE	12.4	6.8	14.1	15.2
ROIC	12.2	6.5	12.0	13.3
RoE	10.5	3.4	11.7	13.0
<b>Balance Sheet</b>				
Net Debt : Equity (x)	0.1	(0.1)	0.1	0.1
Net Working Capital (Days)	94	75	112	115
<b>Valuation(x)</b>				
PER	8.9	25.5	7.0	5.5
P/B	0.9	0.9	0.8	0.7
P/CEPS	5.3	7.8	4.3	3.6
EV/EBITDA	4.3	4.9	3.7	3.1
EV/Sales	0.6	0.6	0.5	0.5
Dividend Yield (%)	0.6	0.6	-	-

Source: Company Data, PL Research

## Quarterly Financials (Rs m)

Y/e Mar	Q2FY21	Q3FY21	Q4FY21	Q1FY22
<b>Net Revenue</b>	<b>4,774</b>	<b>8,162</b>	<b>9,920</b>	<b>6,751</b>
YoY gr. (%)	(24.5)	2.9	13.0	136.7
Raw Material Expenses	-	-	-	-
Gross Profit	4,774	8,162	9,920	6,751
Margin (%)	100.0	100.0	100.0	100.0
<b>EBITDA</b>	<b>632</b>	<b>1,155</b>	<b>1,044</b>	<b>968</b>
YoY gr. (%)	(41.3)	(2.1)	13.6	241.9
Margin (%)	13.2	14.1	10.5	14.3
Depreciation / Depletion	353	361	372	370
<b>EBIT</b>	<b>279</b>	<b>793</b>	<b>672</b>	<b>598</b>
Margin (%)	5.8	9.7	6.8	8.9
Net Interest	239	245	292	222
Other Income	59	69	65	52
<b>Profit before Tax</b>	<b>99</b>	<b>617</b>	<b>444</b>	<b>427</b>
Margin (%)	2.1	7.6	4.5	6.3
Total Tax	28	168	117	106
Effective tax rate (%)	28.2	27.2	26.4	24.8
<b>Profit after Tax</b>	<b>71</b>	<b>449</b>	<b>327</b>	<b>321</b>
Minority interest	-	-	-	-
Share Profit from Associates	-	-	-	-
<b>Adjusted PAT</b>	<b>71</b>	<b>449</b>	<b>327</b>	<b>321</b>
YoY gr. (%)	(87.3)	(19.4)	5.3	(254.3)
Margin (%)	1.5	5.5	3.3	4.8
Extra Ord. Income / (Exp)	-	-	-	-
<b>Reported PAT</b>	<b>71</b>	<b>449</b>	<b>327</b>	<b>321</b>
YoY gr. (%)	(87.3)	(19.4)	5.3	(254.3)
Margin (%)	1.5	5.5	3.3	4.8
Other Comprehensive Income	-	-	-	-
<b>Total Comprehensive Income</b>	<b>71</b>	<b>449</b>	<b>327</b>	<b>321</b>
Avg. Shares O/s (m)	76	76	76	76
<b>EPS (Rs)</b>	<b>0.9</b>	<b>5.9</b>	<b>4.3</b>	<b>4.2</b>

Source: Company Data, PL Research

**Price Chart**

**Recommendation History**

No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	05-Jul-21	BUY	272	190
2	27-May-21	BUY	272	177
3	06-Apr-21	BUY	260	183
4	10-Feb-21	BUY	260	188
5	07-Jan-21	BUY	176	142
6	03-Dec-20	BUY	176	133
7	11-Nov-20	BUY	176	105
8	08-Oct-20	BUY	176	109
9	21-Aug-20	BUY	176	112

**Analyst Coverage Universe**

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	ABB India	Hold	1,687	1,684
2	Ahluwalia Contracts (India)	Accumulate	410	392
3	Apar Industries	BUY	790	680
4	Ashoka Buildcon	BUY	160	115
5	Bharat Electronics	BUY	208	171
6	BHEL	Sell	34	59
7	Capacite's Infraprojects	BUY	270	213
8	Container Corporation of India	Hold	607	644
9	Cummins India	UR	-	869
10	Engineers India	BUY	129	79
11	GE T&D India	Hold	141	140
12	H.G. Infra Engineering	BUY	696	571
13	IRB Infrastructure Developers	BUY	179	158
14	ITD Cementation India	BUY	97	83
15	J.Kumar Infraprojects	BUY	272	190
16	Kalpataru Power Transmission	BUY	576	472
17	KEC International	Accumulate	445	419
18	KNR Constructions	Accumulate	253	245
19	Larsen & Toubro	BUY	1,855	1,598
20	NCC	BUY	111	89
21	PNC Infratech	UR	-	306
22	Power Grid Corporation of India	BUY	205	170
23	Sadbhav Engineering	Accumulate	97	82
24	Siemens	Accumulate	2,101	2,029
25	Thermax	Accumulate	1,559	1,360
26	Triveni Turbine	BUY	156	125
27	Voltamp Transformers	Accumulate	1,565	1,462

**PL's Recommendation Nomenclature (Absolute Performance)**

<b>Buy</b>	: > 15%
<b>Accumulate</b>	: 5% to 15%
<b>Hold</b>	: +5% to -5%
<b>Reduce</b>	: -5% to -15%
<b>Sell</b>	: < -15%
<b>Not Rated (NR)</b>	: No specific call on the stock
<b>Under Review (UR)</b>	: Rating likely to change shortly

## **ANALYST CERTIFICATION**

### **(Indian Clients)**

We/I, Mr. Viral Shah- BE Chemical Engineering, MBA Finance Research Analysts, authors and the names subscribed to this report, hereby certify that all of the views expressed in this research report accurately reflect our views about the subject issuer(s) or securities. We also certify that no part of our compensation was, is, or will be directly or indirectly related to the specific recommendation(s) or view(s) in this report.

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