

JMC Projects (India) Ltd.: Q3FY18 Result Update

Gaining momentum..

CMP INR: 570

Rating: BUY

Target Price INR: 705

Upside: 24%

JMC Projects (JMC) is a formidable constructor in South India with three decades of experience in civil construction underscored by well acknowledged expertise in building construction and structural works alongside a wide presence in government infrastructure projects. Post a long period of muted performance, JMC sprung back into the growth mode and reported industry leading growth in the recent three quarters. We believe, JMC will report 17% topline CAGR over FY17-20E and EBITDA margin to likely improve to 11% in FY20E from 10% now. With topline growth, margin improvement and limited investment in BOT projects, we believe RoCE to improve by 500 bps over FY17-20E to 15.5%. We maintain our 'BUY' rating with an SOTP based target price of INR 705.

Orderbook reported at INR 7,500 cr at highest ever level; Order-inflow continued to remain strong

JMC reported a total orderbook of INR 7,500 cr, a 7% growth YoY, but much higher sequentially, as the company had a high order inflow in Q3FY18. The total order inflow for the year stands at INR 2700 cr and current L1 at INR 1400 cr which is substantially above the initial management target of INR 3200 cr of order inflow. It has 62% of the orderbook is from the F&B-private sector and geographically, 93% is from India. We expect the company to have INR 4,000 cr of order inflow in FY18E.

Superior execution push the revenue growth high; EBITDA Margin to remain stable at 10%

JMC reported an industry leading standalone topline growth of 29% YoY to INR 707 cr in Q3FY18 as projects across all segments started showing traction. EBITDA margin came at 9.9%, 110 bps higher YoY mainly due growth and operating leverage. This is the third quarter of double-digit EBITDA margin for the company and we believe, it will continue to be in an upward trajectory in the medium-long term and likely to reach 11% by FY20E.

Limited BOT Investment with low capex requirement to increase RoCE

JMC's investment in subsidiaries has catapulted to INR 650 cr over the past four years. Investment in subsidiaries now constitutes 43% of the standalone capital employed of INR 1,500 cr, resulting in a low RoCE. However, management has guided for a limited equity requirement of INR ~15 cr in FY19E accounting to higher cash flow generation due to high traffic growth of ~10% and lower interest costs. Consequently pressure on the balance sheet will likely reduce. We expect standalone RoCE to improve to 15.5% in FY20E as incremental investment required to fund BOT assets will be funded through internal accruals.

Valuation: Maintain BUY with a TP of INR 705

We maintain our bullish outlook on the stock. At CMP of INR 570, the stock is trading at 14x of FY19E EPS. We maintain 'BUY' with a target price of INR 705/share.

Debashish Mazumdar

Research Analyst

debashish.mazumdar@edelweissfin.com

Bloomberg:	JMCP:IN
52-week range (INR):	688.00 / 215.30
Share in issue (cr):	3.4
M cap (INR cr):	1,993
Avg. Daily Vol. BSE/NSE :('000):	63
Promoter Holding (%)	67.19

Year to March (INR cr)	Q3FY18	Q3FY17	%Change	Q2FY18	%Chg. QoQ	FY17	FY18E	FY19E
Net Revenue	707	548	29%	659	7.0%	2328	2823	3280
EBITDA	70	48	45%	66	7.0%	211	282	336
EBITDA Margin	9.9%	8.8%	-	10.0%	-	9.1%	10.0%	10.3%
PAT		18	30%	26.2		59	92	124
PAT Margin		3.40%	3.40%	-	4.0%		3.0%	3.0%
Diluted EPS (INR)							17.7	27.4
Diluted PE (x)							31.2	20.2
EV/EBITDA						13.9	10.7	9
ROE(%)						9.0%	12.0%	14.0%

Date: 9th February 2018

Q3FY18 Result Highlights

	Q3FY18	Q3FY17	%Change	Q2FY18	%Change	FY17	FY18E	FY19E
Net Revenues	707	548	29%	659	7%	2,328.4	2,822.6	3,280.5
Direct Expenses	274	204	34%	284	-4%	1,736.5	2,032.3	2,353.7
Gross Profit	433	344	26%	375	15%	591.9	790.3	926.7
Operating Expenses	362	296		310	17%	2,117.3	2,540.3	2,944.2
EBITDA	71	48	48%	65	9%	211.1	282.3	336.2
Depreciation	17	14	21%	17	0%	57.3	68.9	75.1
Interest	22	21	5%	22	0%	84.3	87.1	87.1
Other Income	9	3		8	-	14.3	15.1	16.2
PBT	41	16	156%	34	21%	83.9	141.3	190.2
Tax Payment	10	3		8	-	24.4	49.5	66.6
PAT Before Minority & Associate Share	31	13	138%	26	19%	59.5	91.8	123.6
Share of Associates	0	0	-	0		0.0	0.0	0.0
Reported PAT	31	13	138%	26	19%	59.5	91.8	123.6
Equity Capital						33.6	33.6	33.6
No of Shares						3.36	3.36	3.36

Financials

Income statement (INR cr)					
Year to March	FY15	FY16	FY17	FY18E	FY19E
Income from operations	2,400	2,401	2,328	2,823	3,280
Direct costs	1,831	1,845	1,737	2,032	2,354
Employee costs	200	226	236	282	328
Other expenses	197	116	145	226	262
Total operating expenses	2,228	2,187	2,117	2,540	2,944
EBITDA	172	214	211	282	336
Depreciation and amortisation	49	52	57	69	75
EBIT	123	162	154	213	261
Interest expenses	93	105	84	87	87
Other income	13	8	14	15	16
Profit before tax	44	65	84	141	190
Provision for tax	14	22	24	49	67
Core profit	30	43	59	92	124
Extraordinary items	1	0	0	0	0
Profit after tax	31	43	59	92	124
Minority Interest	0	0	0	0	0
Share from associates	0	0	0	0	0
Adjusted net profit	31	43	59	92	124
Equity shares outstanding (Crore)	2.6	3.4	3.4	3.4	3.4
EPS (INR) basic	11.8	12.9	17.7	27.4	36.8
Diluted shares (mn)	2.6	3.4	3.4	3.4	3.4
EPS (INR) fully diluted	11.8	12.9	17.7	27.4	36.5
Dividend per share	1.0	0.9	1.2	0.0	0.0
Dividend payout (%)	0.1	0.1	0.1	0.0	0.0

Common size metrics- as % of net revenues

Year to March	FY15	FY16	FY17	FY18E	FY19E
Operating expenses	92.8	91.1	90.9	90.0	89.8
Depreciation	2.0	2.1	2.5	2.4	2.3
Interest expenditure	3.9	4.4	3.6	3.1	2.7
EBITDA margins	7.2	8.9	9.1	10.0	10.3
Net profit margins	1.3	1.8	2.6	3.3	3.8

Growth metrics (%)

Year to March	FY15	FY16	FY17	FY18E	FY19E
Revenues	(9.6)	0.0	(3.0)	21.2	16.2
EBITDA	26.6	24.3	(1.1)	33.7	19.1
PBT	44.5	49.3	28.8	68.5	34.6
Net profit after MI	34.2	41.0	36.8	54.5	34.6
EPS	34.2	9.7	36.8	54.5	33.5

Profit & Efficiency Ratios

Year to March	FY15	FY16	FY17	FY18E	FY19E
ROAE (%)	6%	7%	9%	12%	14%
ROACE (%)	8%	10%	9%	11%	12%
Debtors (days)	89	109	109	100	100
Current ratio	1.4	1.5	1.4	1.3	1.4
Debt/Equity	1.4	1.0	0.8	0.9	0.8
Inventory (days)	82	92	107	100	95
Payable (days)	89	103	117	108	105
Cash conversion cycle (days)	81	98	99	92	90
Working Capital (days)	31	47	63	57	60
Debt/EBITDA	4	3	3	3	2
Adjusted debt/Equity	1.3	0.9	0.8	0.9	0.7

Valuation parameters

Year to March	FY15	FY16	FY17	FY18E	FY19E
Diluted EPS (INR)	11.8	12.9	17.7	20.1	26.1
Y-o-Y growth (%)	34.2	9.5	36.8	13.8	29.5
CEPS (INR)	29.8	28.3	34.8	47.9	59.2
Diluted P/E (x)	59.8	39.8	29.1	18.8	14.0
Price/BV (x)	3.9	2.7	2.5	2.2	1.9
EV/Sales (x)	1.1	1.1	1.2	1.0	0.9
EV/EBITDA (x)	15.7	12.6	13.3	10.2	8.6
Diluted shares O/S	2.6	3.4	3.4	3.4	3.4
Basic EPS	11.8	12.9	17.7	20.1	26.1
Basic PE (x)	59.8	39.8	29.1	18.8	14.0
Dividend yield (%)	9.0%	7.2%	7.9%	0.0%	0.0%

Balance sheet (INR cr)					
As on 31st March	FY15	FY16	FY17	FY18E	FY19E
Equity share capital	26	34	34	34	34
Warrants	0	0	0	0	0
Reserves & surplus	422	604	656	748	872
Shareholders funds	449	638	690	782	905
Secured loans	647	618	570	670	670
Unsecured loans	0	0	0	0	0
Borrowings	647	618	570	670	670
Minority interest	0	0	0	0	0
Sources of funds	1,480	1,623	1,776	1,968	2,092
Gross block	391	391	447	551	601
Depreciation	75	44	85	154	229
Net block	316	347	362	397	372
Capital work in progress	0	0	0	0	0
Total fixed assets	316	347	363	398	373
Goodwill	0	0	0	0	0
Non Current Assets	262	280	283	288	293
Inventories	538	605	680	773	854
Sundry debtors	583	715	693	773	899
Cash and equivalents	60	35	26	35	42
Loans and advances	542	553	648	718	768
Other current assets	141	171	132	142	152
Total current assets	1,864	2,078	2,179	2,442	2,715
Sundry creditors and others	960	1,080	1,036	1,160	1,289
Provisions	2	2	13	0	0
Total CL & provisions	962	1,082	1,049	1,160	1,289
Net current assets	902	996	1,130	1,282	1,426
Net Deferred tax	0	0	0	0	0
Misc expenditure	0	0	0	0	0
Uses of funds	1,480	1,623	1,776	1,968	2,092
Book value per share (INR)	172	190	205	233	270

Operating cash Flow

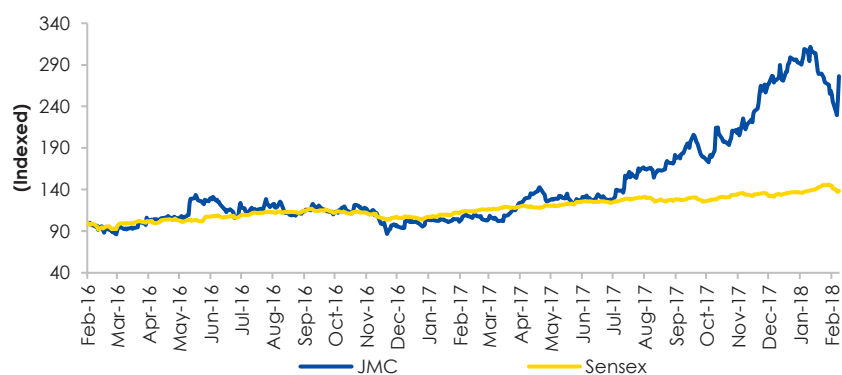
Year to March	FY15	FY16	FY17	FY18E	FY19E
EBIT	123	162	154	213	261
Depreciation	49	52	57	69	75
Tax	14	22	24	49	67
Chg in WC	496	93	135	152	144
CFO	(338)	98	52	81	126

Vinay Khattar

Head Research

vinay.khattar@edelweissfin.com

Rating	Expected to
Buy	appreciate more than 15% over a 12-month period
Hold	appreciate between 5-15% over a 12-month period
Reduce	Return below 5% over a 12-month period



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