

Progress on...



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Pick of the Week

our well-researched stocks, so you make sound trading investments.

- In an ever-changing business environment, some of our investment ideas seem more convincing than others due to better earning visibility and/or attractive valuation. Every Monday, we bring you such fundamental stock ideas through our “Pick of the Week” report.
 - **Investment Horizon:** Though the ideal investment horizon for such ideas remain 6-9 months, our picks may provide some profit-making opportunities even to short-term investors.
 - **Risk-Return Profile:** Pick of the week ideas are the best high return research ideas at this point in time.

Scrip	Mcap (Rs Cr)	CMP	Target Price *	Potential Upside (%)	Reco
Dilip Buildcon Ltd	3,225	236	260	10.0%	Buy
J Kumar Infraprojects Ltd	1,754	232	255	10.0%	Buy

* Note: Investment horizon Approx. 6 months., CMP as on 20th Jan 2017.

CMP	Target
236	260

MARKET DATA

No. of Shares	: 13.7 Cr
Market Cap	: Rs 3,225 Cr
52-week High / Low	: Rs 262 / 179
BSE Code	: 540047
NSE Code	: DBL

Investment Rationale

- ❑ **Road sector turnaround and excellent execution track record of Dilip Buildcon:** Govt target 25K km road awards in FY17 (10K km in FY16). Total Road construction opportunity (EPC+ BOT) = ~USD 45 bn over next 5 years driven by several new Govt programs. Dilip Buildcon is likely to be key beneficiary of turnaround in road sector due to its proven execution track record (70% of projects completed ahead of the scheduled).
- ❑ **Large equipment bank and minimal sub-contracting ensures superior margin:** Large, modern equipment bank worth ~Rs 19 bn and minimal sub-contracting ensure better control over execution and timely EPC services. DBL enjoys superior EBITDA margin of ~20%, this is much higher than industry avg.
- ❑ **Working capital improvement is the single-biggest rerating trigger:** Net Working Capital (NWC) increased to 182 days in FY15 from 37 days in FY11 due to stalled projects from the private sector. Collections are expected to improve going forward with DBL shifting its business model from private to govt projects. Receivables days in govt projects (30-50 days) is significantly lower than private (300-400 days), which should help lower NWC
- ❑ We maintain a **BUY** with a target of Rs 260.

Financial Summary

Y/E Mar	Sales (Rs Cr)	EPS (Rs)	RoE (%)	RoCE (%)
FY16	4,018	18.8	22.3	18.5
FY17E	4,992	20.2	19.0	19.1
FY18E	6,208	28.1	19.3	20.5

Source: Axis Securities, Bloomberg, Capitaline

CMP	Target
232	255

MARKET DATA

No. of Shares	: 7.6 Cr
Market Cap	: Rs 1,754 Cr
52-week High / Low	: Rs 262 / 179
BSE Code	: 532940
NSE Code	: JKIL

Investment Rationale

- ❑ **Strong Order Book provides healthy revenue visibility:** J Kumar being pure EPC player is likely to benefit from NHAI's shift from BOT to EPC. The order book of the company is ~ Rs.10000 cr which gives revenue visibility for over 7 years (highest in the construction industry).
- ❑ **Equipment ownership & limited Sub-contracting results in superior margin:** J Kumar owns various equipment which take care of the timely execution of the projects and also save on the rent cost. In addition J Kumar executes significant part of projects on its own and has very limited sub-contracting (just 5-6% of the total revenue which is lowest in industry). Hence these measures results in better EBITDA margin of 17-18% as against industry avg. of 10-12%.
- ❑ **Strong Balance Sheet:** J Kumar is one of the few companies with the focus on core construction business and not having any single BOT project in its portfolio. JKIL has a strong balance sheet with D:E of just 0.3x and return ratio of 12% (FY16).
- ❑ We maintain a **BUY** with a target of **Rs 255**.

Financial Summary (Standalone)

Y/E Mar	Sales (Rs cr)	EPS (Rs)	RoE (%)	RoCE (%)
FY16	1,409	13.6	11.6	11.8
FY17E	1,678	16.8	12.7	11.8
FY18E	1,832	19.7	13.2	12.5

Source: Axis Securities, Bloomberg, Capitaline

No of Stocks Matrix

No of Stocks	< 9m	>9m
Met Target	62	-
Not Met Target	10	4

% Return

Met Target	15.70%	
Not Met Target	(14.71%)	(28.39%)

% Return

Met Target	2.75%	-
Not Met Target	7.71%	(14.43%)

Note : performance of the pick of the week is calculated for stocks recommended Jan-16 To Sep-16

Thank You!

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DEFINITION OF RATINGS	
Ratings	Expected absolute returns over 12 months
BUY	More than 10%
HOLD	Between 10% and -10%
SELL	Less than -10%

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