J. Kumar Infraprojects Ltd (JKIL)	
No. of shares (crore)	3.2
Mkt cap (Rs crs)	1694
Current price (19/02/2015)	526
Price target (Rs)	614
52 W H/L (Rs.)	578/156
Book Value (Rs.)	241
P/BV (FY15e/16e)	1.9/1.7
P/E (FY15e/16e)	15.1/12
BSE Code	532940
NSE Code	JKIL
Bloomberg	JKIL IN
Reuters	JKIP.BO
Daily volume (avg. weekly)	91279

Shareholding pattern	%
Promoters	51.0
MFs / Banks / FIs	10.1
Foreign	19.6
Govt. Holding	0.0
Non-Promoter Corp.	14.1
Total Public	5.2
Total	**100.0**

As on Dec 31, 2014

Recommendation

BUY

Analyst

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Company Brief

JKIL is one of the leading civil engineering and construction companies focused on transport engineering, civil construction and irrigation works.

Quarterly Highlights

- JKIL's profit before tax in Q3FY15 grew at the slowest pace (+13.5%) in four quarters as poor order execution hinder revenue recognition. Sales mirrored trends in PBT (sales up just 11.2%) for long spells of rainfall in Delhi and Rajasthan put brakes on work orders of Delhi Metro project. But thanks to strong execution of orders in the first half, revenues shot up by startling 28.4% in first nine months. Supported by record operating margins, earnings climbed 27.1% in 9MFY15 with net profit margins at 7.1%, nearing past four year average of 7.4%; management normally targets projects with 7% net margins.
- Yet order book has not grown vigorously in last few years as manifested by sliding order book/ sales ratio: 2.7 in FY14 from 3.8 a year ago; poised to decline further this fiscal. Notwithstanding incremental order execution of just over Rs 200 crs in the first nine months, outstanding order book (based on work orders) of Rs 3200 crs (L1: Rs 1528 crs) has barely grown since fiscal ended March 2014.
- JKIL bagged orders worth Rs 353 crs last quarter, including work order for construction of elevated viaduct from Vastral Gam to Apparel Park worth Rs 278 crs from MEGA, Ahmedabad (read: Ahmedabad Metro Project) and for building pre-cast arch bridges for costal road connectivity in Navi Mumbai from CIDCO (value: Rs 75 crs).
- JKIL expects its order inflows to grow manifold next fiscal buoyed by surfeit of metro rail orders, particularly of Mumbai, Ahmedabad and Delhi (Phase IV). Due to its allegiance to the north western part of country, JKIL would abstain from bidding for metro rail projects in Kochi, Chennai and Bangalore as and when they come up for tendering.
- The stock currently trades at 15.1x FY16e earnings and 12x FY16e earnings. Given JKIL's ability to execute complex infrastructure projects and report reasonably strong earnings growth, the stock merits a buy recommendation revised target of Rs 614 (previous target: Rs 462) based on 14xFY17e earnings. (refer to our report dated 29/10/14).

Figures (Rs crs)	FY13	FY14	FY15e	FY16e	FY17e
Net revenues	1000.68	1186.78	1357.41	1595.88	1921.24
Other Income	8.85	10.81	12.28	12.55	11.83
EBITDA (other income included)	176.22	216.63	265.84	295.82	348.05
Net Profit	75.73	84.05	94.81	112.16	141.19
EPS	27.24	30.23	29.42	34.80	43.81
Equity capital	27.80	27.80	32.23	32.23	32.23

Outlook & Recommendation

DMRC Projects

JKIL's work orders for underground works corridor of Delhi MRTS Project of Phase III on Mukundpur-Yamuna Vihar - design and construction of tunnels, stations and ramp between Lalpat Nagar and Hazrat Nizamuddin stations and at Naraina Vihar, Mayapuri and Delhi Cantonment - amounting to Rs 1387 crs has not gone off to a brisk start.; the project is set to be delayed at least a year from its scheduled completion of 42 months. Indeed, JKIL would recognize revenues of no more than Rs 240 crs this fiscal year, far cry from our previous estimate of Rs 450 crs; laxity in order execution prompted us to cut next year tally to Rs 350 crs from Rs 600 crs. Yet it would conclude couple of elevated station projects - on Jahangir Puri- Badli corridor of Delhi MRTS Ph-II project and Rohni Sector 18 & Badi Corridor of Delhi MRTS Phase III project - by the first quarter of next fiscal, still off-target by at least six months.

Project	Order value (Rs crs)	Pending execution 12-13	13-14	31.12.14
Delhi MTRS (LajpatNagar - Hazrat Nizamuddin)	1011	1005	934	793
Delhi MTRS (Mayapuri - Delhi Cantonment)	376	371	341	321
Jahangir Puri-Badli corridor	46	41	24	12
Rohni Sector -18 & Badi corridor	153	118	53	11

Source: JKIL

New order inflows

Thanks to slight pickup in domestic economic activity, JKIL's order inflows have gained traction in last few quarters: bagged orders worth Rs 856 crs so far this fiscal, a huge pile up when compared to last fiscal's Rs 650 crs. Some of its major orders include the construction of elevated connector between BKC and Eastern Express Highway, Mumbai (value Rs 155.7 crs), building new creek bridge between Thane and Kalwa worth Rs 90 crs and construction of elevated viaduct from Vastral Gam to Apparel Park worth Rs 278 crs from MEGA, Ahmedabad.

New orders in FY15		
Project	Location	Rs crs
Pre-cast arch bridges	Navi Mumbai	75
Deepening & training SNDT Nalla	Mumbai	27
Depot approach viaduct for Metro	Navi Mumbai	68
Training Mithi river	Maharashtra	43

Source: JKIL

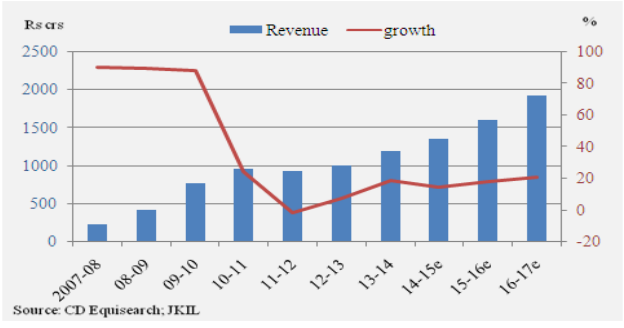
Mumbai Metro Project

More is yet to come as JKIL would submit financial bids for Mumbai Metro Line III in a month's time from now; letter of acceptance is expected by April. Of the total seven packages, which involves civil construction of 26 underground metro stations, worth Rs 15000-20000 crs that would come up for bidding, JKIL plans to bid for five of them. Thanks to its technical tie up with China Railway Third Group, JKIL is one of the two players who can bag two projects; the rest can get only one. It expects orders worth atleast Rs 2000 crs from this metro project , which would more than double its total order inflows next year to around Rs 3000 crs; management estimate: Rs 4000-5000 crs.

Mumbai Metro Line III Alignment

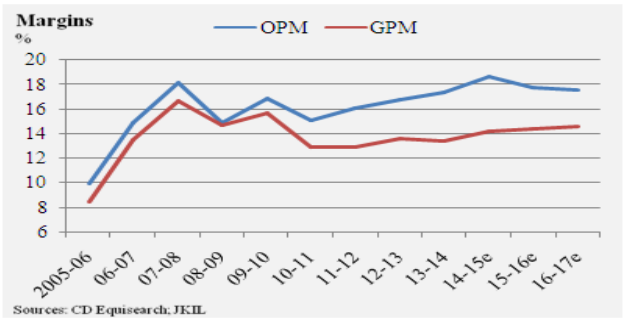
Source: JKIL

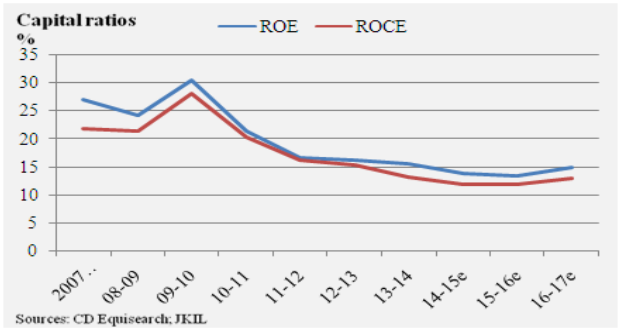
JKIL would be kept busy for next few years not least due to proliferation of metro orders in Mumbai (line II & IV), Delhi (Phase IV), Ahmedabad and Nagpur; tenders for Phase IV of Mumbai and Delhi are expected to be floated in a year's time from now. No less worth mentioning are gut-wrenching plans of Mumbai Municipal Corporation to build coastal roads and the Mumbai Trans Harbour Link.



Financials

Despite talk of ambitious roll out of metro rail orders nationally, JKIL's mediocre order execution is a sore point. Order execution, for instance, flat lined last quarter despite it being a relatively dry season, which prompted us to cut this year revenue estimate by 6.5%. Two packages of ongoing Delhi Metro project worth Rs 1387 crs would be delayed by a year and so would be the Sion-Panvel State highway project of Rs 600 crs. Two other Delhi metro projects (worth some Rs 200 crs) that would be concluded in first quarter of next fiscal are running well behind its scheduled completion of Sep 2014.

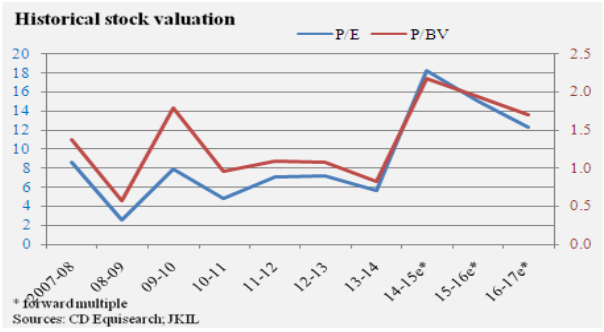




Yet unexpected rise in operating margins has been the saving grace this year: up 120 bps to 19.4%. Sustaining high margins would be challenging not least because of the delays in some landmark projects; anyway robust order book does not guarantee healthy execution. We, therefore, expect margins to moderate next fiscal that would marginally suppress return on capital ratios.

Sensitivity of operating profit

OPM	Revenue change				
	20%	15%	10%	-10%	-15%
19%	22%	17%	12%	-8%	-14%
18%	16%	11%	6%	-13%	-18%
17%	9.2%	5%	0%	-18%	-23%
16%	3%	-1%	-6%	-23%	-27%
15%	-4%	-8%	-12%	-28%	-32%



Valuation

Notwithstanding near term execution issues, the stock currently trades at a decent 15.1x FY16e earnings and 12xFY17e earnings. Margins in high teens would more than offset surge in depreciation expense arising due to capitalization of tunnel boring machines. Still business risks stem from JKIL's strong affinity to India's north western region and its appalling client concentration (top three customers accounted for 71% of its order book in end Sep last year). Needless to mention the Mumbai metro projects would further accentuate worries of order book cluster. Yet its ability to execute complex metro rail projects (though in JV wth China Railway) cannot be by any means gainsaid. We, therefore, retain our buy recommendation with revised target of Rs 614 (previous target: Rs 462) based on 14x FY17e EPS of Rs 44 (peg ratio: 0.6). (For more info, refer to our report dated Oct 29, 2014).

Cross Sectional Analysis

Company	Equity*	CMP	Market cap*	Sales*	Profit*	OPM (%)	NPM (%)	Interest Coverage	ROE (%)	Mkt cap / sales	P/BV	P/E
J Kumar	32	526	1694	1395	98	18.3	7.1	3.1	14.6	1.2	2.2	17.2
NBCC	120	813	9752	4346	247	4.7	5.7	-	22.1	2.2	7.7	39.4
Pratibha	20	44	440	2844	41	14.3	1.4	1.2	5.5	0.2	0.6	10.8
Simplex	10	396	1957	5485	62	10.2	1.1	1.2	4.4	0.4	1.4	31.6

TTM P/E; * Figures in Rs crs;

Financials

Quarterly Results

Figures in Rs crs

	Q3FY15	Q3FY14	% chg.	9MFY15	9MFY14	% chg.
Revenue from Operations	**303.43**	**272.75**	**11.2**	**940.22**	**732.06**	**28.4**
Other Income	2.44	2.52	-3.5	7.56	6.45	17.2
Total Income	**305.87**	**275.27**	**11.1**	**947.79**	**738.51**	**28.3**
Total Expenditure	243.79	222.76	9.4	757.59	599.14	26.4
EBIDTA (other income incl.)	**62.08**	**52.51**	**18.2**	**190.20**	**139.37**	**36.5**
Interest	18.39	16.46	11.7	53.71	39.37	36.4
Depreciation	12.42	8.50	46.0	34.75	23.53	47.6
PBT	**31.27**	**27.55**	**13.5**	**101.74**	**76.47**	**33.0**
Tax	7.38	7.85	-5.9	34.68	23.71	46.3
Net Profit	**23.89**	**19.70**	**21.3**	**67.05**	**52.76**	**27.1**
Extraordinary Item	-	-	**-**	-	-	-
Adjusted Net Profit	**23.89**	**19.70**	**21.3**	**67.05**	**52.76**	**27.1**
EPS	7.41	7.09	4.6	20.81	18.98	9.7

Income Statement

Figures in Rs crs

	FY13	FY14	FY15e	FY16e	FY17e
Revenue from Operations	**1000.68**	**1186.78**	**1357.41**	**1595.88**	**1921.24**
Growth (%)	7.4	18.6	14.4	17.6	20.4
Other Income	8.85	10.81	12.28	12.55	11.83
Total Income	**1009.53**	**1197.59**	**1369.69**	**1608.43**	**1933.07**
Total Expenditure	833.31	980.96	1103.85	1312.61	1585.02
EBIDTA (other income incl.)	**176.22**	**216.63**	**265.84**	**295.82**	**348.05**
Interest	40.64	57.64	73.76	65.96	68.24
EBDT	**135.58**	**158.99**	**192.07**	**229.86**	**279.81**
Depreciation	24.41	34.76	50.56	62.46	69.07
Tax	35.44	40.18	46.70	55.24	69.54
Net Profit	**75.73**	**84.05**	**94.81**	**112.16**	**141.19**
Extraordinary Item	-	-	-	-	-
Adjusted Net Profit	**75.73**	**84.05**	**94.81**	**112.16**	**141.19**
EPS (Rs)	27.24	30.23	29.42	34.80	43.81
Equity capital	27.80	27.80	32.23	32.23	32.23

Balance Sheet Figures in Rs crs

	FY13	FY14	FY15e	FY16e	FY17e
SOURCES OF FUNDS					
Share Capital	27.80	27.80	32.23	32.23	32.23
Reserves	475.63	547.49	760.61	856.41	978.37
Total Shareholders Funds	**503.43**	**575.29**	**792.84**	**888.64**	**1010.60**
Long term debt*	85.91	135.00	95.14	68.92	40.00
Total Liabilities	**589.34**	**710.29**	**887.97**	**957.56**	**1050.59**
APPLICATION OF FUNDS					
Gross Block	300.90	452.30	651.30	705.30	789.30
Less: Accumulated Depreciation	92.01	126.77	177.33	239.80	308.87
Net Block	**208.89**	**325.53**	**473.97**	**465.50**	**480.43**
Capital Work in Progress	101.25	175.21	-	-	-
Investments	0.10	2.29	2.29	2.29	2.29
Current Assets, Loans & Advances					
Inventory	394.96	565.81	650.68	748.28	860.53
Sundry Debtors	114.71	131.98	151.78	174.54	200.73
Cash and Bank	111.87	121.24	143.83	130.70	122.57
Loans and Advances	107.23	189.58	198.52	226.49	264.10
Total CA & LA	**728.77**	**1008.61**	**1144.81**	**1280.01**	**1447.92**
Current Liabilities*	552.31	918.47	868.24	944.98	1062.42
Provisions	11.31	16.65	14.43	16.35	19.24
Total Current Liabilities	**563.62**	**935.12**	**882.67**	**961.33**	**1081.66**
Net Current Assets	165.15	73.50	262.14	318.68	366.26
Net Deferred Tax	-5.14	-7.06	-10.76	-15.48	-20.75
Other Assets (Net Of Liabilities)	119.09	140.82	160.33	186.56	222.35
Total Assets	**589.34**	**710.29**	**887.97**	**957.56**	**1050.59**

Cash Flow Statement Figures in Rs crs

	FY13	FY14	FY15e	FY16e	FY17e
Net Income **(a)**	75.73	84.05	94.81	112.16	141.19
Non cash exp. & others (b)	**17.87**	**26.95**	**42.20**	**54.85**	**62.72**
Depreciation	24.41	34.76	50.56	62.46	69.07
Deferred tax	0.89	1.92	3.70	4.72	5.26
Interest & Dividend Received	-8.30	-10.60	-12.06	-12.34	-11.62
Others	0.87	0.87	-	-	-
(Increase) / decrease in NWC & others (c)	**-34.41**	**-194.19**	**-167.25**	**-97.45**	**-182.09**
Change in inventory	-119.66	-170.85	-84.87	-97.60	-112.24
Change in trade receivables	-25.86	-17.27	-19.80	-22.77	-26.18
Change in loans & advances	-29.93	-82.35	-8.94	-27.97	-37.61
Trade payables	40.33	90.79	18.17	23.99	33.59
Change in Current liabilities	136.62	3.65	-47.86	53.13	-3.85
Change in provisions	-6.27	4.45	-4.45	-	-
Non current assets / liabilities	-29.65	-22.60	-19.51	-26.23	-35.79
Operating cash flow (a+b+c)	**59.19**	**-83.18**	**-30.24**	**69.55**	**21.83**
Purchase of fixed assets (net of sale)	-127.96	-225.36	-23.79	-54.00	-84.00
Purchase of investments	-	-2.19	-	-	-
Interest & Dividend Received	8.30	10.60	12.06	12.34	11.62
Fixed deposits	-20.38	-21.21	-20.39	15.00	-
Investing cash flow (d)	**-140.04**	**-238.16**	**-32.12**	**-26.66**	**-72.38**
Net borrowings	65.73	320.82	-60.41	-26.60	58.78
Equity Share Issuance	-	-	137.17	-	-
Dividends paid (including CDT)	-7.27	-11.31	-12.20	-14.43	-16.35
Financing cash flow (e)	**58.46**	**309.51**	**64.55**	**-41.03**	**42.43**
Net change (a+b+c+d+e)	**-22.39**	**-11.84**	**2.19**	**1.86**	**-8.13**

Key Financial Ratios

	FY13	FY14	FY15e	FY16e	FY17e
Growth Ratios (%)					
Revenue	7.4	18.6	14.4	17.6	20.4
EBIDTA (other income included)	12.5	22.9	22.7	11.3	17.7
Net Profit	11.3	11.0	12.8	18.3	25.9
EPS	11.3	11.0	-2.7	18.3	25.9
Margins (%)					
Operating Profit Margin	16.7	17.3	18.7	17.8	17.5
Gross Profit Margin	13.5	13.4	14.1	14.4	14.6
Net Profit Margin	7.6	7.1	7.0	7.0	7.3
Return (%)					
ROCE	15.3	13.1	11.9	11.8	12.9
RONW	16.1	15.6	13.9	13.3	14.9
Valuations					
Market Cap / Sales	0.5	0.4	1.2	1.1	0.9
EV/EBIDTA	4.3	4.7	8.2	7.4	6.3
P/E	7.2	5.7	17.9	15.1	12.0
P/BV	1.1	0.8	2.1	1.9	1.7
Other Ratios					
Interest Coverage	3.7	3.2	2.9	3.5	4.1
Debt-Equity Ratio	0.5	1.0	0.6	0.5	0.5
Current Ratio[a]	1.3	1.1	1.3	1.3	1.3
Turnover Ratios					
Fixed Asset Turnover	5.6	4.4	3.4	3.4	4.1
Total Asset Turnover	1.9	1.8	1.7	1.7	1.9
Debtors Turnover	9.8	9.6	9.6	9.8	10.2
Inventory Turnover	2.5	2.0	1.8	1.9	2.0
Creditors Turnover	11.8	7.2	5.8	6.2	6.6
Working Capital Turnover					
WC Ratios					
Debtor days	37.1	37.9	38.2	37.3	35.6
Inventory days	146.8	178.7	201.1	194.5	185.2
Creditor days	31.0	50.7	63.1	58.9	55.4
Cash conversion cycle	152.9	165.9	176.2	172.9	165.5
Cash Flows					
Operating cash flow	59.2	-83.2	-30.2	69.6	21.8
FCFE	-15.1	1.7	-122.8	16.3	8.2
FCFF	-53.6	-280.5	-12.9	87.1	-4.8

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