Stock Update

J Kumar Infraprojects Ltd.

June 18, 2024

J Kumar Infraprojects Ltd.

Industry	LTP	Recommendation	Base Case Fair Value	Bull Case Fair Value	Time Horizon
Construction	Rs. 821.4	Buy in Rs. 813-829 band and add on dips in Rs. 728-743 band	Rs. 902	Rs. 976	2-3 quarters

HDFC Scrip Code	JKUMAREQNR
BSE Code	532940
NSE Code	JKIL
Bloomberg	JKIL IN
CMP June 14, 2024	821.4
Equity Capital (Rs Cr)	37.8
Face Value (Rs)	5
Equity Share O/S (Cr)	7.56
Market Cap (Rs Cr)	6215.2
Book Value (Rs)	349.2
Avg. 52 Wk Volumes	77813
52 Week High	833.9
52 Week Low	291

Share holding Pattern % (Mar, 2024)	
Promoters	46.6
Institutions	26.7
Non Institutions	26.7
Total	100

* Refer at the end for explanation on Risk Ratings

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Our Take:

J Kumar Infraprojects (JKIL) founded in 1980 has a rich legacy of more than 4 decades in the construction of elevated and underground metro projects, roads, flyovers and bridges and civil construction activities. The company is a pure play EPC company having a niche in construction of Urban Infra projects. It has executed projects in a wide variety of spectrum, ranging from underground and elevated metros to tunnels, flyovers, roads, pedestrian subways, stations and depots, to hospitals, commercial buildings and sports complexes. JKIL has improved its pre-qualification by gradually executing bigger and critical projects. Leveraging decades of experience and know-how, the company has been able to provide better execution capabilities; especially in underground metro projects in which it has developed unique expertise. Over the years, the company has increased the share of revenues contributed by metro projects (constitutes ~43% of topline in FY24), owing to the increasing government focus on the urban mobility space.

In FY24, JKIL recorded significant achievements, including the largest accretion of its order book, substantial revenue growth alongside margin expansion. The working capital cycle has also seen an improvement on the back of substantial reduction in receivable days. The company is focused on diversifying its order book and maintaining quality in its orders consisting of airport, ports, railway stations, metro expressways, water treatment projects and roadways. In FY24, it received orders worth Rs. 11,810 cr consisting of key orders like Goregaon Mulund Link road project (Rs. 3,088 cr) for Design, Construction and Operation of Twin Tunnel and Chennai Elevated corridor (Rs. 3,570 cr) for Construction of New Double Tier 4-lane Elevated Corridor from Chennai Port to Maduravoyal in Tamil Nadu. The total order book of the company as on 31st March '24 stood at a record high of Rs. 21,011 cr consisting a diversified projects in metro projects elevated corridors, flyovers, road & tunnels etc.

We had issued stock update report on Aug'16, 2022 (link) and both the targets were achieved well within our time frame. On account of its healthy order book, strong execution capabilities, robust order pipeline and stable EBITDA margins, we remain positive on the stock, rolling over estimates and are revising our target upwards.

Valuation & Recommendation:

JKIL is one of the foremost established EPC contractors who will continue to benefit from its healthy order book position, strong execution capabilities, and healthy financial position. We expect the Revenue/EBITDA/PAT to grow at a CAGR of 15/16/18% respectively over FY24-FY26E on the back of its increased and robust order book.

We think the base case fair value of the stock is Rs.902 (15x Mar'26E EPS) and the bull case fair value is Rs.976 (16.25x Mar'26E EPS)

over the next 2-3 quarters. Investors can buy the stock in the band of Rs 813-829 (13.7x Mar'26E EPS) and add more on dips to the band of Rs. 728-743 (12.2x Mar'26E EPS).

Financial Summary:

Particulars (Rs cr)	Q4FY24	Q4FY23	YoY-%	Q3FY24	QoQ-%	FY21	FY22	FY23	FY24	FY25E	FY26E
Total Operating Income	1,425.0	1,134.2	25.6	1,218.7	16.9	2,570.8	3,527.2	4,203.1	4,879.2	5,669.6	6,520.1
EBITDA	203.1	159.4	27.4	179.5	13.2	311.4	504.6	597.1	704.1	826.5	948.6
Adjusted PAT	99.7	73.9	34.9	82.6	20.6	63.9	205.9	274.4	328.6	373.5	454.6
EPS (Rs)	13.2	9.8	34.9	10.9	20.6	8.4	27.2	36.3	43.4	49.4	60.1
RoE-%						3.4	10.4	12.4	13.2	13.3	14.2
P/E (x)						97.2	30.2	22.7	18.9	16.6	13.7
EV/EBITDA (x)						21.5	13.0	11.2	9.5	7.7	6.4

(Source: Company, HDFC Sec)

Q4FY24 Result Update:

- Revenue from operations stood at Rs. 1,425 cr in this quarter vs Rs. 1,134 cr in Q4FY23 (+26/17% YoY/QoQ).
- EBITDA grew by 27% YoY to Rs. 203 cr in the quarter vs Rs. 159 cr in Q4FY23. EBITDA margin for the quarter stood at 14.3% as compared to 14.1% in Q4FY23.
- PAT grew by 35% to Rs. 100 cr, as compared to Rs. 74 cr in Q4FY23. The PAT margin stood at 7% as compared to 6.5% of Q4FY23.
- JKIL has been awarded projects worth Rs. 11,810 cr in FY24, and received orders worth Rs. 3,750 cr during Q4FY24. Order book as on 31st March '24 stood at a record high level of Rs. 21,011 cr. The order book -- includes metro projects contributing 27%; elevated corridors, flyovers contributing 39%; road and tunnels projects contributing 24%; and other contributing 11%.

Q4FY24 Concall Summary:

- **Revenue Guidance**: Management expects a revenue growth of around 15% to 16%. They are targeting a revenue of Rs. 5,600 cr to Rs. 5,700 cr for FY25. EBITDA margins are expected to be in the range 14-15% for now and with increasing operational efficiency it may increase to 15-16%.
- **Order Inflow, Order Book and Pipeline:** Company is already L1 in around Rs. 4,700 cr worth of projects and expects to convert these into order book in Q1. There are other projects worth around Rs. 20,000 cr that are mainly coming in from metros, elevated expressways, roads and road tunnels and some building jobs, which the company is focusing on. It expects the order intake for FY25 to be around Rs. 6,000 cr to Rs. 8,000 cr and to maintain the order book at Rs. 20,000 – Rs. 22,000 cr by the end of FY25.
- **Project updates:** For GMLR, mobilization has been started already, site barricading, survey jobs, designs have been submitted and machineries order have been placed. It is in advanced stages to physically start at the job site. Some ancillary works have already

started with office construction and road work. Momentum is expected to increase from Q2 onwards. For Chennai project, initial work is ongoing with actual physical work to be started from June.

- **Capex:** JKIL will require a maintenance capex of Rs. 100 cr every year and project related capex will require an additional Rs. 400 cr capex for 2 years.
- **Debt and working capital:** The debt levels stood at Rs. 576 cr in FY24 end and the company plans to have a debt of Rs. 600 - Rs. 650 cr in FY25. Working capital days have fallen from 126 days to 123 days and to be maintained between 120-125 days. Mobilization advance as on March 31st stood at Rs. 459 cr to Rs. 460 cr. Cash and equivalents stood at Rs. 131 cr. Retention money stood at Rs. 300 cr.

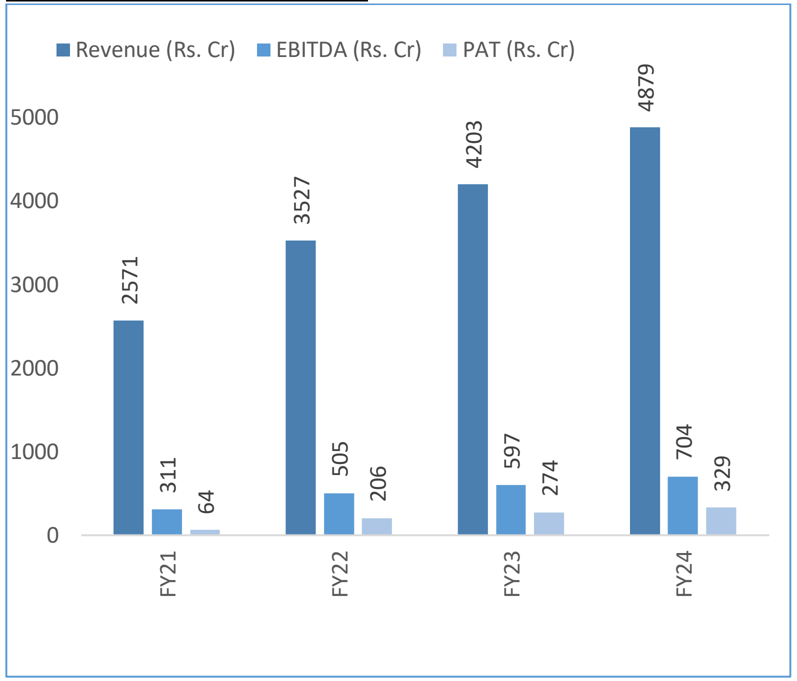
Key Triggers

Robust & Well Diversified Order book: As of 31st March 2024, JKIL's order book stood at Rs. 21,011 Cr. Including L1 of Rs 4,700 Cr (Virar Alibaug Multi Modal Corridor & Harinagar building) the total order book now stands at Rs 25,711 cr (including L1) which is 5x FY24 revenue. The company received an order inflow of Rs 11,810 Cr (excluding GST) during FY24. A healthy and robust order book gives revenue visibility for the next 4+ years. In FY24, it received orders consisting of key orders like Goregaon Mulund Link road project (Rs. 3,088 cr) for Design, Construction and Operation of Twin Tunnel and Chennai Elevated corridor (Rs. 3,570 cr) for construction of New Double Tier 4-lane Elevated Corridor from Chennai Port to Maduravoyal in Tamil Nadu.
In FY24, JK Infra recorded significant achievements, including the largest accretion of its order book, substantial revenue growth alongside margin expansion. The company is focused on diversifying its order book and maintaining quality in its orders consisting of airport, ports, railway stations, metro expressways, water treatment projects and roadways.

Order Pipeline: Company is already L1 in around Rs. 4,700 cr worth of projects and expects to convert these into order book in Q1. There are other projects worth around Rs. 20,000 cr that are mainly coming in from metros, elevated expressways, roads and road tunnels and some building jobs, which the company is focusing on. It expects the order intake for FY25 to be around Rs. 6,000 cr to Rs. 8,000 cr and to maintain the order book at Rs. 20,000 – Rs. 22,000 cr by the end of FY25.

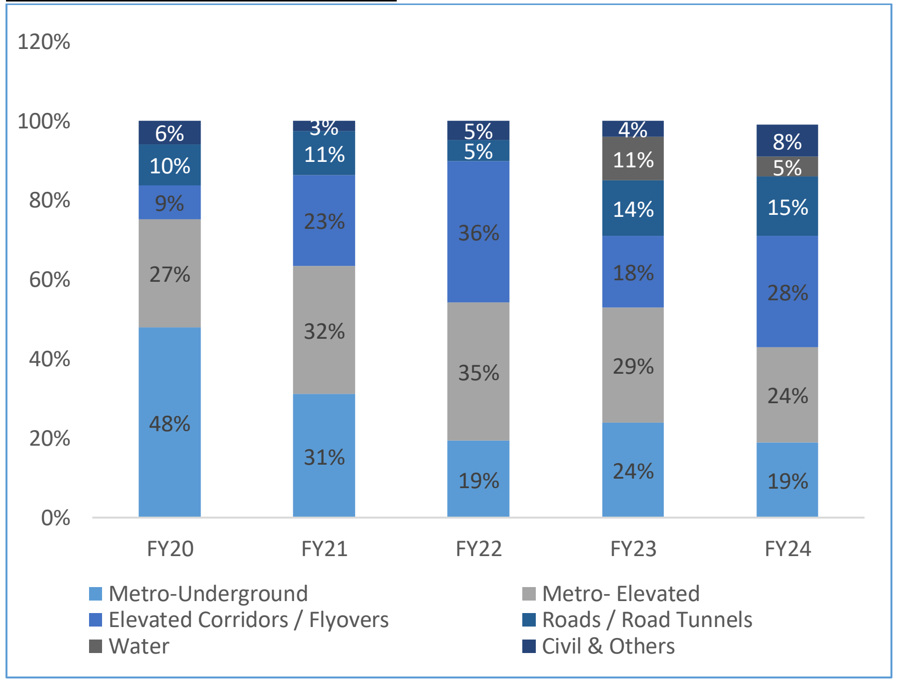
Resumption in ordering activity post formation of new Govt: With the formation of new government, the capital outlay towards infrastructure is expected to sustain the healthy growth momentum, given the overall GDP multiplier effect of infrastructure spending.

Revenue and Profit Trends:



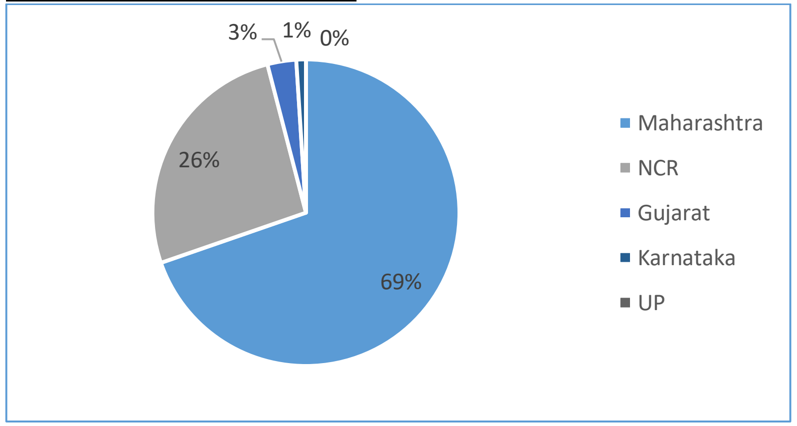
(Source: Company, HDFC Sec)

Revenue Split Segment-Wise:



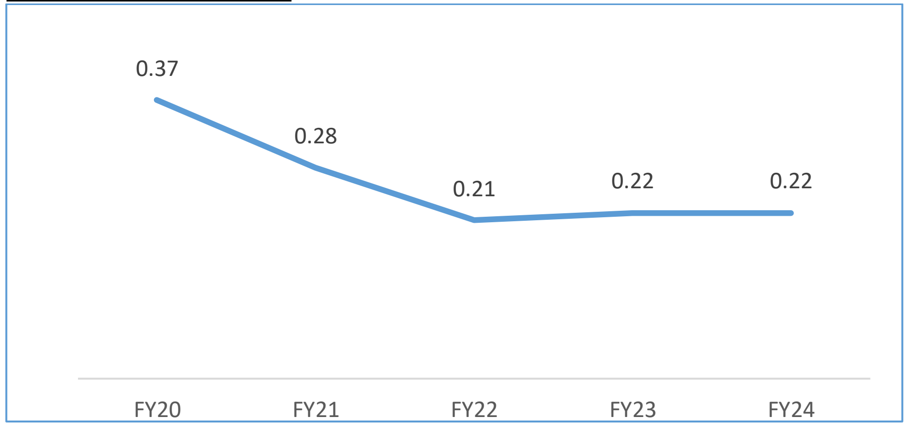
(Source: Company, HDFC Sec)

Revenue Geography Wise:



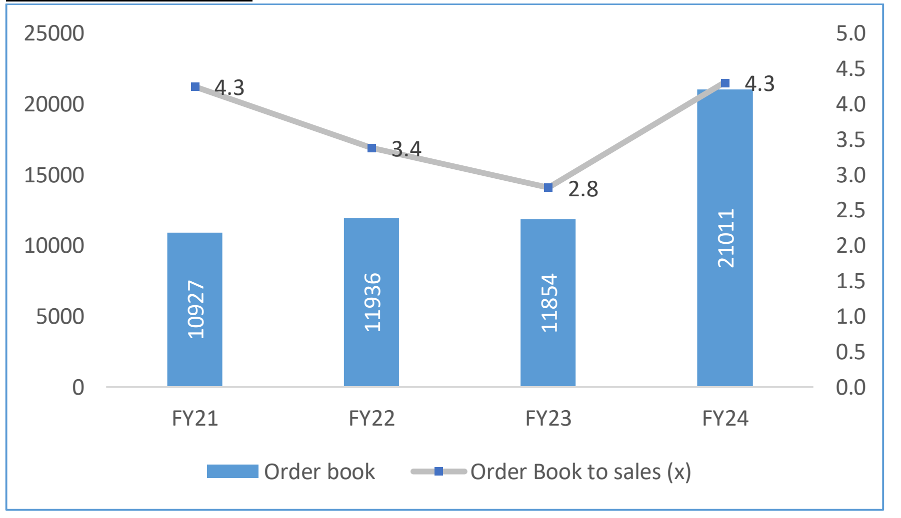
(Source: Company, HDFC Sec)

Debt to Equity Trend:



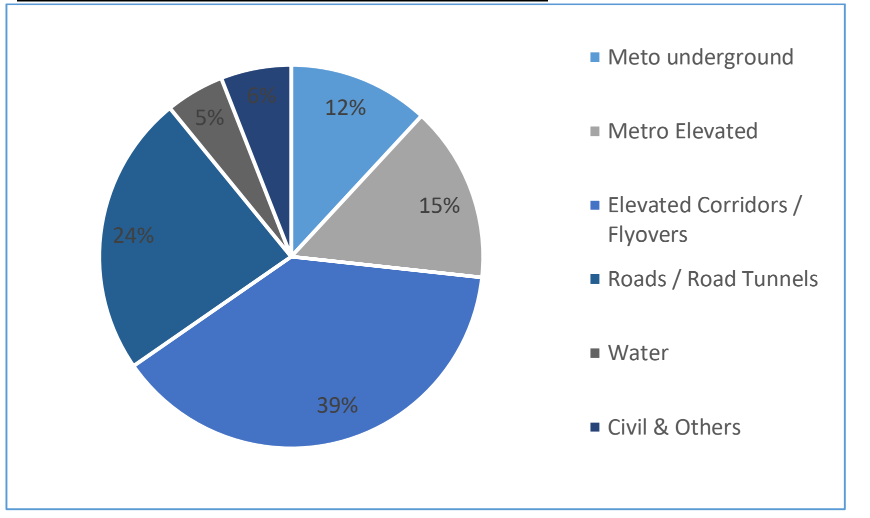
(Source: Company, HDFC Sec)

Order Book Trend:



(Source: Company, HDFC Sec)

Order Book Segmental Breakup in FY24:



(Source: Company, HDFC Sec)

Industry tailwinds: In the Union Budget 2024-25, capex has been increased by 11.11% for the infrastructure sector, thereby providing greater opportunities for a company like JKIL. The road sector is also expected to witness government investments in line with the interim budget 2024-25. This massive allocation forms the cornerstone for the realization of India's ambitious $5-trillion economy vision, advancing inclusive development and ushering in the era of 'Amrit Kaal'. Projects like Bharatmala Pariyojana and PM Gati Shakti will contribute to the company's vision of achieving an order book of Rs. 25,000+ cr in FY27. To increase the ambit of the metro rail system across the country, the government has earmarked Rs. 19,518 cr for Metro Projects. Since JKIL has constantly focused on metro projects, this allocation bodes well for the company in terms of Revenue and Order book. It's qualifications and capabilities make it a partner of choice for elevated as well as underground metro projects. Government is planning to convert 40,000 normal rail bogies to **Vande Bharat standard** to enhance the safety, convenience, and comfort of passengers, allocated an outlay for carriages and wagons – Rs 23,435 cr. Key rail infrastructure projects including Metro Rail and Namo Bharat will be expanded to more cities. Under **PM Gati Shakti**, the government announced 3 new railway corridors - the Port connectivity corridor, the energy, mineral, and cement corridor, and the High traffic density corridor.

Strong financial position:

J. Kumar Infraprojects Limited has a strong order book position (order book to operating revenue ratio of 5x times as on Mar 31, 2024), which provides a robust medium-term revenue visibility. The company received fresh order inflows worth Rs. 11,810 cr in FY24. JKIL's healthy increase in operating income (OI) at a CAGR of 22% during FY2008-FY2024. It is expected to witness annual growth of ~15-20% and in FY2025. The operating profit margin remained healthy and stable around 14.0%-14.5% during the last 10 quarters, supported by ownership of machines, in-house project execution (minimal sub-contracting), geographical clustering of project, centralized procurement of raw materials and is estimated to remain above 14% over the medium term. It a Net Debt free company with a strong credit rating and one of the few infrastructure companies with a PAT margin of ~6.5%. It has an expertise in undertaking niche complex projects with impeccable track record of completing them on time. It is the only company having 8 Tunnel Boring machines with cutting edge technology and a better asset churn.

Risks & Concerns:

- Rising raw material and input costs may impact operating margins.
- Slow execution pace of existing orders.
- The order book is geographically concentrated, with 65% orders from Maharashtra, 19% orders from Tamil Nadu, 10% from NCR 3% from Gujarat, 3% from Uttar Pradesh and 1% from Karnataka.
- With the relaxation in eligibility norms, competitive intensity in HAM, EPC projects has increased recently. Aggressive bidding (by competitors) and higher competition may result in lower inflows and moderation in margins, going forward.

Company Background:

J Kumar Infraprojects Ltd (JKIL) is engaged in the construction of elevated and underground metro projects, roads, flyovers and bridges and civil construction activities. The company is a pure play EPC company having a niche in construction of Urban Infra Projects including Metros, Flyover, bridges etc. It is renowned for undertaking design and construction projects on a turnkey basis meeting their clients' requirements. The company is among the few construction companies qualified to undertake large metro projects across India. Over the years, the company has increased the share of revenues contributed by metro projects owing to the increasing government focus on the urban mobility space. Its dominant presence in transportation engineering has been achieved on the back of focused business approach, successful project execution capabilities, talented team and rich experience in construction space.

Over the years, the company has improved its pre-qualification by gradually executing bigger and critical projects. All its sites are equipped with state-of-the-art equipment. The company has reduced its dependence on third parties, which has enhanced the control over projects, in turn, driving margins. It owns a large fleet of construction equipment and machinery including 7 TBM, 44 hydraulic piling rigs and 2 straddle carriers, among others. It is a technology-focused company and continuously invest in cutting-edge technologies to enhance its service offerings.

Areas of Operation:

(Source: Company, HDFC Sec)

Key Clientele:

(Source: Company, HDFC Sec)

Peer Comparison:

Company	Market Cap (Rs cr)	Sales (cr)			EBITDA (cr)			PAT (cr)		
		FY24	FY25E	FY26E	FY24	FY25E	FY26E	FY24	FY25E	FY26E
IRB Infra	41609	7409.0	8256.4	8972.9	3331.8	3878.6	4271.2	605.8	1016.3	1296.6
NCC	17438	18314.4	20970.0	23800.9	1648.1	2002.6	2344.4	688.0	939.4	1206.7
J Kumar Infra	**6215**	**4879.2**	**5669.6**	**6520.1**	**704.1**	**826.5**	**948.6**	**328.6**	**373.5**	**454.6**
L&T	476213	221112.9	253658.6	287787.7	23493.7	28255.1	33773.5	13059.1	16082.3	20097.3

(Source: Bloomberg, HDFC Sec)

Company	ROE (%)			P/E (x)		
	FY24	FY25E	FY26E	FY24	FY25E	FY26E
IRB Infra	4.5	7.2	8.6	67.2	39.1	31.4
NCC	9.6	13.0	14.8	27.6	18.6	14.5
J Kumar Infra	**13.2**	**13.3**	**14.2**	**18.9**	**16.6**	**13.7**
L&T	14.9	17.1	18.6	39.3	31.6	25.5

(Source: Bloomberg, HDFC Sec)

Financials (Standalone)

Income Statement

(Rs Cr)	FY21	FY22	FY23	FY24	FY25E	FY26E
Net Revenues	2,570.8	3,527.2	4,203.1	4,879.2	5,669.6	6,520.1
Growth (%)	***-13***	***37***	***19***	***16***	***16***	***15***
Operating Expenses	2,259.5	3,022.6	3,606.1	4,175.1	4,843.1	5,571.5
EBITDA	**311.4**	**504.6**	**597.1**	**704.1**	**826.5**	**948.6**
Growth (%)	***-28***	***38***	***36***	***86***	***25***	***23***
EBITDA Margin (%)	**12.1%**	**14.3%**	**14.2%**	**14.4%**	**14.6%**	**14.5%**
Depreciation	143.7	146.8	154.7	168.0	192.0	201.4
EBIT	**167.7**	**357.8**	**442.3**	**536.1**	**634.6**	**747.2**
Other Income (incl E.O items)	25.3	24.9	30.4	28.4	28.8	29.1
Interest expenses	104.4	100.0	99.2	123.9	151.7	153.7
PBT	**88.6**	**282.7**	**373.6**	**440.6**	**511.7**	**622.7**
Tax	24.7	76.8	99.2	112.0	138.2	168.1
PAT	63.9	205.9	274.4	328.6	373.5	454.6
Adjusted PAT	63.9	205.9	274.4	328.6	373.5	454.6
Growth (%)	***-65***	***222***	***33***	***20***	***14***	***22***
EPS	8.4	27.2	36.3	43.4	49.4	60.1

Balance Sheet

As at March	FY21	FY22	FY23	FY24	FY25E	FY26E
SOURCE OF FUNDS						
Share Capital	37.8	37.8	37.8	37.8	37.8	37.8
Reserves	1,849.1	2,048.8	2,301.9	2,604.1	2,947.3	3,371.6
Shareholders' Funds	**1,886.9**	**2,086.6**	**2,339.7**	**2,641.9**	**2,985.1**	**3,409.4**
Long Term Debt	123.9	71.6	122.0	113.4	142.9	132.9
Net Deferred Taxes	24.6	23.8	22.9	14.9	14.9	14.9
Long Term Provisions & Others	0.0	0.0	0.0	0.0	0.0	0.0
Total Source of Funds	**2,035**	**2,182**	**2,485**	**2,810**	**3,147**	**3,561**
APPLICATION OF FUNDS						
Net Block & Goodwill	805.6	789.6	925.1	970.7	883.1	781.7
CWIP	149.8	151.8	106.7	111.2	111.2	111.2
Other Non-Current Assets	418.5	421.5	466.6	251.2	276.3	304.0
Total Non-Current Assets	**1,374**	**1,363**	**1,498**	**1,333**	**1,271**	**1,197**
Investments	1.6	2.2	1.0	1.4	2.4	3.4
Inventories	286.1	365.7	392.7	481.5	505.8	601.1
Trade Receivables	619.8	888.0	1,141.3	1,192.4	1,286.1	1,436.0
Cash & Equivalents	45.7	111.0	64.9	103.2	466.0	764.0
Other Current Assets	1,317.9	1,213.8	1,163.4	1,425.4	1,601.3	1,714.8
Total Current Assets	**2,271**	**2,581**	**2,763**	**3,204**	**3,862**	**4,519**
Short-Term Borrowings	407.0	359.6	394.4	423.1	448.1	458.1
Trade Payables	457.8	572.9	629.8	586.4	708.1	784.8
Other Current Liab & Provisions	744.8	829.2	752.8	717.8	828.7	911.7
Total Current Liabilities	**1,610**	**1,762**	**1,777**	**1,727**	**1,985**	**2,155**
Net Current Assets	661.5	819.2	986.2	1,476.5	1,876.7	2,364.7
Total Application of Funds	**2,035**	**2,182**	**2,485**	**2,810**	**3,147**	**3,561**

(Source: Company, HDFC Sec)

Cash Flow Statement

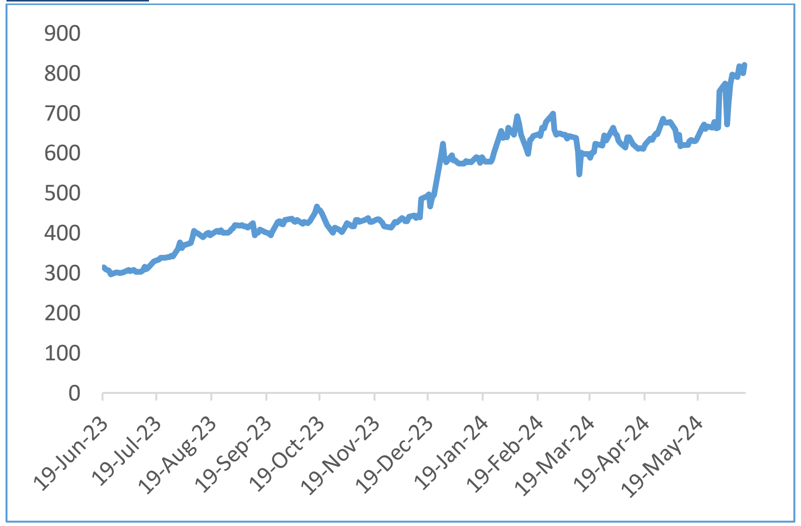
(Rs Cr)	FY21	FY22	FY23	FY24	FY25E	FY26E
Reported PBT	88.6	282.7	373.6	440.6	511.7	622.7
Non-operating & EO items	-0.5	-0.4	-3.9	-0.8	0.0	0.0
Interest Expenses	86.4	79.6	73.5	97.8	122.9	124.5
Depreciation	143.7	146.8	154.7	168.0	192.0	201.4
Working Capital Change	90.2	-64.9	-323.0	-248.9	-86.5	-226.7
Tax Paid	-39.6	-63.2	-92.0	-120.1	-138.2	-168.1
OPERATING CASH FLOW (a)	**368.7**	**380.5**	**182.9**	**336.6**	**601.9**	**553.8**
Capex	-128.2	-109.8	-217.1	-217.9	-100.0	-100.0
Free Cash Flow	240.5	270.7	-34.2	118.6	501.9	453.8
Investments	16.8	18.5	30.8	24.7	27.8	28.1
Non-operating income	0.0	0.0	0.0	0.0	0.0	0.0
INVESTING CASH FLOW (b)	**-111.3**	**-91.3**	**-186.2**	**-193.2**	**-72.2**	**-71.9**
Debt Issuance / (Repaid)	-160.0	-119.8	75.7	45.3	15.0	0.0
Interest Expenses	-101.3	-96.6	-95.8	-123.9	-151.7	-153.7
FCFE	-20.8	54.4	-54.3	40.1	365.2	300.1
Share Capital Issuance/ (Buy Back)	0.0	0.0	0.0	0.0	0.0	0.0
Dividend	-9.5	-7.6	-22.7	-26.5	-30.3	-30.3
Others	0.0	0.0	0.0	0.0	0.0	0.0
FINANCING CASH FLOW (c)	**-270.8**	**-223.9**	**-42.8**	**-105.0**	**-167.0**	**-183.9**
NET CASH FLOW (a+b+c)	**-13.4**	**65.3**	**-46.2**	**38.3**	**362.8**	**298.0**

Key Ratios

	FY21	FY22	FY23	FY24	FY25E	FY26E
PROFITABILITY RATIOS						
EBITDA Margin	12.1	14.3	14.2	14.4	14.6	14.5
EBIT Margin	6.5	10.1	10.5	11.0	11.2	11.5
PAT Margin	6.5	10.1	10.5	11.0	11.2	11.5
RoE	3.4	10.4	12.4	13.2	13.3	14.2
RoCE	8.0	17.3	19.5	19.9	20.2	21.3
SOLVENCY RATIOS (x)						
Debt/EBITDA	1.7	0.9	0.9	0.8	0.7	0.6
D/E	0.3	0.2	0.2	0.2	0.0	-0.1
PER SHARE DATA (Rs/sh)						
EPS	8.4	27.2	36.3	43.4	49.4	60.1
CEPS	27.4	46.6	56.7	65.6	74.7	86.7
DPS	1.0	3.0	3.5	4.0	4.0	4.0
BVPS	249.4	275.8	309.2	349.2	394.5	450.6
TURNOVER RATIOS						
Debtor days	88	92	99	89	83	80
Inventory days	41	38	34	36	33	34
Creditors days	65	59	55	44	46	44
VALUATION (x)						
P/E	97.2	30.2	22.7	18.9	16.6	13.7
P/BV	3.3	3.0	2.7	2.4	2.1	1.8
EV/EBITDA	21.5	13.0	11.2	9.5	7.7	6.4

(Source: Company, HDFC Sec)

Price chart



(Source: Company, HDFC sec)

RISHAB A JAIN

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HDFC Sec Retail Research Rating description

Green Rating stocks

This rating is given to stocks that represent large and established business having track record of decades and good reputation in the industry. They are industry leaders or have significant market share. They have multiple streams of cash flows and/or strong balance sheet to withstand downturn in economic cycle. These stocks offer moderate returns and at the same time are unlikely to suffer severe drawdown in their stock prices. These stocks can be kept as a part of long term portfolio holding, if so desired. This stocks offer low risk and lower reward and are suitable for beginners. They offer stability to the portfolio.

Yellow Rating stocks

This rating is given to stocks that have strong balance sheet and are from relatively stable industries which are likely to remain relevant for long time and unlikely to be affected much by economic or technological disruptions. These stocks have emerged stronger over time but are yet to reach the level of green rating stocks. They offer medium risk, medium return opportunities. Some of these have the potential to attain green rating over time.

Red Rating stocks

This rating is given to emerging companies which are riskier than their established peers. Their share price tends to be volatile though they offer high growth potential. They are susceptible to severe downturn in their industry or in overall economy. Management of these companies need to prove their mettle in handling cyclicality of their business. If they are successful in navigating challenges, the market rewards their shareholders with handsome gains; otherwise their stock prices can take a severe beating. Overall these stocks offer high risk high return opportunities.

Disclosure:

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