



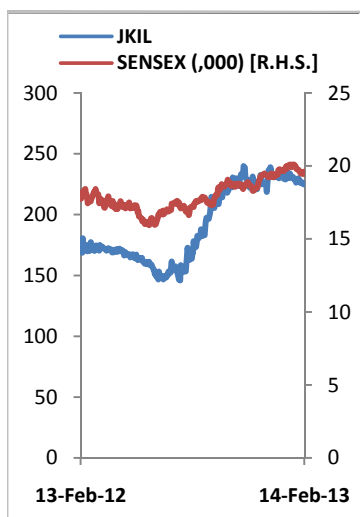
Date: 20th Feb, 2013

Stock information

| | |
|-------------------------|--------------------------------|
| Sector: | Construction & Eng. |
| CMP | ₹222.0 |
| Target Price | ₹209.3 |
| Upside Potential | -5.7% |
| BSE Code | 532940 |
| NSE Code | JKIL |
| Bloomberg | JKIL.IN |
| Reuters | JKIP.BO |
| Mkt cap (Rs. mn) | 6168.8 |
| Equity shares(mn) | 27.8 |
| Face Value(INR) | 10 |
| 52Weeks H/L | 248.0/143.4 |
| Sensex | 19642.8 |
| Nifty | 5943.0 |

Shareholding as on 31st December 2012 (%)

| | |
|------------------|------|
| Promoters | 55.4 |
| Mutual Funds/UTI | 0.0 |
| FII's | 7.5 |
| Bodies Corporate | 16.3 |
| Public | 18.3 |
| Others | 2.5 |

**Q3FY13 Financial Results Highlight:**

□ In Q3FY13, J Kumar Infraprojects Ltd (JKIL) registered a revenue of ₹2558.8 mn, which remained subdued with the marginal growth of 2.1% on Y-o-Y basis, however it has grown by 18.8% on sequential basis. For 9MFY13, the revenue has grown by to Rs. 6.5% on Y-o-Y basis.

□ During the quarter JKIL's EBITDA margin shown significant improvement of 90bps to 16.9% but on sequential basis it declined by 40bps. For 9MFY13, the EBITDA margin improved by 90bps on Y-o-Y basis to 16.8%.

□ In Q3FY13, JKIL reported a net profit of ₹196.6 mn, with net profit margin of 7.7%, with a decline of 10bps on Y-o-Y basis. However, the EBITDA margin for 9MFY13 has improved by 40bps to 7.7% on Y-o-Y basis.

□ JKIL's unexecuted order book remained subdued at ₹38948.9 mn as on Dec. 2012 signally strong revenue visibility for next few years. However the order inflow during the quarter remained subdued but is expected to pick up in coming quarters backed by the governments steps to ease liquidity pressure and faster project approval. The company has L1 position in 3 orders worth ₹7010 Mn in Mumbai as on date.

□ The order book position of ₹38948.9 mn as on 31st Dec. 2012 includes 81.6% from transportation engineering (including flyover and roads), civil construction (15.2%), irrigation project (2.4%) and piling (0.8%).

Valuation:

At CMP of ₹222/ share the stock is trading at 8.7x to its FY13E EPS of ₹25.4 and at 7.4x to its FY14E EPS of ₹29.9. We maintain our **target price to ₹209.3 /share** (which is at 7x P/E on FY14E EPS of ₹29.9) and maintain " **Hold**" rating on JKIL.

| | Revenue (₹ mn.) | EBITDA (₹ mn.) | PAT (₹ mn.) | EPS (₹) | P/E (x) | EV/EBITDA (x) | ROE (%) |
|--------------|--------------------|-------------------|----------------|------------|------------|------------------|------------|
| FY11 | 9492.1 | 1434.6 | 739.4 | 26.6 | 8.4 | 3.3 | 19.6% |
| FY12 | 9315.6 | 1499.6 | 680.7 | 24.5 | 9.1 | 3.4 | 15.5% |
| FY13E | 10200.6 | 1703.5 | 706.9 | 25.4 | 8.7 | 4.1 | 13.3% |
| FY14E | 11322.6 | 1913.5 | 831.1 | 29.9 | 7.4 | 3.6 | 12.9% |

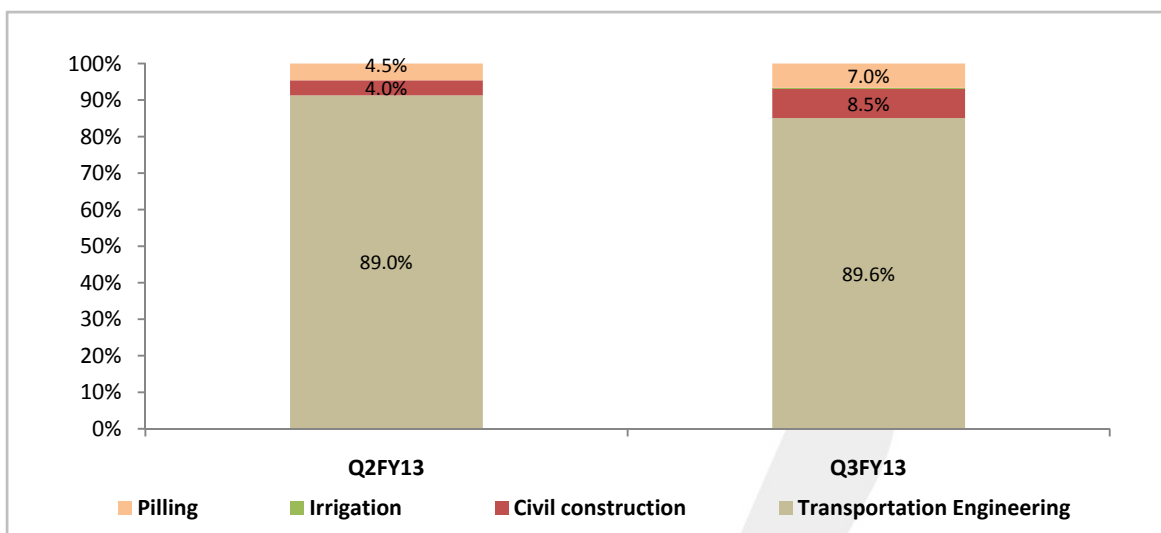
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Q3FY13 Financial Result Analysis (₹ in Mn):

| DESCRIPTION | Q3FY13 | Q3FY12 | Y-o-Y (%) | | Q-o-Q (%) | | Y-o-Y (%) | |
|---|---------------|---------------|------------|---------------|-------------|---------------|---------------|------------|
| | | | Change | Q2FY13 | Change | 9MFY13 | 9MFY12 | Change |
| Net Sales | 2517.6 | 2450.0 | - | 2114.1 | - | 6680.8 | 6211.2 | - |
| Other operating income | 41.2 | 57.1 | - | 39.3 | - | 146.7 | 202.6 | - |
| Net Sales & Other Op. Income | 2558.8 | 2507.1 | 2.1 | 2153.4 | 18.8 | 6827.5 | 6413.8 | 6.5 |
| (Increase) / Decrease In Stocks | -310.0 | 62.5 | -596.0 | -425.9 | -27.2 | -960.9 | -387.5 | 148.0 |
| Consutration & other cost | 1863.2 | 1652.6 | 12.7 | 1719.3 | 8.4 | 5223.6 | 4803.0 | 8.8 |
| Employee benefit expense | 143.2 | 65.5 | 118.7 | 103.1 | 38.8 | 319.0 | 180.8 | 76.4 |
| Labour charges | 225.1 | 160.9 | 39.9 | 168.6 | 33.6 | 544.1 | 406.3 | 33.9 |
| Other Expenditure | 204.9 | 165.6 | 23.7 | 215.2 | -4.8 | 553.0 | 389.8 | 41.9 |
| Total Expenditure | 2126.4 | 2107.1 | 0.9 | 1780.2 | 19.4 | 5678.8 | 5392.4 | 5.3 |
| PBIDT (Excl OI) | 432.4 | 400.0 | 8.1 | 373.1 | 15.9 | 1148.7 | 1021.4 | 12.5 |
| EBITDA Margin (%) | 16.9% | 16.0% | - | 17.3% | - | 16.8% | 15.9% | - |
| Other Income | 11.5 | 7.5 | 52.1 | 12.2 | -6.1 | 35.8 | 37.4 | -4.2 |
| Operating Profit | 443.8 | 407.6 | 8.9 | 385.3 | 15.2 | 1184.5 | 1058.8 | 11.9 |
| Interest | 108.9 | 88.1 | 23.6 | 78.5 | 38.7 | 253.9 | 233.6 | 8.7 |
| PBDT | 334.9 | 319.5 | 4.8 | 306.8 | 9.2 | 930.6 | 825.1 | 12.8 |
| Depreciation | 61.9 | 48.6 | 27.4 | 56.4 | 9.8 | 170.6 | 133.4 | 27.9 |
| PBT | 273.1 | 270.9 | 0.8 | 250.5 | 9.0 | 760.1 | 691.8 | 9.9 |
| Tax | 76.5 | 75.0 | 2.0 | 81.5 | -6.1 | 234.4 | 222.7 | 5.2 |
| Net Profit | 196.6 | 195.9 | 0.3 | 169.0 | 16.3 | 525.7 | 469.1 | 12.1 |
| Net Profit Margin (%) | 7.7% | 7.8% | - | 7.8% | - | 7.7% | 7.3% | - |
| EPS (Not Annulised) | 7.1 | 7.1 | 0.3 | 6.1 | 16.3 | 18.9 | 16.9 | 12.0 |

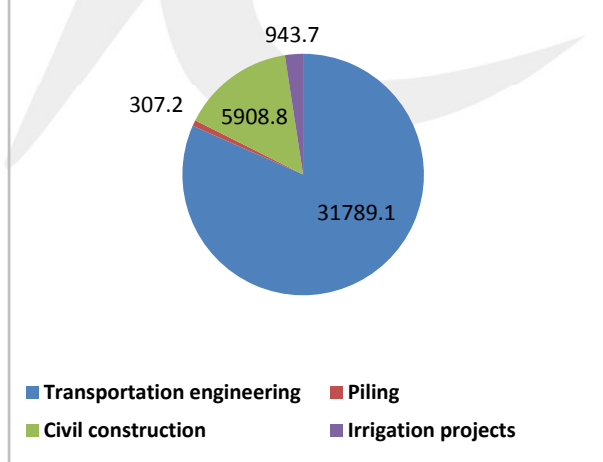
Segment-wise Revenue share comparison:



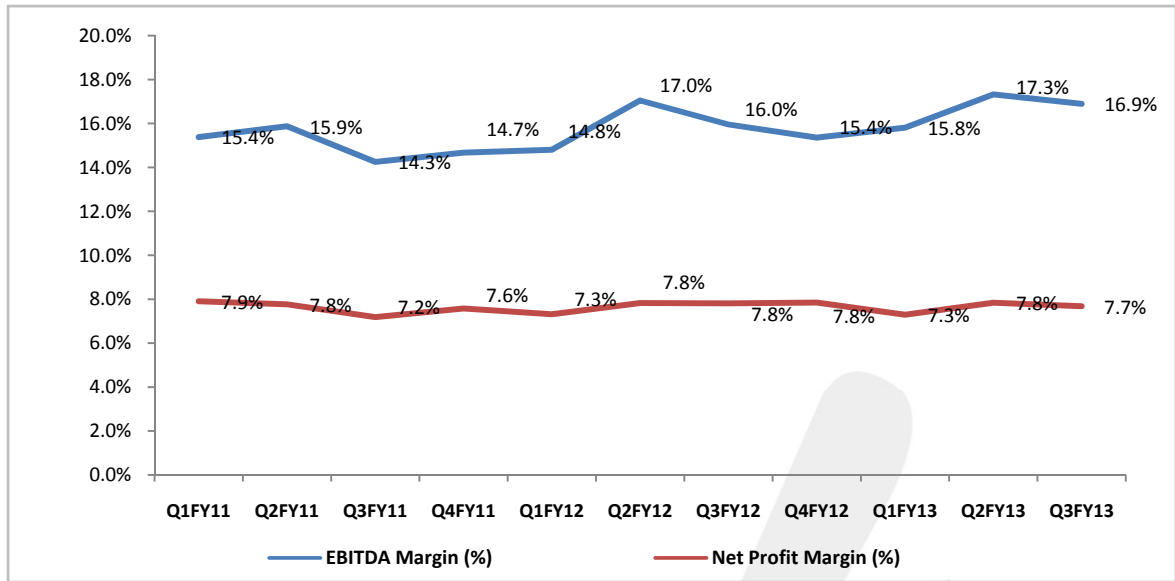
JKIL- L1 Orders

| Name of the Project | Client | Location of the Project | Order Value (Rs Mn.) |
|---|--------|-------------------------|----------------------|
| Construction of Water Transport Terminal Facilities, Nerul | MSRDC | Mumbai | 3,240.0 |
| Design and Construction of Infrastructure for Passenger Water Transport, Juhu (WWT-1) | MSRDC | Mumbai | 3,550.0 |
| Design and construction of flyover at Kherwadi Junction , Bandra (E) Mumbai | MMRDA | Mumbai | 220.0 |
| Total | | | 7,010.0 |

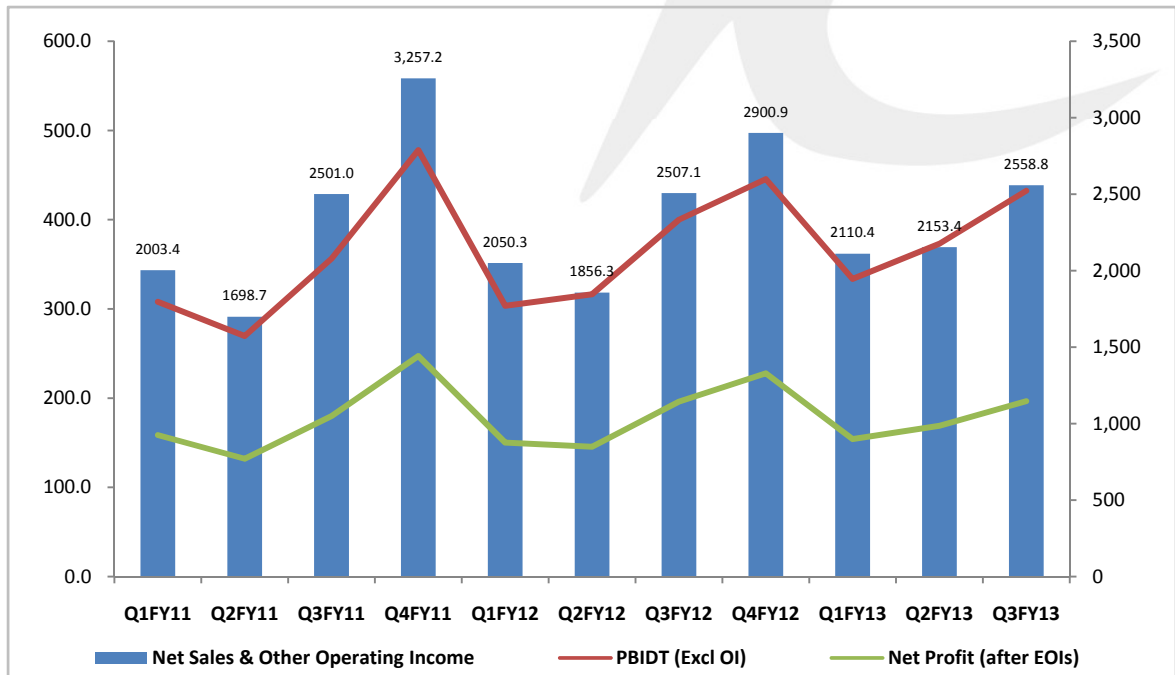
JKIL Unexecuted Order Book Break-up (Rs Mn.)



EBITDA margin & Net profit margin trend between Q1FY11-Q3FY13:



Sales, EBITDA and PAT trend between Q1FY1-Q3FY13 (₹ in mn):





Annual Income Statement (₹ in mn)

| Particulars | FY11E | FY12 | FY13E | FY14E |
|------------------------------|---------------|---------------|----------------|----------------|
| Revenue | 9492.1 | 9315.6 | 10200.6 | 11322.6 |
| Sales Growth (%) | 24.2% | -1.9% | 9.5% | 11.0% |
| Total Operating Expenses | 8057.5 | 7816.0 | 8497.1 | 9409.1 |
| EBITDA | 1434.6 | 1499.6 | 1703.5 | 1913.5 |
| EBITDA margin | 15.1% | 16.1% | 16.7% | 16.9% |
| Other Income | 70.9 | 67.3 | 57.2 | 57.2 |
| Gross Profit | 1505.4 | 1566.9 | 1760.7 | 1970.7 |
| Interest | 277.0 | 366.2 | 402.8 | 422.9 |
| EBDT | 1228.4 | 1200.7 | 1357.9 | 1547.8 |
| Depreciation | 158.5 | 188.8 | 307.1 | 312.4 |
| PBT | 1069.9 | 1011.9 | 1050.8 | 1235.3 |
| Tax | 330.5 | 331.1 | 343.8 | 404.2 |
| Net Profit | 739.4 | 680.7 | 706.9 | 831.1 |
| Net Profit Margin (%) | 7.8% | 7.3% | 6.9% | 7.3% |
| EPS | 26.6 | 24.5 | 25.4 | 29.9 |
| Equity | 27.8 | 27.8 | 27.8 | 27.8 |
| P/E | 8.4 | 9.1 | 8.8 | 7.5 |

Balance Sheet (₹ in mn)

| Particulars | FY11 | FY12 | FY13E | FY14E |
|-----------------------------------|---------------|---------------|----------------|----------------|
| EQUITIES & LIABILITIES | | | | |
| a) Share Capital | 278.0 | 278.0 | 278.0 | 278.0 |
| b) Reserves & Surplus | 3504.0 | 4112.0 | 5055.8 | 6151.8 |
| Networth | 3782.1 | 4390.0 | 5333.8 | 6429.8 |
| Non-Current liabilities | | | | |
| a) Long-term borrowings | 90.1 | 474.3 | 426.9 | 384.2 |
| b) Deferred tax liabilities (Net) | 36.3 | 42.5 | 46.7 | 49.1 |
| d) Long-term provisions | 4.0 | 8.5 | 9.4 | 10.3 |
| Current Liabilities | | | | |
| a) Short-term borrowings | 1430.9 | 972.6 | 1750.8 | 2276.0 |
| b) Trade payables | 357.7 | 509.4 | 534.9 | 561.6 |
| c) Other current liabilities | 658.3 | 2024.9 | 2328.6 | 2631.4 |
| d) Short-term provisions | 154.4 | 135.4 | 203.1 | 264.0 |
| TOTAL | 6513.8 | 8557.6 | 10634.1 | 12606.3 |
| ASSETS | | | | |
| Non-current Assets | | | | |
| i) Tangible assets | 1140.7 | 1468.3 | 1908.8 | 2386.0 |
| iii) Capital work-in-progress | 597.6 | 597.6 | 597.6 | 627.5 |
| b) Non-current investments | 1.0 | 1.0 | 1.0 | 1.0 |
| c) Other non-current assets | 683.4 | 920.3 | 1104.3 | 1270.0 |
| Current assets | | | | |
| a) Inventories | 1562.3 | 2759.6 | 3366.7 | 3703.4 |
| b) Trade receivables | 1018.4 | 888.5 | 977.3 | 1055.5 |
| c) Cash & Bank balance | 468.3 | 1138.8 | 1450.1 | 2043.6 |
| d) Short-term loans & advances | 890.4 | 535.2 | 909.8 | 1137.3 |
| e) Other current assets | 151.7 | 244.9 | 318.4 | 382.1 |
| TOTAL | 6513.7 | 8554.2 | 10634.1 | 12606.3 |

J Kumar Infraprojects Ltd-Q3FY13 Result Update



Cash Flow Statement (₹ in mn)

| Particulars | FY11 | FY12 | FY13E | FY14E |
|--|---------------|---------------|---------------|---------------|
| Cash and Cash Equivalents at Beginning of the year | 792.3 | 468.3 | 1138.8 | 1450.1 |
| Net Profit before Tax & Extraordinary Items | 1069.9 | 1011.9 | 1050.8 | 1235.3 |
| Adjustment For: | | | | |
| Depreciation | 158.5 | 188.8 | 307.1 | 312.4 |
| (Profit)/ Loss on Sale of Fixed assets | 0.0 | -0.4 | 0.0 | 0.0 |
| Interest (Net) | 277.0 | 366.2 | 402.8 | 422.9 |
| Interest & rent received | -67.3 | -61.5 | -57.2 | -57.2 |
| Prov. & prelim. Exp. W/O (Net)/ provision for Gratuity | 13.2 | 12.7 | 0.0 | 0.0 |
| Total Adjustments (PBT & Extraordinary Items) | 381.4 | 505.8 | 652.7 | 678.2 |
| Op. Profit before Working Capital Changes | 1451.4 | 1517.7 | 1703.5 | 1913.5 |
| Adjustment For: | | | | |
| Inventories | -429.7 | -1190.9 | -607.1 | -336.7 |
| Trade receivables | -335.1 | 130.0 | -88.8 | -78.2 |
| Short-term loans & advances Loans & Advances | -673.5 | 355.2 | -374.6 | -227.5 |
| Other current assets | -3.0 | -103.3 | -83.5 | -73.7 |
| Other Non-current assets | 436.0 | -245.4 | -184.1 | -165.7 |
| Current liabilities & short term borrowings | -355.3 | 1060.0 | 1194.0 | 934.6 |
| Total (OP before Working Capital Changes) | -1360.6 | 5.6 | -144.1 | 53.0 |
| Tax Paid | -370.5 | -343.1 | -343.8 | -404.2 |
| Net Cash from Operating Activities | -279.8 | 1180.2 | 1215.5 | 1562.3 |
| Purchased of Fixed Assets(net) | -867.5 | -516.4 | -440.5 | -477.2 |
| Purchase/sale of Investments(net) | -0.8 | 0.0 | 0.0 | 0.0 |
| Interest & rent Received | 67.3 | 61.5 | 57.2 | 57.2 |
| Dividend Received | 0.2 | 0.0 | 0.0 | 0.0 |
| Net Cash Used in Investing Activities | -800.8 | -454.8 | -383.3 | -420.0 |
| Proceeds from Issue of shares (incl share premium) | 4.0 | 0.0 | 0.0 | 0.0 |
| Proceed from Other Long Term Borrowings | 1102.8 | 384.2 | -47.4 | -42.7 |
| Dividend Paid | -72.9 | -72.9 | -70.7 | -83.1 |
| Interest Paid | -277.0 | -366.2 | -402.8 | -422.9 |
| Net Cash Used in Financing Activities | 756.9 | -54.9 | -520.9 | -548.7 |
| Net Inc/(Dec) in Cash and Cash Equivalent | -323.7 | 670.5 | 311.3 | 593.5 |
| Cash and Cash Equivalents at End of the year | 468.3 | 1138.8 | 1450.1 | 2043.6 |

Key Financial Ratios:

| Valuation Ratio | FY11 | FY12 | FY13E | FY14E |
|----------------------|-------|-------|-------|-------|
| Operating Margin (%) | 15.1% | 16.1% | 16.7% | 16.9% |
| Net Margin (%) | 7.8% | 7.3% | 6.9% | 7.3% |
| Debt/ Equity (x) | 0.4 | 0.3 | 0.4 | 0.4 |
| ROE (%) | 19.6% | 15.5% | 13.3% | 12.9% |
| EV/EBITDA (x) | 3.3 | 3.4 | 4.1 | 3.6 |
| EV/Sales (x) | 0.5 | 0.5 | 0.7 | 0.6 |
| P/E (x) | 8.4 | 9.2 | 8.7 | 7.4 |
| P/BV (x) | 0.96 | 1.09 | 1.17 | 0.97 |
| EPS (Rs) | 26.6 | 24.5 | 25.4 | 29.9 |

Source: Company, KC Research

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