

# KNR Constructions

Estimate change

TP change

Rating change



Bloomberg	KNRC IN
Equity Shares (m)	281
M.Cap.(INRb)/(USDb)	68.2 / 0.8
52-Week Range (INR)	281 / 203
1, 6, 12 Rel. Per (%)	-2/-13/-16
12M Avg Val (INR M)	88

## Financials & Valuations (INR b)

Y/E Mar	2023	2024E	2025E
Sales	37.4	40.8	46.4
EBITDA	7.2	7.6	8.4
PAT	4.1	4.4	4.9
EBITDA (%)	19.3	18.5	18.0
EPS (INR)	14.7	15.5	17.3
EPS Gr. (%)	15.1	5.1	11.3
BV/Sh. (INR)	97.2	112.2	129.0

## Ratios

Net D/E	-0.1	-0.1	0.0
RoE (%)	16.7	14.8	14.3
RoCE (%)	17.2	15.8	15.3
Payout (%)	1.4	3.2	2.9

## Valuations

P/E (x)	16.5	15.7	14.1
P/BV (x)	2.5	2.2	1.9
EV/EBITDA (x)	9.2	8.7	8.0
Div Yield (%)	0.1	0.2	0.2
FCF Yield (%)	-0.6	4.5	2.2

## Shareholding pattern (%)

As On	Jun-23	Mar-23	Jun-22
Promoter	51.1	51.1	51.6
DII	33.7	34.4	33.3
FII	6.0	5.9	5.7
Others	9.3	8.6	9.4

FII Includes depository receipts

CMP: INR242

TP: INR290 (+20%)

Buy

## In-line performance

### Focus on new order inflows

- Revenue grew 4.4% YoY to ~INR9.3b (in line) in 1QFY24. The performance was primarily driven by the progress made in Road HAM projects, while there was minimal execution in the irrigation segment. EBITDA grew 5% YoY to INR1.7b (in line); EBITDA margin stood flat YoY at 18.6% (est. 18.5%). APAT increased 5% YoY to INR1.1b (in line).
- KNRC has not secured any new orders in 1QFY24 and the current order book stands at ~INR80b. The order pipeline is decent at INR450b, with KNRC expecting INR40-50b in new project wins in FY24. KNRC is exploring opportunities in various states for bid project bidding and is also considering selective expansion into other infrastructure verticals. Although the execution of irrigation projects has been subpar, KNRC anticipates a potential improvement in project execution over the upcoming months.
- The robust tender pipeline in the Road sector is expected to generate order inflows worth INR40-50b in FY24, which should support growth in FY25 and beyond. With the existing order book of INR80b, we expect an 11% CAGR in revenue over FY23-25. EBITDA margin is expected to be around 18-19%. We cut our EPS estimates by 7%/5% for FY24/FY25 to factor in lower margin outlook, due to slower execution of high margin irrigation projects. We reiterate our BUY rating with a revised TP of INR290 (SoTP-based valuation).**

### Key takeaways from the management commentary

- Following the seasonal trend, the bidding activity has been muted so far. In FY24, KNR expects an order inflow of INR40b-50b. It is actively exploring various opportunities in other infra segments and is also considering bidding in other regions.
- Irrigation receivables stood at INR6.9b at the end of June 2023.
- KNRC has an overall equity requirement of INR7.3b for its HAM projects. To date, INR4b has already been invested, leaving INR1.5b earmarked for the remainder of FY24, INR1.6b allocated for FY25, and the remaining funds scheduled for FY26.
- Despite encountering disruptions caused by heavy rains over the past couple of months, KNRC remains confident in achieving a revenue surpassing INR40b in FY24.

### Valuation and view

- KNRC has seen muted order inflows in 1QFY24 and order inflows remain the key focus area. The order pipeline is strong, and its focus on diversification to other segments should help the company increase its order inflows. Irrigation receivables are stabilizing and KNRC is confident of completing the pending irrigation order book.
- We have reduced our margin estimates due to the anticipation of slower-than-expected execution in the irrigation segment. We expect KNRC to report revenue/EBITDA/PAT CAGR of 11%/8%/8% over FY23-25, along with 18-19% margins. We reiterate our BUY rating with a revised SoTP-based TP of INR290.

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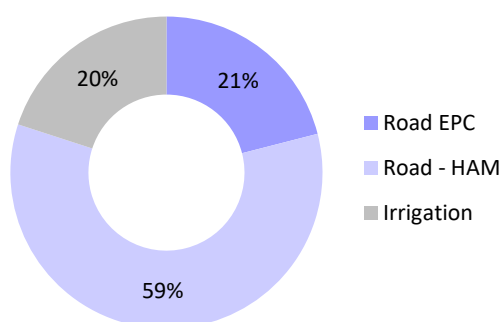
## Quarterly performance -Standalone

(INR m)

Y/E March	FY23				FY24E				FY23	FY24E	MOSL	Var (%)
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE			1QE	
<b>Net Sales</b>	<b>8,906</b>	<b>8,474</b>	<b>8,302</b>	<b>11,756</b>	<b>9,296</b>	<b>8,979</b>	<b>10,203</b>	<b>12,334</b>	<b>37,438</b>	<b>40,812</b>	<b>9,795</b>	<b>-5</b>
YoY Change (%)	20.4	12.2	8.3	16.3	4.4	6.0	22.9	4.9	14.4	9.0	10.0	
<b>EBITDA</b>	<b>1,650</b>	<b>1,888</b>	<b>1,560</b>	<b>2,119</b>	<b>1,733</b>	<b>1,616</b>	<b>1,867</b>	<b>2,334</b>	<b>7,218</b>	<b>7,550</b>	<b>1,819</b>	<b>-5</b>
Margins (%)	18.5	22.3	18.8	18.0	18.6	18.0	18.3	18.9	19.3	18.5	18.6	
Depreciation	327	366	381	401	283	400	440	478	1,474	1,601	400	
Interest	69	84	160	80	50	105	100	153	393	409	102	
Other Income	91	76	59	96	71	70	70	75	321	286	92	
<b>PBT before EO expense</b>	<b>1,345</b>	<b>1,514</b>	<b>1,079</b>	<b>1,735</b>	<b>1,470</b>	<b>1,181</b>	<b>1,397</b>	<b>1,778</b>	<b>5,671</b>	<b>5,826</b>	<b>1,408</b>	
Extra-Ord expense	0	0	1,380	0	0	0	0	0	1,380	0	0	
<b>PBT (pre-exceptional)</b>	<b>1,345</b>	<b>1,514</b>	<b>1,079</b>	<b>1,735</b>	<b>1,470</b>	<b>1,181</b>	<b>1,397</b>	<b>1,778</b>	<b>5,672</b>	<b>5,826</b>	<b>1,408</b>	<b>4</b>
Tax	336	438	840	449	367	298	353	449	2,062	1,466	355	
Rate (%)	25.0	28.9	77.9	25.9	25.0	25.2	25.2	25.2	36.4	25.2	25.2	
<b>Reported PAT</b>	<b>1,008</b>	<b>1,076</b>	<b>1,619</b>	<b>1,286</b>	<b>1,103</b>	<b>883</b>	<b>1,044</b>	<b>1,330</b>	<b>4,989</b>	<b>4,360</b>	<b>1,053</b>	
<b>Adj PAT</b>	<b>1,008</b>	<b>1,076</b>	<b>777</b>	<b>1,286</b>	<b>1,103</b>	<b>883</b>	<b>1,044</b>	<b>1,330</b>	<b>4,148</b>	<b>4,360</b>	<b>1,053</b>	<b>5</b>
YoY Change (%)	38.1	13.0	-2.1	14.0	9.4	-18.0	34.5	3.4	15.1	5.1	4.5	
Margins (%)	11.3	12.7	9.4	10.9	11.9	9.8	10.2	10.8	11.1	10.7	10.8	

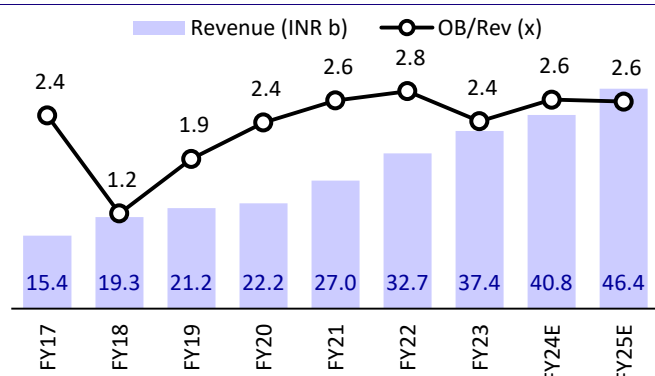
E: MOFSL Estimates

Exhibit 1: OB breakup (1QFY24: INR80b)



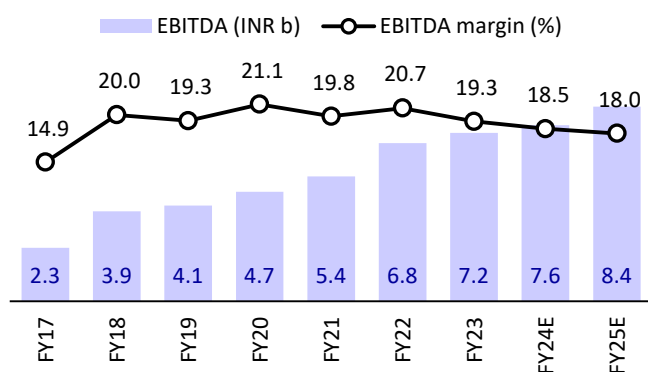
Source: MOFSL, Company

Exhibit 2: With current OB revenue likely to clock ~11% CAGR over FY23–25E



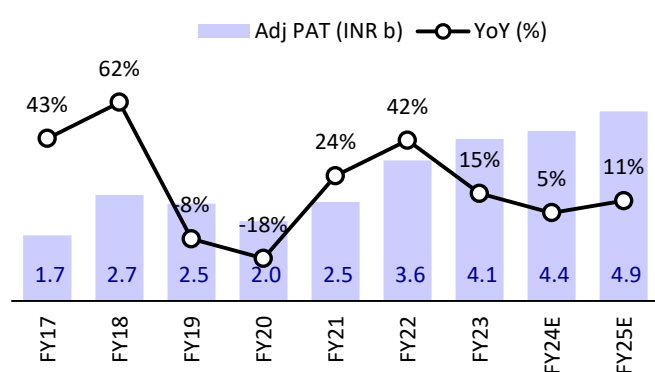
Source: MOFSL, Company

Exhibit 3: EBITDA and EBITDA margin trends



Source: MOFSL, Company

Exhibit 4: Adjusted PAT to see 8% CAGR over FY23–25E



Source: MOFSL, Company

## Highlights from the management commentary

### Overview

- Order inflows in 1QFY24 have followed the seasonal trend of being subdued at this time of the year. Nevertheless, the company is currently identifying promising opportunities in sectors such as railways, metros, and irrigation.
- The order book stood at INR80b as of 1QFY24-end.
- KNRC is targeting INR50b of order inflows in FY24. The tender pipeline across sectors currently stands at INR450b, out of which, INR250b is from NHAI Road projects. KNRC is expecting most projects from the Road HAM segment.
- During the quarter, execution was primarily driven by HAM projects.

### Irrigation projects

- Revenues from Irrigation projects have been negligible in 1QFY24, but are expected to pick up from 2QFY24 onwards. The Irrigation order book stands at INR15b.
- The pending receivables in Irrigation stands at INR6.9b.

### Guidance

- KNRC expects revenue of over INR40b in FY24 with margins in the range of 18-19% in FY24. The margins could be lower if the execution of high margin irrigation is slower than expected.
- KNRC has an overall equity requirement of INR7.3b for its HAM projects. To date, INR4b has already been invested, leaving INR1.5b earmarked for the remainder of FY24, INR1.6b allocated for FY25, and the remaining funds scheduled for FY26.
- It will spend ~INR1.5b in capex in FY24. The capex for FY25 would be based on orders received ahead.
- In terms of diversification. KNRC is looking at bidding in other states. It is also looking at bidding for tunneling projects and would also be examining metro projects.

### Other details

- The standalone cash on books stood at INR0.85b with no debt.
- At consolidated levels, debt stood at INR5.8b with a cash balance of INR1b.

## Exhibit 5: Changes in earnings estimates

Earnings Change INR m	Old		New		Change (%)	
	FY24E	FY25E	FY24E	FY25E	FY24E	FY25E
Revenue	40,812	46,401	40,812	46,401	0.0	0.0
EBITDA	7,877	8,723	7,550	8,352	-4.1	-4.3
EBITDA margin	19.3%	18.8%	18.5%	18.0%	-0.8	-0.8
Adj. PAT	4,665	5,131	4,360	4,853	-6.5	-5.4

Source: Company, MOFSL

**Valuation and view**

- KNRC has seen muted order inflows in 1QFY24 and order inflows remains the key focus area for the company. The order pipeline is strong, and its focus on diversification to other infra segments should help it increase order inflows. Irrigation receivables are stabilizing and KNRC is confident of completing the pending irrigation order book.
- **We have reduced our margin estimates due to the anticipation of slower-than-expected execution in the irrigation segment. We expect KNRC to report revenue/EBITDA/PAT CAGR of 11%/8%/8% over FY23-25 along with 18-19% margins. We reiterate BUY with a revised SoTP-based TP of INR290.**

**Exhibit 6: SoTP Target Price stands at INR290/share**

Particulars	INR m	Per share (INR)
<b>Valuation</b>		
March'25E PAT – 15x P/E	72,793	264
BOT Portfolio valuation	7,395	26
<b>Total</b>	<b>91,116</b>	<b>290</b>

Source: MOFSL, Company

## Financials and valuations

### Standalone Income Statement

	(INR m)					
Y/E March	FY20	FY21	FY22	FY23	FY24E	FY25E
<b>Total Income from Operations</b>	<b>22,212</b>	<b>27,026</b>	<b>32,726</b>	<b>37,438</b>	<b>40,812</b>	<b>46,401</b>
Change (%)	4.8	21.7	21.1	14.4	9.0	13.7
<b>EBITDA</b>	<b>4,691</b>	<b>5,358</b>	<b>6,777</b>	<b>7,217</b>	<b>7,550</b>	<b>8,352</b>
Margin (%)	21.1	19.8	20.7	19.3	18.5	18.0
Depreciation	1,918	1,444	1,346	1,474	1,601	1,774
<b>EBIT</b>	<b>2,772</b>	<b>3,915</b>	<b>5,431</b>	<b>5,743</b>	<b>5,949</b>	<b>6,579</b>
Int. and Finance Charges	474	487	274	393	409	465
Other Income	346	496	417	321	286	371
<b>PBT bef. EO Exp.</b>	<b>2,644</b>	<b>3,924</b>	<b>5,574</b>	<b>5,671</b>	<b>5,826</b>	<b>6,485</b>
EO Items	213	-90	214	1,380	0	0
<b>PBT after EO Exp.</b>	<b>2,857</b>	<b>3,834</b>	<b>5,788</b>	<b>7,051</b>	<b>5,826</b>	<b>6,485</b>
Total Tax	605	1,392	1,970	2,062	1,466	1,632
Tax Rate (%)	21.2	36.3	34.0	29.3	25.2	25.2
<b>Reported PAT</b>	<b>2,252</b>	<b>2,442</b>	<b>3,818</b>	<b>4,988</b>	<b>4,360</b>	<b>4,853</b>
<b>Adjusted PAT</b>	<b>2,039</b>	<b>2,532</b>	<b>3,604</b>	<b>4,148</b>	<b>4,360</b>	<b>4,853</b>
Change (%)	-18.3	24.1	42.4	15.1	5.1	11.3
Margin (%)	9.2	9.4	11.0	11.1	10.7	10.5

### Standalone Balance Sheet

	(INR m)					
Y/E March	FY20	FY21	FY22	FY23	FY24E	FY25E
Equity Share Capital	281	562	562	562	562	562
Total Reserves	15,958	18,116	21,857	26,780	30,999	35,712
<b>Net Worth</b>	<b>16,239</b>	<b>18,678</b>	<b>22,420</b>	<b>27,343</b>	<b>31,562</b>	<b>36,274</b>
Total Loans	2,300	7	0	3	3	3
Deferred Tax Liabilities	-1,610	-1,486	-1,183	-1,229	-1,229	-1,229
<b>Capital Employed</b>	<b>16,929</b>	<b>17,199</b>	<b>21,237</b>	<b>26,116</b>	<b>30,335</b>	<b>35,047</b>
Gross Block	12,671	13,518	15,471	16,955	18,255	20,755
Less: Accum. Deprn.	8,233	9,482	10,668	12,142	13,743	15,517
<b>Net Fixed Assets</b>	<b>4,438</b>	<b>4,036</b>	<b>4,803</b>	<b>4,813</b>	<b>4,512</b>	<b>5,238</b>
Capital WIP	102	24	206	25	25	25
<b>Total Investments</b>	<b>7,149</b>	<b>4,898</b>	<b>4,828</b>	<b>5,244</b>	<b>7,244</b>	<b>9,244</b>
<b>Current Assets</b>	<b>13,880</b>	<b>18,764</b>	<b>22,275</b>	<b>25,685</b>	<b>29,075</b>	<b>32,502</b>
Inventory	1,232	1,480	2,270	2,341	2,552	2,901
Account Receivables	4,761	8,632	8,494	9,834	11,427	13,920
Cash and Bank Balance	330	1,173	1,733	1,998	2,547	1,413
Other current assets	7,557	7,478	9,778	11,512	12,549	14,268
<b>Current Liability</b>	<b>8,639</b>	<b>10,522</b>	<b>10,875</b>	<b>9,651</b>	<b>10,521</b>	<b>11,961</b>
Account Payables	2,511	2,397	2,945	3,760	4,099	4,661
Other current liabilities	5,896	7,780	7,590	5,630	6,137	6,977
Provisions	232	345	339	261	284	323
<b>Net Current Assets</b>	<b>5,241</b>	<b>8,241</b>	<b>11,400</b>	<b>16,034</b>	<b>18,555</b>	<b>20,540</b>
<b>Appl. of Funds</b>	<b>16,929</b>	<b>17,199</b>	<b>21,237</b>	<b>26,116</b>	<b>30,335</b>	<b>35,047</b>

## Financials and valuations

### Ratios

Y/E March	FY20	FY21	FY22	FY23	FY24E	FY25E
<b>Basic (INR)</b>						
<b>EPS</b>	7.3	9.0	12.8	14.7	15.5	17.3
Cash EPS	14.1	14.1	17.6	20.0	21.2	23.6
BV/Share	57.7	66.4	79.7	97.2	112.2	129.0
DPS	0.5	0.0	0.2	0.2	0.4	0.4
Payout (%)	6.8	0.0	1.8	1.4	3.2	2.9
<b>Valuation (x)</b>						
P/E	33.5	27.0	19.0	16.5	15.7	14.1
P/BV	4.2	3.7	3.0	2.5	2.2	1.9
EV/EBITDA	15.0	12.5	9.8	9.2	8.7	8.0
Dividend Yield (%)	0.2	0.0	0.1	0.1	0.2	0.2
FCF per share	6.8	7.3	1.8	-1.4	11.0	5.2
<b>Return Ratios (%)</b>						
RoE	13.4	14.5	17.5	16.7	14.8	14.3
RoCE	13.9	15.1	18.8	17.2	15.8	15.3
RoIC	24.5	24.4	28.0	24.4	22.6	21.9
<b>Working Capital Ratios</b>						
Fixed Asset Turnover (x)	1.8	2.0	2.1	2.2	2.2	2.2
Asset Turnover (x)	1.3	1.6	1.5	1.4	1.3	1.3
Inventory (Days)	20	20	25	23	23	23
Debtor (Days)	78	117	95	96	102	110
Creditor (Days)	41	32	33	37	37	37
<b>Leverage Ratio (x)</b>						
Current Ratio	1.6	1.8	2.0	2.7	2.8	2.7
Interest Coverage Ratio	5.8	8.0	19.8	14.6	14.6	14.2
Net Debt/Equity	0.1	-0.1	-0.1	-0.1	-0.1	0.0

### Standalone Cash Flow Statement

(INR m)

Y/E March	FY20	FY21	FY22	FY23	FY24E	FY25E
<b>OP/(Loss) before Tax</b>	2,937	3,811	5,788	7,051	5,826	6,485
Depreciation	1,923	1,444	1,346	1,474	1,601	1,774
Interest and Finance Charges	473	427	271	363	409	465
Direct Taxes Paid	-844	-787	-1,826	-2,117	-1,466	-1,632
(Inc.)/Dec. in WC	-310	-2,004	-1,660	-5,235	-1,971	-3,120
<b>CF from Operations</b>	4,180	2,891	3,919	1,536	4,398	3,971
Others	-239	89	-487	-1,407	0	0
<b>CF from Operating incl. EO</b>	3,941	2,980	3,432	129	4,398	3,971
(Inc.)/Dec. in FA	-2,036	-939	-2,939	-516	-1,300	-2,500
<b>Free Cash Flow</b>	1,905	2,041	493	-387	3,098	1,471
(Pur.)/Sale of Investments	-1,098	1,424	296	980	-2,000	-2,000
Others	291	127	161	143	0	0
<b>CF from Investments</b>	-2,843	612	-2,483	607	-3,300	-4,500
Inc./(Dec.) in Debt	-511	-2,290	-7	3	0	0
Interest Paid	-401	-459	-312	-402	-409	-465
Dividend Paid	-153	0	-70	-70	-141	-141
Others	168	0	0	0	0	0
<b>CF from Fin. Activity</b>	-897	-2,749	-390	-470	-549	-605
<b>Inc./Dec. in Cash</b>	200	843	560	265	549	-1,134
Opening Balance	130	331	1,173	1,733	1,998	2,547
<b>Closing Balance</b>	331	1,173	1,733	1,998	2,547	1,413

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UNDER REVIEW	Rating may undergo a change
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