

28 November 2024

J Kumar Infraprojects Ltd–BUY

CMP : Rs.750.0
Target Price : Rs.927.0
Upside : 23%+
Stop Loss : Rs.650.0 (Closing basis)

Investment Thesis

- J Kumar Infraprojects Ltd (JKIL) demonstrates exceptional financial strength with an order book of Rs.18,721 crore, representing 4 times its FY24 revenue and ensuring robust revenue stability for the next 3-4 years. The company's strategic positioning is further reinforced by securing Rs.2,000 crore in orders during October 2024 and being the lowest bidder (L1) for projects worth Rs.4,500 crore.
- JKIL enjoys a significant geographic advantage, with 65% of its order book concentrated in Maharashtra, a state pivotal to India's infrastructure growth. The re-election of the current government ensures policy continuity and quick decision-making, reducing delays in approvals and regulatory processes. This political stability is expected to accelerate the execution of ongoing projects and open the way for additional orders, particularly in urban infrastructure and metro rail expansion, aligning with the government's infrastructure-focused agenda. This favorable environment enhances JKIL's execution capabilities and is expected to drive the revenue in the future.
- JKIL demonstrates robust growth potential with a guided revenue increase of 15%-16% for FY25, driven by an extensive project portfolio and a strong bidding pipeline valued at Rs.35,000-40,000 crore across diverse infrastructure segments including metros, elevated expressways, road tunnels, and irrigation projects. The company's strategic ambition to secure Rs.8,000-10,000 crore in new orders during FY25 reflects management's confident growth outlook and ability to capitalize on India's infrastructure expansion.
- JKIL demonstrates strategic financial discipline with a planned capital expenditure of Rs.450-500 crore over the next two years, strategically focused on critical projects like the Chennai Metro and Goregaon-Mulund Link Road. The company's additional commitment to annual maintenance capex of Rs.100-150 crore reflects its proactive approach to infrastructure upkeep.
- The Indian infrastructure sector exhibits robust growth potential, led by strategic government initiatives like the National Infrastructure Pipeline (NIP) and significant investments in urban mobility and smart city development. JKIL is optimally positioned to capitalize on this favorable macro environment, with abundant opportunities emerging in critical infrastructure segments such as metros, expressways, and irrigation systems.

Financials

- During the quarter, JKIL reported robust revenue growth of 17%, reaching Rs.1,292 crore, driven primarily by strong execution in its infrastructure projects. The elevated corridors/flyovers was the largest contributor, accounting for 29% of the revenue, followed by metro elevated projects at 17% and the underground metro segment at 26%. Roads and tunnels contributed 18%, while water projects and civil/other works added 5% and 6%, respectively.

Consol. (Rs.Cr)	FY21	FY22	FY23	FY24	FY25E
Revenue	2,571	3,527	4,203	4,879	5,660
EBITDA	311	505	597	704	792
EBITDA Margin(%)	12.1%	14.3%	14.2%	14.4%	14.0%
PAT	64	206	274	331	390
EPS	8.4	27.2	36.2	43.7	51.5
PE	88.0x	27.2x	20.4x	16.9x	14.3x
RoE	3.4%	10.4%	12.4%	13.3%	14.2%

Stock Data

Market Cap (Rs. Mn)	57,810
Market Cap (\$ Mn)	684.3
Shares O/S (in Mn)	75.7
Avg. Volume (3 month)	1,95,840
52-Week Range (Rs.)	937 / 412

Shareholding Pattern

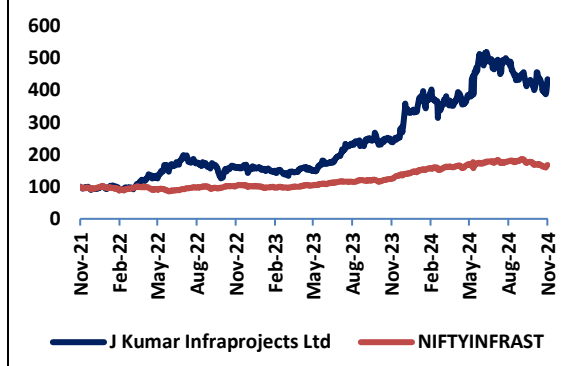
Promoters	46.64%
FII's	9.99%
Institutions	16.58%
Others (incl. body corporate)	26.78%

Key Ratios

Div Yield	0.53%
TTM PE	15.9x
ROE	13.2%
TTM EPS (Rs.)	47.4/-

Stock Performance

Performance (%)	1M	6M	1Yr
ABSOLUTE	8.3%	13.7%	81.3%
NIFTY INFRAST	8.2%	15.1%	45.9%



- The company demonstrated robust financial performance with EBITDA growing 18% YoY to Rs.188 crore, while maintaining stable margins at 14.6%, representing a marginal 10 basis points improvement. The earnings growth was primarily attributed to strategic cost management, particularly through reduction in raw material expenses.
- Overall, the company was profitable with net profit reaching Rs.90 crore, representing a decent 23% YoY growth. This was driven by the company's core strengths, including consistent delivery of high-quality projects, proven ability to complete assignments on time, and competence in handling complex project mandates.

Key Business Highlights

- JKIL is a well diversified infrastructure company specializing in transportation engineering, irrigation projects, civil construction, and piling work. The firm executes complex infrastructure developments across multiple sectors and operational capability in delivering comprehensive project solutions for both the public and private sector clients.
- JKIL has established itself as a prominent player in infrastructure development, with a particularly strong focus on metro projects across India. In recent years, the company has successfully completed several significant metro rail projects, including Mumbai Metro Line 7, Delhi Elevated Metro, Ahmedabad Metro, Mumbai Metro Line 2A, and Delhi Underground Metro.
- Beyond metro projects, the company has made substantial contributions to urban infrastructure by constructing numerous flyovers and critical transportation links. In the Mumbai Metropolitan Region and National Capital Region, this company has completed projects like the Panjarapol Flyover, Grant Road Skywalk, and BKC-Chunabhatti Flyover.
- The company currently maintains an impressive portfolio of ongoing projects, with particular emphasis on metro infrastructure across multiple cities. Notably, they are simultaneously working on metro projects in Pune both elevated and underground and various Mumbai metro lines, including Lines 4A, 7A, 9, and the significant Underground Metro Line 3.
- Also JKIL maintains a comprehensive fleet of modern equipment including Tunnel Boring Machines, Piling Machines, Launching Girders, Straddle Carriers, and Ready Mix Concrete Plants, which will enable them to execute the project in a very swift manner.

Valuation

Currently JKPL is trading at a PE of 15.9x compared to the industry average of 23.4x, indicating that the stock is undervalued but the company is expected to deliver healthy growth in the future as it presents a compelling investment opportunity with a robust Rs.18,721 crore order book (4x FY24 revenue), providing strong revenue visibility for 3-4 years and positioned strategically in Maharashtra's infrastructure ecosystem. With a guided revenue growth of 15-16% in FY25, a substantial bidding pipeline of Rs.35,000-40,000 crore, and ongoing projects in metros, expressways, and irrigation systems, the company benefits from favorable government policies and infrastructure-focused initiatives. The firm's strategic capital expenditure of Rs.450-500 crore over two years, combined with its track record of securing new orders and maintaining efficient project execution.

We assign a **BUY** rating on J Kumar Infraprojects Ltd (JKIL) and value at 18.0x FY25E EPS of Rs.51.5 to arrive a target price of Rs.927.0/- translating into a upside of 23%+.

Risk & Concern

- Attracting and retaining skilled professionals in complex infrastructure domains is a persistent challenge for the company, which could impact the quality of project execution and limit the organization's ability to scale its operations effectively.
- Another risk is the intense competition from larger infrastructure players and emerging companies, which demands continuous innovation, efficient project management, and competitive pricing strategies to maintain and improve market positioning. Failure to adapt to these pressures could impact the company's growth prospects and profitability in the long term.
- Stringent environmental clearances, complex legal frameworks, and evolving compliance requirements pose significant challenges, potentially leading to delays in the execution of infrastructure and construction projects. These regulatory hurdles can increase project timelines and costs, impacting overall profitability and operational efficiency.

Graphs & Charts

Figure 1: Net Sales Trend

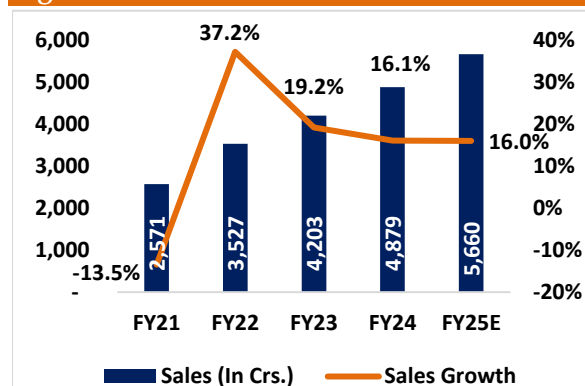


Figure 2: EBITDA & EBITDA Margin Trend

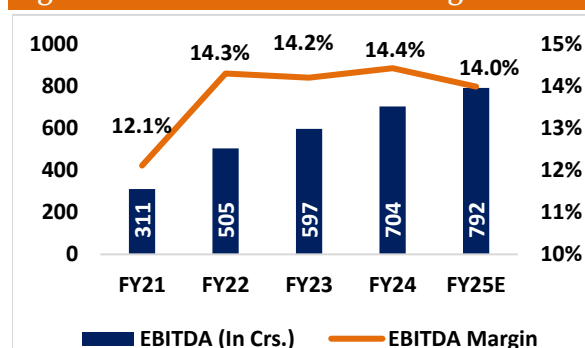


Figure 3: PAT & PAT Margin Trend

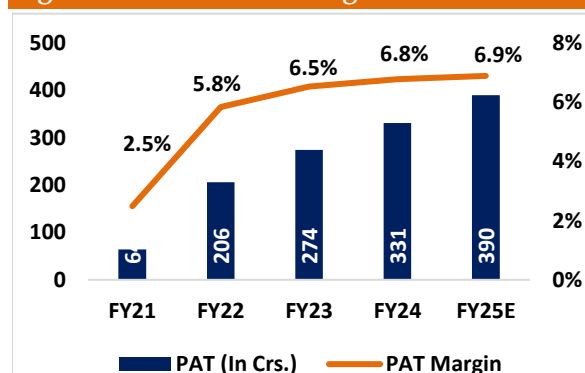
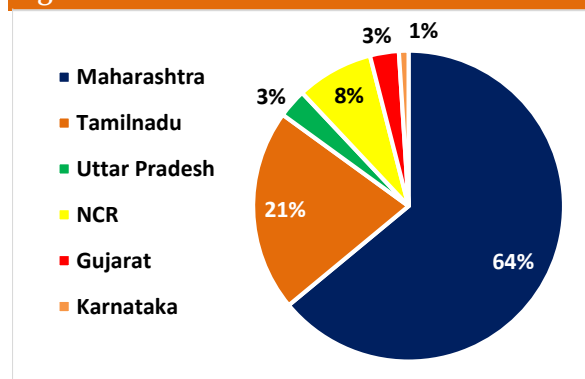


Figure 4: State-Wise Order Book



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