



An Important Player to Ride on Indian Urban Infrastructure Landscape

We initiate coverage on J Kumar Infraprojects Limited (JKIL) with a BUY recommendation and a Target Price (TP) of Rs 800/share, implying an upside of 25% from the CMP. We believe JKIL, with its substantial order book, formidable market position, experienced management team, and sound financial standing, is poised to capitalize on the long-term structural changes in the infrastructure sector. These changes are being driven by the government's emphasis on infrastructure development and the emergence of new opportunities in the construction space.

Investment Thesis

Robust order book to drive growth.

As of 31st Dec'23, the company's orderbook stands at Rs 16,774 Cr, reflecting revenue visibility of 2-2.5 years. The order book is diversified, with 34% belonging to Elevated Corridors & Flyovers, 25% to Roads & Road Tunnels, 16% to Elevated Metros, 13% to Underground Metros, 7% to Water projects, and 5% to Civil & other projects. This diversification indicates JKIL's involvement in various segments of the infrastructure sector, contributing to its resilience and stability. Due to the company's ongoing efforts and expertise, it has achieved a prominent position among the top 5 EPC companies capable of undertaking underground metro projects. We estimate JKIL to deliver healthy Revenue/EBITDA/PAT growth of 15%/18%/19% CAGR over FY24-FY26E backed by its strong and diversified order book as well as emerging opportunities.

Government's support to drive infrastructure development

The government has made a commitment to allocate Rs 11 Lc Cr in the Interim union budget 2024-25 for the infrastructure sector, taking into consideration its vital contribution to economic growth. The allocation for Roads & Railways has been raised to Rs 2.78 Lc Cr and 2.55 Lc Cr in the interim budget 2024-25. To increase the ambit of the metro rail system across the country, the government had also earmarked Rs 19,518 Cr for Metro Projects in last year's budget. This higher allocation demonstrates the government's commitment to achieving inclusive and sustainable urban development as well as to modernising and improving the efficiency of Indian Railways, which stands as one of the most extensive railway networks in the world. Furthermore, the increased allocation to the Ministry of Road Transport & Highways reflects the government's emphasis on improving infrastructure, connectivity, and safety on roads. All these initiatives will positively impact the growth profile of incumbents like JKIL.

Established track record of timely project execution

JKIL has a proven track record of successfully undertaking and timely executing large and complex projects, including notable projects such as the Mumbai Metro, Delhi Metro, JNPT, and Dwarka Expressway. The company is recognised for its scale, technical intricacies, and expertise in managing such projects. This combined with its meticulous planning and execution capabilities has allowed it to deliver outstanding results. The company owns and operates a remarkable fleet of eight Tunnel Boring Machines (TBMs), one of the highest in India, enabling it to undertake and execute underground projects more efficiently and with exceptional precision.

Healthy financial position supported by extensive promoter experience

The company has undertaken various steps to improve its operating efficiency to support its margins. These include Individual Profit Centers, Centralised Planning & Monitoring Group, and Appointing KPMG as consultants for revamping SOPs. The company has a robust and seasoned leadership team that drives its success. Its strong industry expertise and extensive experience provide strategic direction and ensure effective decision-making across all levels of the organisation's projects. With superior order inflows, better execution prowess, and geographical clustering of projects, we expect the company to maintain and improve its margin profile in the range of 14.5% - 15.5% over FY24-26E.

Valuation & Recommendation – Initiate with BUY

JKIL remains one of the most established EPC contractors and will continue to benefit from its healthy order book position, strong execution capabilities, and healthy financial position. We estimate JKIL to report Revenue/EBITDA/APAT CAGR of 15%/18%/19% respectively over FY24-FY26E, supported by its robust and diversified order book, healthy bidding pipeline, encouraging new order inflow, emerging opportunities in the construction space, and execution prowess. Currently, the stock is trading at 13x and 11x of FY25E and FY26E EPS. We initiate coverage with a BUY rating and value the company's business at 13.5x FY26E EPS to arrive at a target price of Rs 800 /share. The TP implies an upside potential of 25% from the CMP.

Key Financials

(Rs Cr)	FY23	FY24E	FY25E	FY26E
Net Sales	4,203	4,800	5,519	6,347
EBITDA	597	695	836	965
Net Profit	274	315	381	445
EPS (Rs)	36	42	50	59
PER (x)	18	16	13	11
EV/EBITDA (x)	2.2	1.9	1.7	1.5
P/BV (x)	9	7	6	5
ROE (%)	12%	13%	13%	14%

Source: company, Axis Research

(CMP as of 7th March, 2024)

CMP (Rs)	642
Upside /Downside (%)	25
High/Low (Rs)	715/228
Market cap (Cr)	4,902
Avg. daily vol. (6m) Shrs.	4,76,000
No. of shares (Cr)	7.5

Shareholding (%)

	Jun-23	Sep-23	Dec-23
Promoter	46.7	46.7	46.7
FIIs	10.1	10.0	8.7
MFs / UTI	9.7	9.8	9.8
Banks / Fls	0.0	0.0	0.0
Others	33.6	33.6	34.9

Financial & Valuations

Y/E Mar (Rs Cr)	FY24E	FY25E	FY26E
Net Sales	4,800	5,519	6,347
EBITDA	695	836	965
Net Profit	315	381	445
EPS (Rs)	42	50	59
PER (x)	16	13	11
EV/EBITDA (x)	1.9	1.7	1.5
P/BV (x)	7	6	5
ROE (%)	13	13	14

Key Drivers (%) (Growth in %)

Y/E Mar	FY24E	FY25E	FY26E
Net Sales	14%	15%	15%
EBITDA	16%	20%	15%
Net Profit	15%	21%	17%

Axis vs Consensus

EPS Estimates	FY24E	FY25E	FY26E
Axis	42	50	59
Consensus	42	51	60
Mean Consensus TP			Rs 715

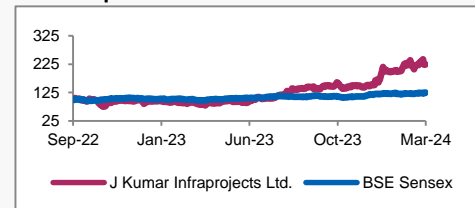
ESG disclosure Score**

Environmental Disclosure Score	NA
Social Disclosure Score	NA
Governance Disclosure Score	NA
Total ESG Disclosure Score	NA

Source: Bloomberg, Scale: 0.1-100

**Note: This score measures the amount of ESG data a company reports publicly and does not measure the company's performance on any data point. All scores are based on 2020 disclosures

Relative performance



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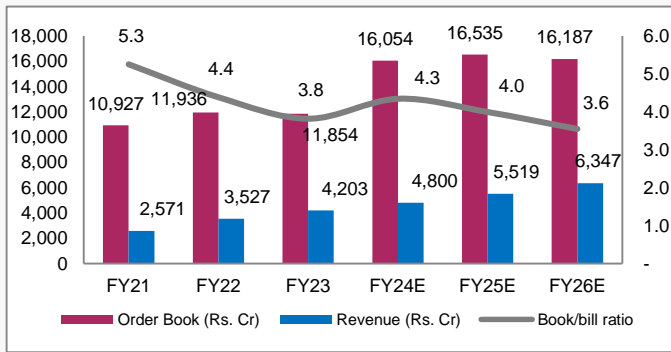
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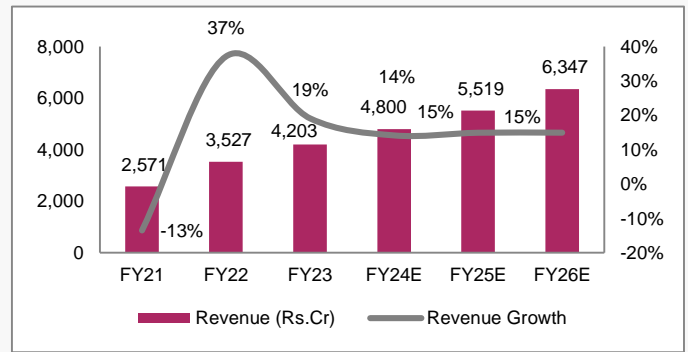
Financial Story in Charts

Exhibit 1: Order book and revenue to grow in tandem



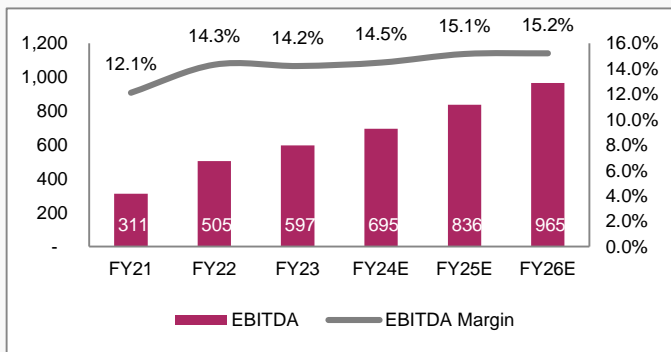
Source: company, Axis Securities

Exhibit 2: Revenue to grow with superior project execution capabilities



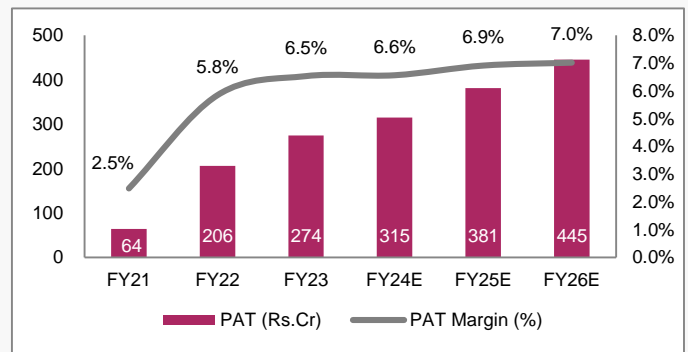
Source: company, Axis Securities

Exhibit 3: EBITDA to grow with stable margins



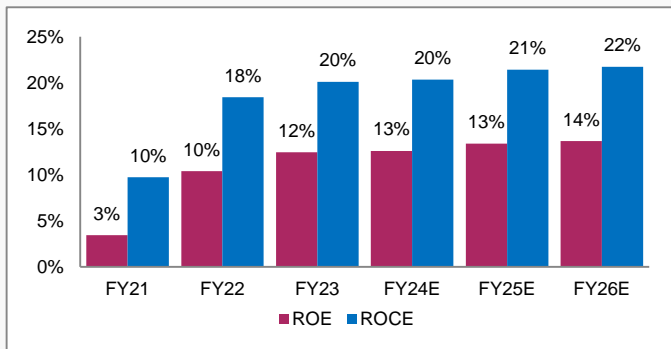
Source: company, Axis Securities

Exhibit 4: PAT to showcase improvement



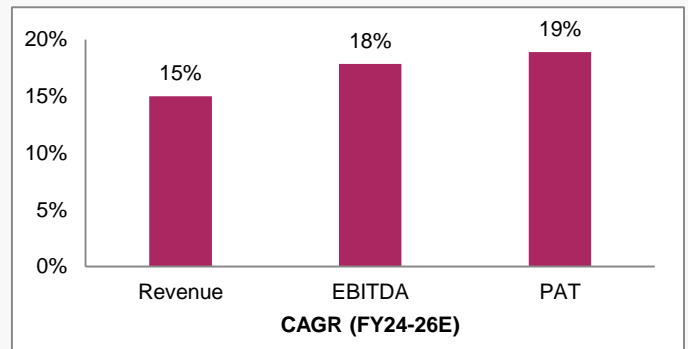
Source: company, Axis Securities

Exhibit 5: ROE & ROCE to improve



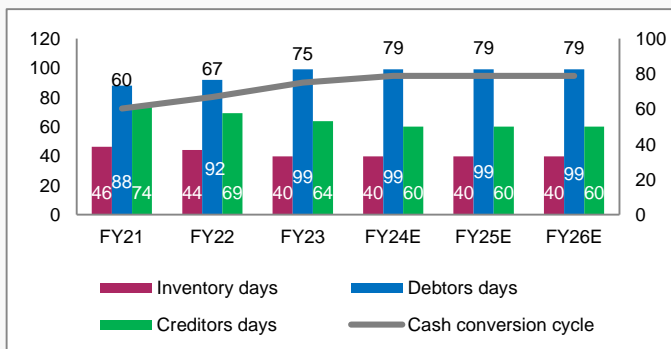
Source: company, Axis Securities

Exhibit 6: Robust Revenue/EBITDA/PAT CAGR growth (FY24-FY26E)



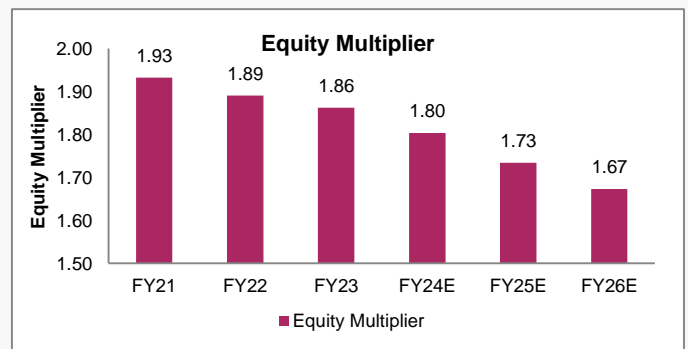
Source: company, Axis Securities

Exhibit 7: Cash Conversion Cycle



Source: company, Axis Securities

Exhibit 8: Equity Multiplier



Source: company, Axis Securities

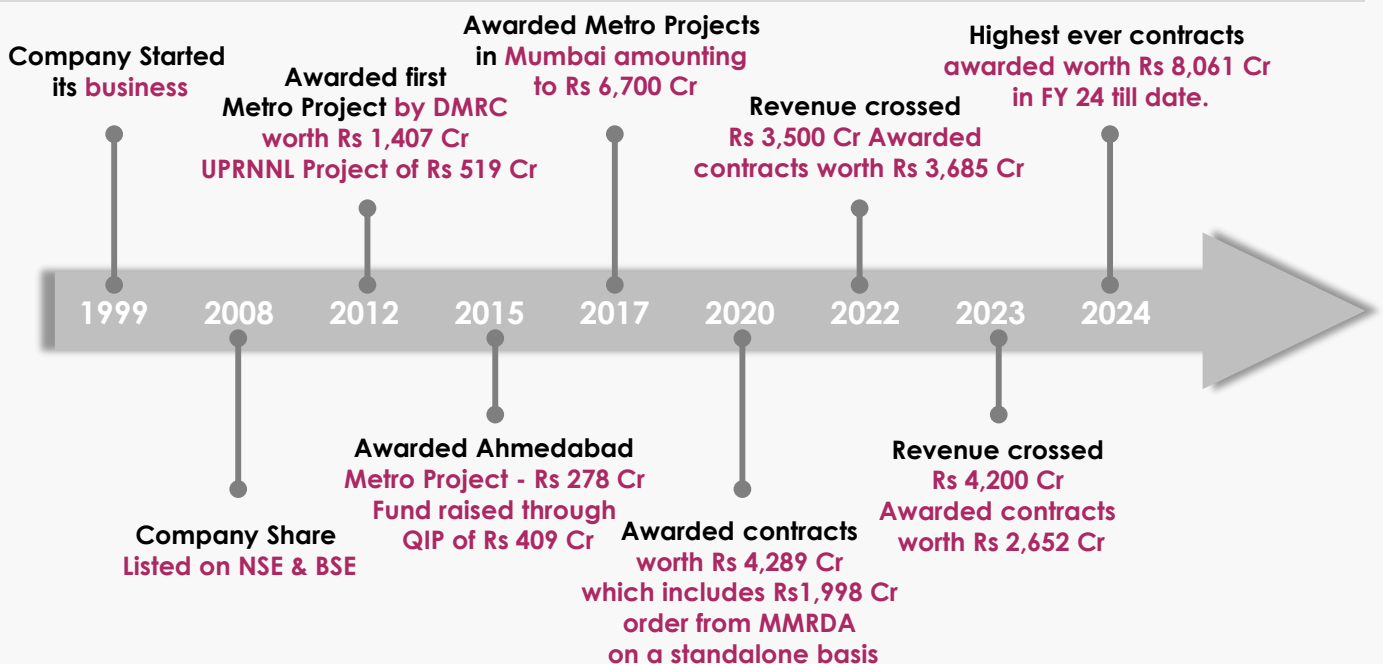
Company Overview

J. Kumar Infraprojects Limited (JKIL) is an EPC player with more than 24 years of experience in the construction of Urban Infra Projects including Metros, Flyovers, Bridges, Tunnels, and STPs to name a few. It is renowned for undertaking design and construction projects on a turnkey basis, meeting clients' requirements with precision and efficiency. JKIL is focused on EPC projects, with a specific focus on Urban Infrastructure, Transportation, Infrastructure and Civil Construction. With a commitment to delivering high-quality projects and innovative solutions, JKIL has earned a strong reputation for its reliability, technical expertise, and timely execution. The company has a diverse portfolio of projects across different sectors, including roads, highways, bridges, metro railways, urban infrastructure, and tunnelling water supply, among others.

Among the Top 5 EPC companies capable for undertaking underground metro projects with more than 2 decades of extensive experience











- **Metro Projects:** The company is actively engaged in expanding India's Metro rail network by constructing an additional 61 km of track during the year. In FY23, Metro projects make up ~47% of J. Kumar's current order book. 47% of the total revenue for FY23 came from underground and elevated metro projects.
- **Flyovers, Roads, & Tunnels:** 47% of the total revenue for FY23 came from the Flyovers, Roads, and Tunnels segment. In FY23, the company successfully established unobstructed connectivity at Amra Marg and opened up public access to the JNPT Port. Furthermore, the SCLR flyover showcases a distinctive feature – India's second double-decker flyover – marking a pioneering achievement for the city.
- **Water segment:** In FY23, the company made substantial improvements in its water division, securing an order book worth Rs 1,340 Cr, which accounts for 11% of the total order book composition. Notably, the company has successfully secured contracts for designing, constructing, and operational commencement of sewage tunnels in Mumbai, in two distinct phases
- **Civil and Others:** The company also constructs swimming pools, sports facilities, hospitals, and other medical facilities. It also constructs railway terminals and stations. During FY23, the segment contributed 7% of total revenue.

Exhibit 9: Key Milestones



Source: Company, Axis Securities

Exhibit 10: Business Overview

				
				
Metro	Elevated Corridors / Flyover	Roads & Road Tunnels	Civil & Others	Water
<ul style="list-style-type: none"> • Metro Underground • Metro Elevated • Metro Elevated Stations • Metro Underground Stations • Depots 	<ul style="list-style-type: none"> • Elevated Corridors • Flyovers • Bridges • Pedestrian Subways • Skywalks • Road Over Bridges 	<ul style="list-style-type: none"> • Roads • Highways • Expressways • Tunnels • Airport Runways • Road Tunnels 	<ul style="list-style-type: none"> • Hospital / Medical Colleges • Railway Terminus & Stations • Commercial buildings • Sports Complex • Other Civil Constructions 	<ul style="list-style-type: none"> • Sewage Treatment Plants • River Fronts • Tunnels • Others

Source: Company, Axis Securities

Robust Order Book to Drive Growth

Order Book details

As of December 31st, 2023, the company's order book stood at Rs 16,774 Cr, providing sustainable revenue growth visibility for the next 2-3 years. The company also secured order worth over Rs 3400 cr in Q4FY24 till date further improving its order book position. The company's order book has demonstrated an impressive growth of 18% from FY19 to FY24. Additionally, the company has bid for new metro projects in cities like Agra, Kanpur, Lucknow, Indore, and Bhopal to secure new orders. The company aims to become a billion-dollar company by FY27 with a long-term strategic goal of creating and maintaining better operating efficiency.

With a healthy order book and emerging opportunities in other construction spaces, we anticipate the company to deliver a robust Revenue/EBITDA/PAT CAGR growth of 15%/18%/19% over FY24 to FY26E.

The order book comprises 34% from Elevated Corridors & Flyovers, 25% from Roads & Road Tunnels, 16% from Elevated Metros, 13% from Underground Metros, 7% from Water, and 5% from Civil & others. The projects include large complex projects across all segments and geographies, with 58% from Maharashtra, 24% from Tamil Nadu, 10% from NCR, 3% from Gujarat, 3% from UP, and 1% from Karnataka. Key order wins in FY24:

- **Goregaon Mulund Link Road (GMLR)** – Out of the total project cost of Rs 6,301 Cr, JKIL share stands at Rs 3,088 Cr (excluding GST). Twin Tunnel is to be excavated through a 14.6 meter diameter Tunnel Boring Machine (TBM) which is going to be the largest diameter TBM-driven Road Tunnel Project in INDIA
- **Chennai Elevated Corridor** – The total project cost is Rs 3,570 Cr (excluding GST) and a New Double Tier 4-lane Elevated Corridor will be constructed from Chennai Port to Maduravoyal in Tamil Nadu.

Bidding eligibility

Over time, the company has significantly bolstered its bidding capacity to undertake larger projects, particularly in the domain of underground metro construction. Presently, the company is equipped to independently bid for substantial Metro projects. Through persistent efforts and leveraging its expertise, the company has garnered recognition and established itself as one of the top five engineering, procurement, and construction (EPC) firms capable of handling underground metro projects. Its adeptness in execution has instilled confidence in clients, positioning it as a dependable partner for executing intricate underground metro projects.

Capacity to execute metro projects

JKIL stands out as one of the few companies to venture into the demanding realm of metro projects. Its qualifications and capabilities position it as a preferred partner for both elevated and underground metro projects. The company achieved a notable milestone in 2012 by initiating its inaugural metro project in Mumbai, signifying a significant stride in its trajectory. Furthermore, JKIL has secured a considerable portion of the Mumbai Metro projects, underscoring its success and expertise in this domain.

Strong order book of Rs 16,744 Cr giving revenue visibility for 2-3 years. Additional order win in Q4FY23 further strengthens its order book position.

Vision 2027- To become a Billion Dollar company

Exhibit 11: Current order book split – Segment-wise

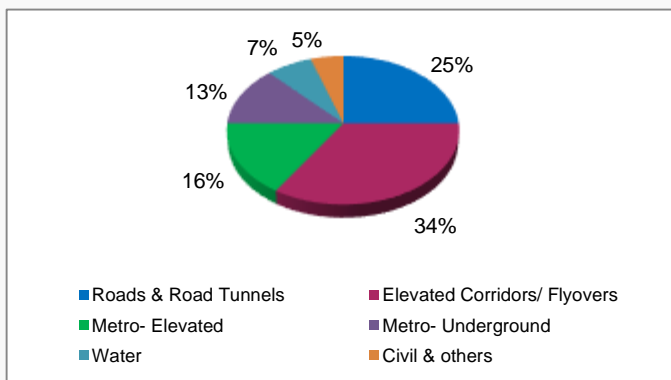
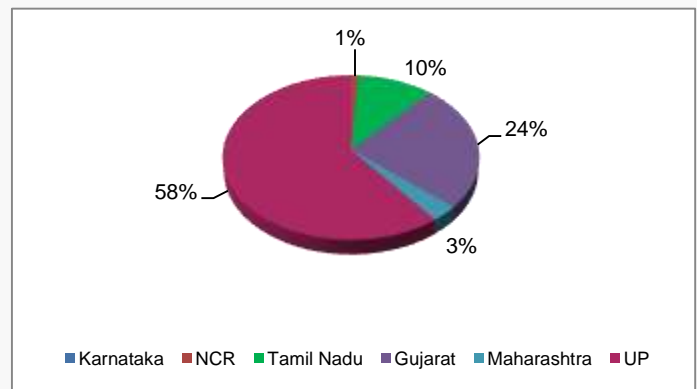


Exhibit 12: State Wise Distribution



Source: Company, Axis Securities

Government's Support to Drive Infrastructure Development

Government's extensive capital outlay plan

The government has made a commitment to allocate over Rs 11 Lc Cr for the infrastructure sector in the Interim Budget 2024-25, taking into consideration its vital contribution to economic growth. The capital outlay is expected to be used for various infrastructure projects across different sectors, including transportation, energy, telecommunications, water supply and urban development.

Capacity enhancement of Indian Railways

The Interim budget 2024-25 allocated a higher capital outlay at Rs 2.55 Lc Cr for the railways. This significant allocation reflects the government's commitment to modernising and improving the efficiency of Indian Railways, which is one of the most extensive railway networks in the world. The government aims to enhance the capacity of Indian railways and modernise them by laying more tracks, doubling existing rail lines, and introducing rail lines to new areas.

Expansion of metro railway

To increase the ambit of the metro rail system across the country, the government had earmarked Rs19,518 Cr for Metro Projects in last year's budget. As of now, India has 895 km of Metro lines, operational in 20 cities and another over 950 km are under construction. It demonstrates the government's commitment to improving urban transportation infrastructure and addresses the growing demand for efficient and sustainable public transit options.

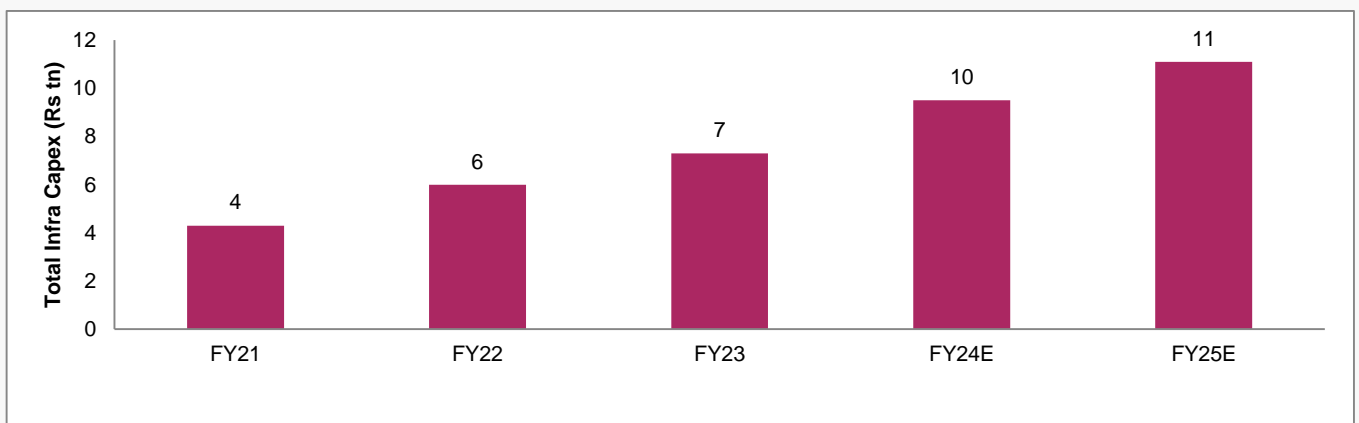
Development of roads and highways

The higher allocation to the Ministry of Road Transport & Highways reflects the government's emphasis on improving infrastructure, connectivity, and safety on roads. In the interim budget, the government allocated Rs 2.78 Lc Cr for the development and maintenance of highways.

The government's ambition to elevate India into a 5 Tn dollar economy in the next few years will provide substantial support for the development of world-class infrastructure. This initiative will create significant opportunities for incumbents like JKIL as the company gears up for further growth moving forward. The government expenditure on Capex has risen significantly at a CAGR of 19%/16% over the last 5 and 10 years and it is expected that the pace of government expenditure on Capex will remain elevated moving forward, supporting construction activities and thereby the company's prospects.

Massive development in road, railway and metro sector supported by the government's proactive policy would aid in the company's growth

Exhibit 13: Total Infra CAPEX



Source: Company, Axis Securities

Established track record of timely project execution

Project execution capability

JKIL has a proven track record of successfully undertaking and executing large and complex projects, including notable endeavours such as the Mumbai Metro, Delhi Metro, JNPT, and Dwarka Expressway projects. Over the last two decades, it has developed commendable technical and critical expertise alongside meticulous planning, which has aided in effectively managing large projects, ultimately leading to the delivery of outstanding results. The company has shown great resilience and demonstrated high-quality infrastructure solutions efficiently. Moreover, its successful involvement in these prestigious ventures has solidified its reputation as a reliable partner for clients seeking excellence in the execution of large and complex projects.

Timely completion

The company has maintained a robust track record of consistently completing complex projects within the stipulated time frames. This success has translated into it receiving repeated orders from esteemed clients. The company demonstrated a remarkable ability to efficiently manage and execute projects that require a high degree of technical expertise and coordination. Furthermore, the company's commitment to meticulous planning, resource allocation, and project management allows it to meet deadlines efficiently.

Use of advanced equipment

The company is among the few companies in India to own and operate a remarkable fleet of eight Tunnel Boring Machines (TBMs). It enables it to undertake and execute underground projects efficiently and with exceptional precision. It has sustained its commitment to investing in cutting-edge technologies, enabling the company to stay at the forefront of innovation while delivering quality outcomes. On its journey to efficient and timely execution, it continues to upgrade and enhance its technological capabilities, fostering its position as one of the premier EPC players in the niche segment of Metro, tunnelling, and critical flyovers.

The company's robust order book and execution prowess has enabled it to grow its business consistently

Exhibit 14: Modern Equipment Fleet

Fleet of Modern Equipment



J. Kumar
Since 1981

TBM Machine



Dumper / Tipper



Launching Girder



Piling Machine



RMC Plant



Bitumen Plant



Casting Yard



Segment Rolling



Straddle Carrier



FOCUSED ON INNOVATION... DELIVERING EXCELLENCE

Source: Company, Axis Securities

Healthy financial position supported by extensive promoter experience

Strong financial position

The company delivered Revenue/EBITDA/APAT growth of 15%/14%/14% CAGR over FY13-FY23 by leveraging a robust order book and timely project execution. This has resulted in steady accretion and strengthening of the company's Net Worth (which grew at 16% CAGR during this period) from Rs 504 Cr to Rs 2,340 Cr. The company's superior execution, scalability, and bidding discipline have maintained its operating margins in the range of 14%-15%. We expect the company to sustain and improve its margin profile moving ahead.

Over FY19-FY23, the company generated OCF of Rs 1,274 Cr and FCF of Rs 600 Cr. Its FCF/OCF ratio stands healthy at 47% during this period indicating a superior liquidity profile. Furthermore, its working capital management also stands robust. The company uses various sources of funding to optimise its cost of debt and keep it low.

JKIL's lean balance sheet, superior operating ratio, and high ROCE are an indication of its excellent long-term performance in the highly competitive construction space. Credit rating agency ICRA has an A+/ Stable rating for funds-based and non-fund based limits on the company's debt instrument.

Initiatives to enhance efficiency

The company has taken various steps to improve its operating efficiency to support margins. These include Individual Profit Centers, a Centralised Planning & Monitoring Group, and the Appointment of KPMG as consultants for revamping SOPs.

Strengthened organisation

The company has a robust and seasoned leadership team that drives its success. JKIL promoters have extensive experience in the construction industry expanding over two decades. With concentrated efforts over time, the company has developed strong technical expertise in critical project execution, propelling itself among the top EPC players in India.

With its strong industry expertise and extensive experience, the company provides strategic direction and ensures effective decision-making across all levels of the organisation. Recognising the importance of engaging people with global experience, the company has recruited people from other countries to gain from its specialised knowledge of underground metro projects. This strategic move allows it to leverage its expertise and ensure the successful execution of its projects.

Strong financial lends support for the future growth and strong management pedigree offers stability and reliability to the company

Exhibit 15: OCF, Capex, FCF

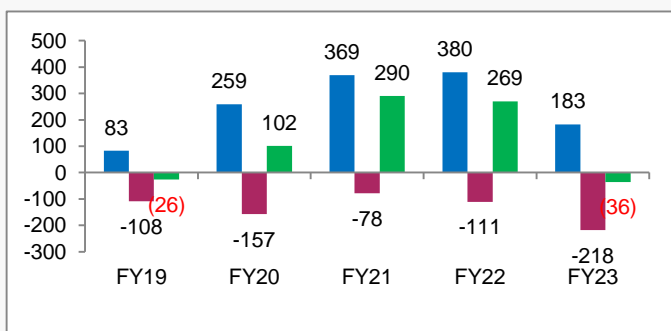


Exhibit 16: Interest Coverage

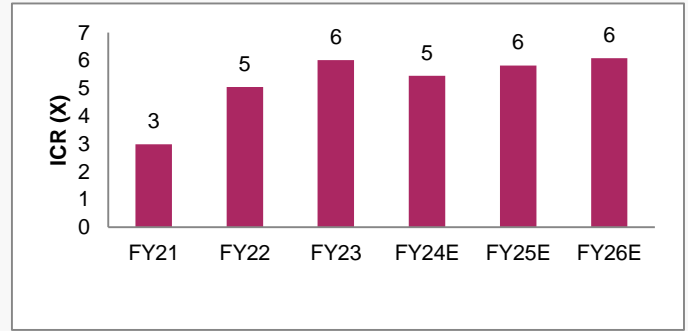


Exhibit 17: Asset Turnover Ratio

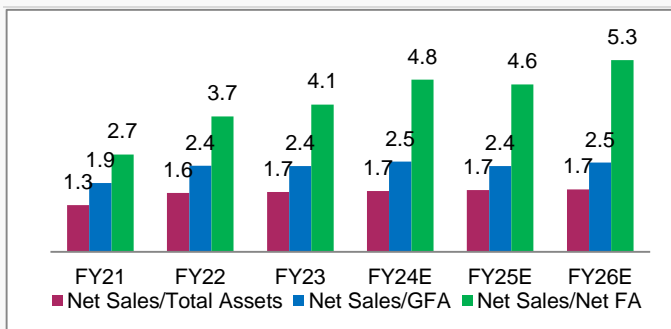
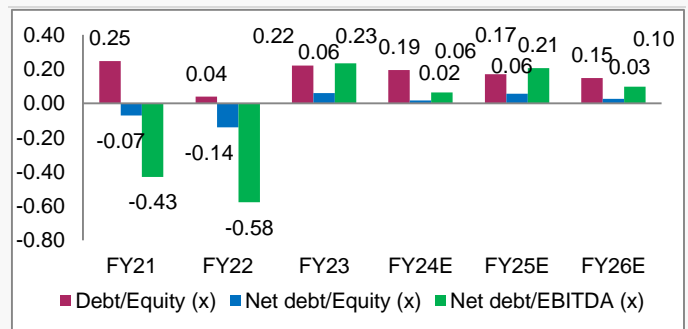


Exhibit 18: Leverage Ratio



Source: Company, Axis Securities

Outlook & Valuation

We initiate coverage on JKIL with a BUY recommendation and value its business at 13.5x FY26E EPS to arrive at a TP of Rs 800/share. This implies an upside of 25% from CMP. We expect the company to maintain a healthy book-to-bill ratio moving forward.

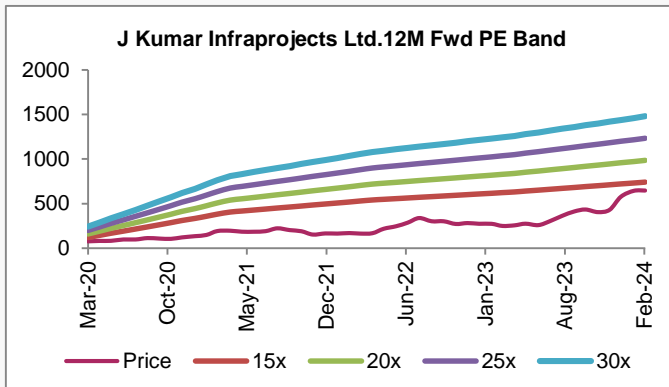
The company is among the very few companies to have entered the challenging domain of metro projects and achieved a position in the top 5 EPC players. With a commitment to deliver high-quality projects and innovative solutions, it has earned a strong reputation for its reliability, technical expertise, and timely execution. The company has a diverse portfolio of projects across different sectors, including roads, highways, bridges, metro railways, urban infrastructure, and tunnelling water supply, among others.

The company's outlook over FY24-26E continues to be robust considering the high order book with 2-3 years of revenue visibility, encouraging traction in Metro & Road projects, favourable industry tailwind, and the company's robust track record of high-quality and timely project execution. These factors will ensure higher revenue growth for the company going forward.

Leveraging these competitive advantages, we expect the company to report Revenue/EBITDA/APAT CAGR of 15%/18%/19% over FY24-FY26E. The stock is currently trading at 13x and 11x FY25E and FY26E EPS which we believe to be attractive. **Against this backdrop, we initiate coverage on JKIL with a BUY recommendation and value its business at 13.5x FY26E EPS to arrive at a Target Price of Rs 800/share. The TP implies an upside of 25% from the CMP.**

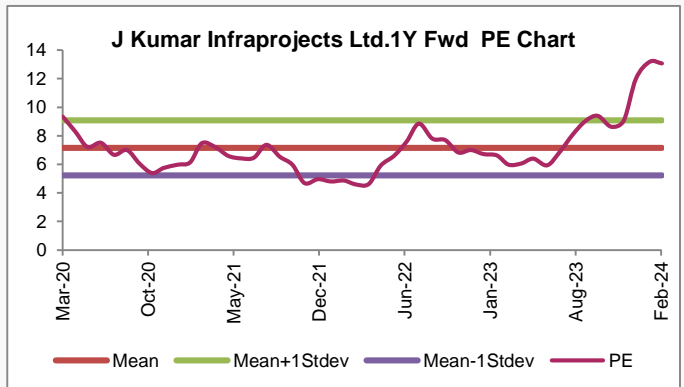
Robust order book, Strong track record, and Favorable industry tailwind to drive the company's overall growth, moving forward; We believe valuation at 11x FY26E EPS to be attractive

Exhibit 19: FWD PE BAND (x)



Source: Company, Axis Securities

Exhibit 20: FWD PE CHART (x)



Peer Comparison

Company	M/Cap (Cr)	Rating	TP (Rs)	EBITDA Margin (%)		EV/EBITDA (x)		P/B (x)		P/E (x)		ROE (%)		ROCE (%)	
				FY25E	FY26E	FY25E	FY26E	FY25E	FY26E	FY25E	FY26E	FY25E	FY26E	FY25E	FY26E
KNR Constructions	7710	BUY	310	18%	17.5%	9.8	9.2	2.1	1.9	16	15	14%	12.8%	20%	18%
PNC Infratech	11325	BUY	510	13.4%	13.3%	9.7	8.8	2.1	1.8	15	13	15%	15%	19%	19%
HG Infra Engineering	5915	BUY	1080	15.8%	15.9%	7.6	6.7	2.7	2.2	11	11	27%	21%	31%	29%
GR Infraprojects	12426	HOLD	1255	13.3%	13.8%	11.8	10.6	1.8	1.6	18	18	10%	10%	14%	14%
J Kumar Infraprojects	4850	BUY	800	15.1%	15.2%	6	5.2	1.6	1.4	13	11	13.4%	13.7%	21.4%	21.7%

Source: Company, Axis Securities

Management Profile

Key Management Personnel	Experience
<p>Mr. Jagdish Kumar M Gupta <i>Executive Chairman</i></p>	<p>A first-generation entrepreneur has spearheaded the company, leading it to undertake projects of diverse complexities and scales. With over 50 years of experience in the Infrastructure sector, his vision, passion, zeal, and indefatigable energy have played a pivotal role in shaping the company's growth trajectory.</p>
<p>Mr. Kamal J Gupta <i>Managing Director</i></p>	<p>Instrumental in the company's expansion into the Metro segment, he led the design and construction of the Underground (U/G) Metro line 3, encompassing 7 U/G stations. Holding a Bachelor's degree in Civil Engineering, he joined JKIL in 1996, accumulating 27 years of invaluable experience. He played a pivotal role in developing the Urban Flyovers vertical and overseeing the construction of various national highways and civil construction projects.</p>
<p>Dr. Nalin J Gupta <i>Managing Director</i></p>	<p>Dr. Nalin leads new initiatives by venturing into Metro Elevated and U/G Projects, GMLR. He is a Commerce Graduate & Member of the Indian Institution of Bridge Engineers and joined JKIL in 1995. He has over 28 years of extensive experience and has completed various projects like Metro, River Bridges, Flyovers, Cable-stayed Bridges, Segmental Bridges, and ROBs.</p>
<p>Mr Mayank Kumar Jain, <i>Head- Project Elevated Metro</i></p>	<p>Bringing vast experience to the table, he has successfully managed mega projects in specialized fields of Civil Construction, including Highways, Bridges, Subways, Metro Rail, and Water Treatment Plants. Proficient in National Build-Operate-Transfer (BOT) Tendering Procedures, he possesses expertise in specialized construction technologies such as Pre-cast Segmental Construction, Structural Design, Pre-stressed Structures, and the Erection of heavy pre-cast elements and structural steel works.</p>
<p>Mr Iftekhar Ahmad <i>Head- Projects- Elevated Road & Flyover</i></p>	<p>With over 35 years of experience in the construction field, he specializes in the construction of Highways, Elevated Roads, Flyovers, Buildings, and more. His expertise encompasses specialized construction technologies such as Pre-cast Segmental Construction, Structural Design, Pre-stressed Structures, and the Erection of heavy pre-cast elements and structural steel works.</p>

Source: Company, Axis Securities

Key Risks

- **Competition Risk:** There has been an increase in the number of operators in the niche segment that the company functions in. However, the company's competitive advantage is derived from an experienced workforce, strong track record, technical expertise, financial strength, brand equity and regular engagement with Clients and representatives.
- **Mitigation:** With a robust track record in the engineering and construction sector, the company aims to pursue larger projects, leveraging its proven capabilities in this domain. It recognizes the relatively lower competitive intensity for such projects and strategically targets endeavours that demand substantial financial capacity and a demonstrated history of successful execution.
- **Political Risks:** The company has operations in multiple locations in multiple states and is consequently subject to various geopolitical risks.
- **Mitigation:** Appropriate mitigation strategies are in place to address the same.
- **Operational Risks:** To align with project requirements, meticulous attention is given to the selection of sub-contractors, vendors, key technical and non-technical personnel, insurance coverage, financial partnerships, timely acquisition of Right of Way, as well as the procurement of designs and drawings. This approach ensures that all aspects crucial to project success are carefully managed and optimized.
- **Mitigation:** Identification of associated risks and initiation of mitigation measures are helping the company to address the operational risks.
- **Working Capital Risks:** Project delays, cost overruns and consequent delays in receipt of payments from the Clients lead to an increase in working capital requirement.
- **Mitigation:** There is a process of close monitoring and follow-up with the clients for timely approvals and payments for better working capital management.
- **Contract & Claims:** In the competitive landscape, to proactively manage potential litigations and claims, the Company implements a comprehensive documentation and follow-up mechanism. This ensures effective communication and resolution of any claims or disputes with clients, subcontractors, and vendors, thereby mitigating legal risks and preserving project integrity.
- **Mitigation:** To mitigate potential risks arising from differences and disputes with clients, subcontractors, and vendors, the company has implemented a robust risk management system. This system involves continuous identification, analysis, evaluation, and treatment of loss exposures, including breaches of contractual obligations. Additionally, the Company diligently monitors risk controls and allocates financial resources to effectively mitigate the adverse effects of potential losses.

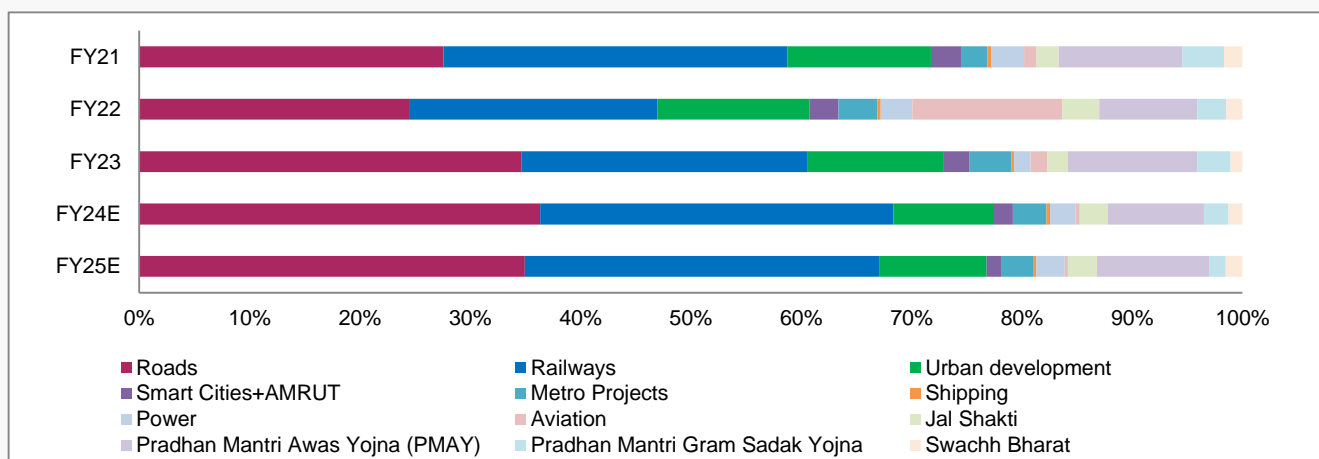
The company is exposed to different kind of risks. The management remains cautious and vigilant to mitigate these risks through its well-instituted risk mitigation strategies.

Industry Overview

- Infrastructure:** Infrastructure serves as the cornerstone of a nation's economic advancement and societal welfare. Its multifaceted benefits encompass economic growth, job creation, connectivity, social development, sustainability, disaster resilience, and rural empowerment. In recent years, there has been a significant increase in infrastructure spending and policy commitment, resulting in robust economic growth. This concerted effort aims to lay a strong foundation for private investment and sustained growth over the next decade. Furthermore, to bolster infrastructure development and investment, the government has established key initiatives such as the National Infrastructure Pipeline (NIP) in 2019 and the National Monetization Pipeline in 2021. These initiatives offer a wide array of opportunities for international investment and collaboration, further supporting the nation's infrastructure development and growth agenda.
- Railways:** India is undergoing rapid urbanization, necessitating improved urban mobility in the years to come. Additionally, railways play a critical role in freight transportation over long distances. Recognizing this, Indian Railways has devised a comprehensive National Rail Plan (NRP) for India-2030. The NRP aims to develop a "future-ready" railway infrastructure by 2030. It involves crafting policies based on operational capabilities and commercial initiatives to boost the Railways' share in goods transportation to 45%. A significant component of this plan is the construction of Eastern and Western dedicated freight corridors (DFCs), which traverse the Golden Quadrilateral. These corridors constitute one of the largest infrastructure projects in the railway sector, intending to enhance efficiency and capacity in freight transportation.
- Metro Railways:** Metro trains are revolutionizing urban transportation, offering a new identity to city landscapes. Before 2014, only five Indian cities boasted a metro rail network spanning 229 km. However, as of FY23, an impressive 860 km of operational metro rail lines now weave through 20 different cities. This remarkable expansion is evident in the monthly average of newly inaugurated metro lines, which has surged from a mere 0.68 km before 2014 to an impressive 5.6 km per month. Underscoring this commitment, a significant allocation of Rs 19,518 Cr has been earmarked for various metro projects across India in the Union Budget for the fiscal year 2023-24.
- Roadways:** According to CRISIL, the overall road Capex (comprising central, state, and rural sectors) is projected to grow at a CAGR of 5-10% over the period FY22-FY25. Additionally, CRISIL anticipates a steady increase in road tender awards, supported by consistent growth in awarding by the National Highways Authority of India (NHAI) and the Ministry of Road Transport and Highways (MoRTH). With road construction already progressing at an impressive pace, it is expected to surpass the milestone of 40 km/day in the foreseeable future.
- Healthy long-term outlook:** The government has implemented significant policy reforms aimed at bolstering foreign direct investment (FDI) inflows to stimulate investment and improve infrastructure across the country. These policy initiatives have yielded substantial results, with total FDI inflows of \$16.3 Bn in construction activities in infrastructure from FY01 to FY20. Looking ahead, the Indian government intends to invest approximately \$1.4 Tn in the country's infrastructure across various sectors of the construction industry. This ambitious investment plan is expected to create vast opportunities for both domestic and international stakeholders.

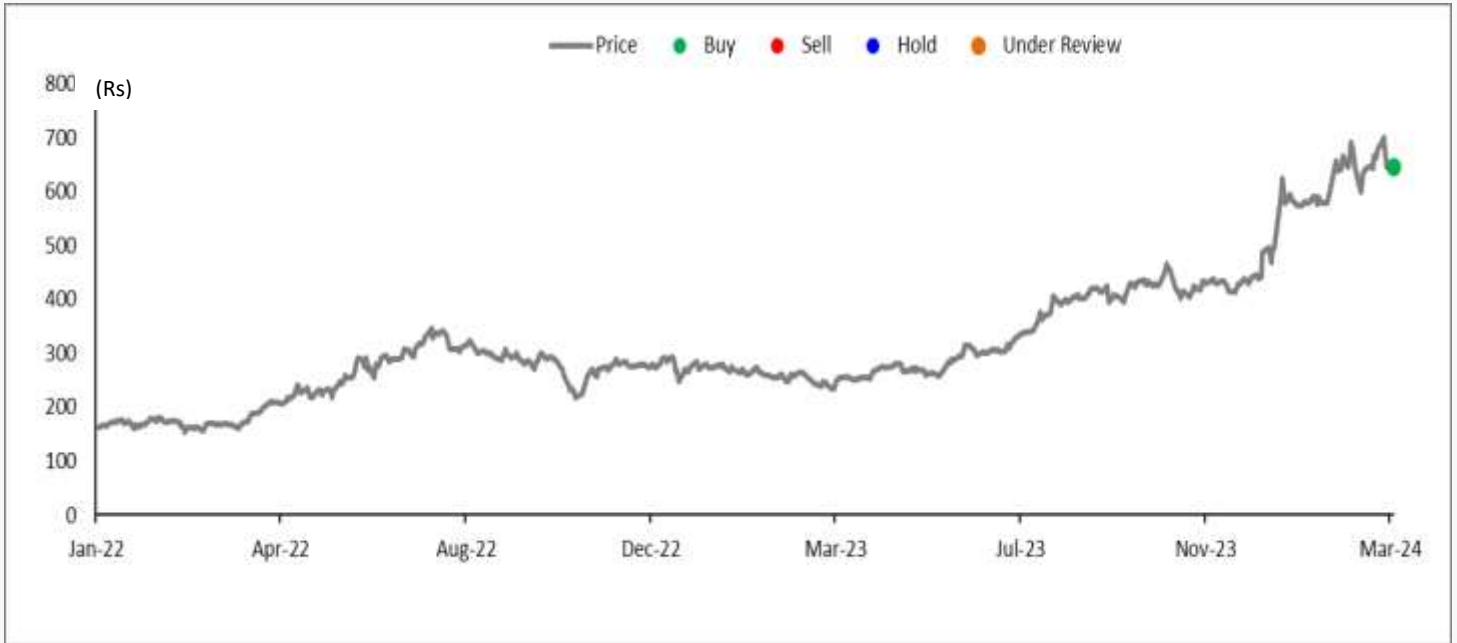
Overall outlook for construction industry is robust on account of high government spending. We expect industry to grow at a CAGR of 6% over FY20-FY25.

Exhibit 21: Union Budget Capital Allocation Sector-wise



Source: Industry, Axis Securities Ltd

J Kumar Infraprojects Price Chart and Recommendation History



Date	Reco	TP	Research
11-Mar-24	BUY	800	Initiating Coverage

Source: Axis Securities Ltd

Financials

Profit & Loss

(Rs Cr)

Y/E March	FY23	FY24E	FY25E	FY26E
Net sales	4,203	4,800	5,519	6,347
Other operating income	0	0	0	0
Total income	4,203	4,800	5,519	6,347
Cost of materials consumed	2,784	3,098	3,565	4,100
Civil construction cost	457	542	598	679
Changes in inventory	22.9%	24.2%	24.6%	24.7%
Changes in work in progress	365	465	519	603
Contribution (%)	597	695	836	965
Other Expenses	30	28	32	32
Operating Profit	627	723	868	997
Other income	155	174	216	245
PBIDT	99	128	144	159
Depreciation	374	421	508	593
Interest & Fin Chg.	99	106	127	148
Extraordinary Inc./ (Exp.)	274	315	381	445
Pre-tax profit	4,203	4,800	5,519	6,347
Tax provision	0	0	0	0
PAT	4,203	4,800	5,519	6,347

Source: company, Axis Securities

Balance Sheet

(Rs Cr)

Y/E March	FY23	FY24E	FY25E	FY26E
Total assets	4,356	4,787	5,264	5,824
Net Block	925	901	1085	1091
CWIP	107	107	107	107
Investments	1	1	1	1
Wkg. cap. (excl cash)	1128	1371	1697	2058
Cash / Bank balance	377	472	343	422
Other assets	1818	1935	2030	2145
Capital employed	4,356	4,787	5,264	5,824
Equity capital	38	38	38	38
Reserves	2302	2617	2998	3443
Minority Interests	0	0	0	0
Borrowings	516	516	516	516
Other Liabilities	1500	1616	1711	1826

Source: Company, Axis Securities

Cash Flow

(Rs Cr)

Y/E March	FY23	FY24E	FY25E	FY26E
Profit before tax	374	421	508	593
Depreciation	155	174	216	245
Interest Expenses	99	128	144	159
Non-operating/ EO item	-323	-243	-326	-361
Change in W/C	-30	-28	-32	-32
Income Tax	-92	-106	-127	-148
Operating Cash Flow	183	346	383	456
Capital Expenditure	-218	-150	-400	-250
Investments	32	28	32	32
Others	(186)	(122)	(368)	(218)
Investing Cash Flow	-96	-128	-144	-159
Borrowings	53	0	0	0
Interest Expenses	(43)	(128)	(144)	(159)
Others	(46)	96	(129)	79
Financing Cash Flow	111	65	161	32
Change in Cash	65	161	32	111
Opening Cash	374	421	508	593
Closing Cash	155	174	216	245

Source: Company, Axis Securities

Ratio Analysis

(%)

Y/E March	FY23	FY24E	FY25E	FY26E
Growth Indicator				
Sales Growth	19%	14%	15%	15%
EBITDA Growth	18%	16%	20%	15%
PAT Growth	33%	15%	21%	17%
Profitability Ratio				
EBITDA Margin	14.2%	14.5%	15.1%	15.2%
Adjusted Net Margin	6.5%	6.6%	6.9%	7.0%
Efficiency Ratio				
Capital Turnover	1.8	1.8	1.8	1.8
Total Asset Turnover	1.7	1.7	1.7	1.7
Fixed Asset Turnover	4.1	4.8	4.6	5.3
Debtor days	99	99	99	99
Inventory days	40	40	40	40
Creditor days	64	60	60	60
Cash Conversion Cycle (days)	75	79	79	79
Leverage Ratios				
Debt to equity	0.2	0.2	0.2	0.1
Net debt to equity	0.1	0.0	0.1	0.0
Interest coverage	6	5	6	6
Per Share Data				
Diluted EPS (Rs)	36	42	50	59
Book value per share (Rs)	309	351	401	460
DPS (Rs)	3.0	0.0	0.0	0.0
Return Ratios				
Return on equity	12%	13%	13%	14%
Return on capital employed	20%	20%	21%	22%
Valuation Ratio				
P/E	18	16	13	11
P/BV	2.2	1.9	1.7	1.5
EV/EBITDA	8.6	7.4	6.1	5.3

Source: Company, Axis Securities

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