

## KNR Constructions

Estimate change	
TP change	
Rating change	

Bloomberg	KNRC IN
Equity Shares (m)	281
M.Cap.(INRb)/(USDb)	56.8 / 0.6
52-Week Range (INR)	368 / 189
1, 6, 12 Rel. Per (%)	-4/-30/-45
12M Avg Val (INR m)	383

### Financials & Valuations (INR b)

Y/E Mar	2025	2026E	2027E
Sales	32.3	25.3	36.5
EBITDA	5.1	3.5	5.5
PAT	3.9	2.4	4.0
EBITDA (%)	15.7	13.7	15.0
EPS (INR)	13.9	8.7	14.4
EPS Gr. (%)	-9.0	-37.5	65.9
BV/Sh. (INR)	140.3	148.7	162.6
<b>Ratios</b>			
Net D/E	0.0	-0.1	0.0
RoE (%)	10.4	6.0	9.2
RoCE (%)	12.2	6.3	9.5
Payout (%)	2.5	5.6	3.5
<b>Valuations</b>			
P/E (x)	14.4	23.3	14.1
P/BV (x)	1.4	1.4	1.2
EV/EBITDA (x)	10.9	14.9	10.2
Div Yield (%)	0.1	0.2	0.2
FCF Yield (%)	-5.0	9.9	-4.4

### Shareholding pattern (%)

As On	Jun-25	Mar-25	Jun-24
Promoter	48.8	48.8	48.8
DII	25.1	28.3	30.8
FII	7.1	6.9	8.2
Others	19.0	16.0	12.3

FII Includes depository receipts

**CMP: INR202**

**TP: INR210 (+4%)**

**Neutral**

### Execution slump drags performance; no near-term triggers

- During 1QFY26, KNR Constructions (KNRC) received certain one-time adjustments and arbitration claims. For a like-for-like comparison, we have adjusted the same in revenue, other income, other expenses, and total taxes in 1QFY26 and have shown that as an exceptional item.
- KNRC's 1QFY26 revenue dipped ~41% YoY to ~INR4.8b (34% below our est.).
- EBITDA margin contracted 370bp YoY to 12.9% (v/s our estimate of 13.9%) in 1QFY26. EBITDA declined ~55% YoY to INR617 (against our estimate of INR1b). In line with weak operating performance, APAT decreased 46% YoY to INR433m (39% below our estimate of INR710m).
- KNRC's current order book stands at ~INR83b.
- KNRC posted a disappointing performance in 1QFY26, missing our estimates by a wide margin as execution slowed sharply and revenue plunged. The quarter was marred by muted activity, with most existing projects nearing completion and new orders yet to meaningfully contribute. Elevated receivables from Telangana irrigation projects and HAM assets drove working capital days to 169 (from 93 days in Mar'25), pressuring cash flows.
- Given the subdued execution in 1Q FY26, we project a muted revenue CAGR of 6% over FY25–27E. EBITDA margin expectations have been trimmed to 13–15% (vs. 14–15% earlier), aligning with the softer management guidance. With a bleak execution outlook in the near term, we cut our FY26 revenue and EBITDA estimates by ~17% and ~19%, respectively, while keeping our FY27 estimates broadly unchanged. **We reiterate our Neutral rating on the stock with an SoTP-based TP of INR210. We value its EPC business at a P/E of 12x on FY27E EPS and its BOT assets at 1x investment value.**

### Key takeaways from the management commentary

- As of Jun'25, the order book stood at ~INR83b, comprising 27% roads, 17% irrigation, 13% pipeline, and 43% mining projects. Client-wise, 29% of orders are from third-party clients (74% state government, 4% central government, and 1% private sector) and 71% captive. Excluding mining, the order book is executable over the next 18-24 months.
- Out of the revised INR9.9b equity requirement for HAM projects, INR6.3b has been infused to date, with the balance of INR3.1b to be deployed over FY26 and FY27.
- FY26 revenue guidance revised to INR20–25b (vs. earlier INR25–30b), given limited contribution from new orders and ~INR900m expected from the mining project in the first year.
- KNRC's FY26 EBITDA margin is expected to be 13.0–13.5%.

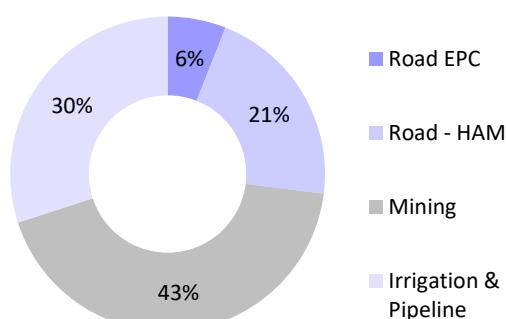
### Valuation and view

- Factoring in a subdued execution in 1QFY26 and a thin order book, we now expect a tepid revenue CAGR of 6% over FY25–27E. EBITDA margin assumptions are also revised downward to 13-14% (from 14-15% earlier), in line with weak guidance. With a bleak execution outlook in the near term, we sharply reduce our revenue estimates for FY26 by ~17% and EBITDA estimates by ~19%, while largely maintaining our estimates for FY27.
- We reiterate our Neutral rating on the stock with an SoTP-based TP of INR210. We value the EPC business at a P/E of 12x on FY27E EPS and BOT assets at 1x investment value.

### Quarterly performance – Standalone

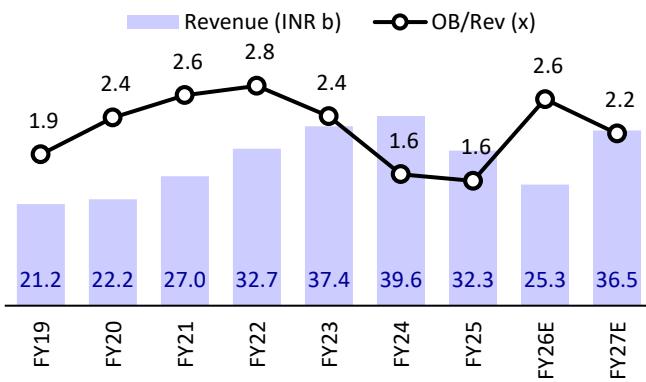
Y/E March									(INR m)			
	FY25				FY26E				FY25	FY26E	MOFSL	Var (%)
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE				
<b>Net Sales</b>	<b>8,193</b>	<b>8,561</b>	<b>7,079</b>	<b>8,512</b>	<b>4,792</b>	<b>5,860</b>	<b>7,073</b>	<b>7,535</b>	<b>32,344</b>	<b>25,259</b>	<b>7,275</b>	<b>-34</b>
YoY Change (%)	-11.9	-9.1	-21.8	-27.8	-41.5	-31.5	-0.1	-11.5	-18.2	-21.9	-11.2	
<b>EBITDA</b>	<b>1,356</b>	<b>1,380</b>	<b>1,173</b>	<b>1,175</b>	<b>617</b>	<b>785</b>	<b>990</b>	<b>1,068</b>	<b>5,084</b>	<b>3,460</b>	<b>1,011</b>	<b>-39</b>
Margins (%)	16.6	16.1	16.6	13.8	12.9	13.4	14.0	14.2	15.7	13.7	13.9	
Depreciation	225	226	229	223	150	180	200	229	903	759	240	
Interest	41	20	31	38	34	30	28	22	129	114	28	
Other Income	51	575	130	185	150	160	170	152	941	631	205	
<b>PBT before EO expense</b>	<b>1,141</b>	<b>1,709</b>	<b>1,044</b>	<b>1,099</b>	<b>583</b>	<b>735</b>	<b>932</b>	<b>969</b>	<b>4,993</b>	<b>3,219</b>	<b>948</b>	
Extra-Ord expense	531	1,867	919	0	80	0	0	0	3,317	80	0	
Tax	334	344	253	348	150	185	235	244	1,279	814	239	
Rate (%)	29.2	20.1	24.3	31.6	25.7	25.2	25.2	25.2	25.6	25.3	25.2	
Minority Interest & Profit/Loss of Asso. Cos.	0	0	0	0	0	0	0	0	0	0	0	
<b>Reported PAT</b>	<b>1,339</b>	<b>3,344</b>	<b>1,822</b>	<b>752</b>	<b>513</b>	<b>550</b>	<b>698</b>	<b>725</b>	<b>7,257</b>	<b>2,485</b>	<b>710</b>	
<b>Adj PAT</b>	<b>807</b>	<b>1,477</b>	<b>903</b>	<b>752</b>	<b>433</b>	<b>550</b>	<b>698</b>	<b>725</b>	<b>3,939</b>	<b>2,405</b>	<b>710</b>	<b>-39</b>
YoY Change (%)	-26.8	47.9	5.6	-43.4	-46.4	-62.7	-22.8	-3.6	-8.1	-38.9	-12.1	
Margins (%)	9.9	17.3	12.8	8.8	9.0	9.4	9.9	9.6	12.2	9.5	9.8	

Exhibit 1: OB breakup (1QFY26: INR83b)



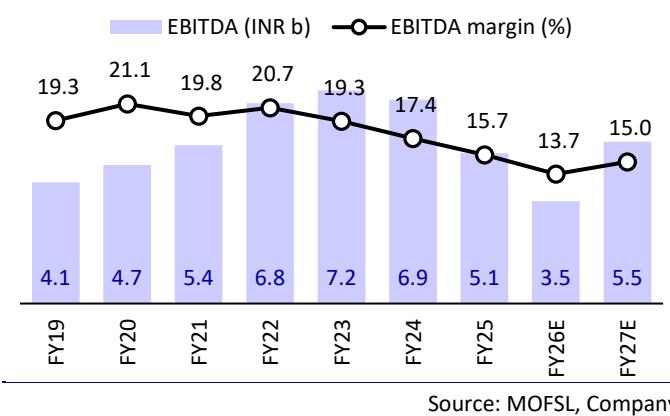
Source: MOFSL, Company

Exhibit 2: With the current OB, revenue is likely to clock a 6% CAGR over FY25–27E



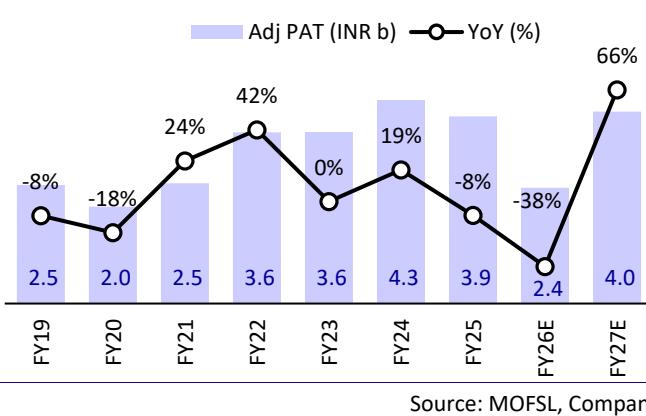
Source: MOFSL, Company

Exhibit 3: EBITDA and EBITDA margin trends



Source: MOFSL, Company

Exhibit 4: Adjusted PAT to post a 1% CAGR over FY25–27E



Source: MOFSL, Company



## Highlights from the management commentary

### Industry opportunity

- The road sector witnessed muted ordering in 1Q FY26, with NHAI awarding only 166km of projects between Apr–Jun'25. Execution, however, showed a marginal improvement, with 1,092km constructed, slightly ahead of the prior year. The slowdown in new awards was largely due to the government's decision to initiate bidding only after securing 90% land acquisition, aimed at minimizing execution delays.
- The project pipeline remains robust, with ~INR3.4t worth of opportunities spanning 6,376kms across 124 highway and expressway projects. Of these, ~84 projects are expected under HAM, 28 via EPC, and 12 under BOT.
- Sector reforms include additional performance security requirements for aggressively priced bids, tighter eligibility norms for consultants, and the adoption of smart construction technologies for real-time monitoring and efficiency gains.

### Order book and bidding pipeline

- As of Jun'25, the order book stood at ~INR83b, comprising 27% roads, 17% irrigation, 13% pipeline, and 43% mining projects. Client-wise, 29% of orders are from third-party clients (74% state govt, 4% central govt, 1% private sector) and 71% captive. Excluding mining, the order book is executable over the next 18-24 months.

- The company targets INR100–120b of fresh orders in FY26, excluding the recently secured INR35b mining contract from NTPC (74% KNRC's share). The bidding pipeline includes ~INR3.5b of L1 positions, with key opportunities in Tamil Nadu, Andhra Pradesh, Telangana (GHMC flyover, Musi riverfront), irrigation projects in MP/Rajasthan/Bihar, and NHAI's INR3.4t pipeline.
- Of the revised INR9.9b equity requirement for HAM projects, INR6.3b has been infused to date, with the balance INR3.1b to be deployed over FY26 and FY27.

#### Other highlights

- Working capital days rose to 169 in 1Q FY26 (vs 93 in Mar'25) due to delayed payments from Telangana irrigation and HAM projects, alongside lower execution in irrigation, which inflated receivable days.
- Irrigation receivables: INR13b pending from Telangana projects (~INR8b certified bills), with management expecting ~INR12b recovery by Mar'26 following state-level assurances. Further, two Telangana projects worth ~INR4.3b were awarded in FY26.
- Mining project: JV with NCC (74:26) awarded Vemardi coal mine in Jharkhand (INR48b excl. GST). First-year revenue ~INR900m, ramping to ~INR7b annually.
- The majority of existing projects were more than 90% complete, and new orders received appointed dates only recently, which led to lower execution in 1Q FY26; the irrigation share of revenue was down to 6% in 1Q FY26.
- Unbilled revenue stood at ~INR10b as of Jun'25 (INR5b irrigation, balance INR5b in roads).
- KNR is planning to enter the metro, railway, BOT toll, and solar sectors, and is exploring JVs for capability expansion.
- Monetization: Sale of four HAM assets in advanced stages; deal closures expected within one month.
- Net debt-to-equity at 0.43x (Jun'25) vs 0.41x (Mar'25).

#### Guidance

- FY26 revenue guidance revised to INR20–25b (vs earlier INR25–30b), given limited contribution from new orders and ~INR900m expected from mining in the first year.
- FY26 EBITDA margin expected at 13–13.5%.
- Water pipeline project to contribute ~INR5b revenue in FY26.
- Capex in 1Q FY26 was ~INR20m; FY26 capex is expected to be ~INR2b; mining-related capex of INR3–4b to be incurred in FY27.
- Strong execution pick-up expected in FY27, with potential revenue of INR30–35b, supported by mining, water pipeline, and HAM project contributions

#### Exhibit 5: Revisions to our earnings estimates

Earnings Change INR m	Old		New		Change	
	FY26E	FY27E	FY26E	FY27E	FY26E	FY27E
Revenue	30,311	36,124	25,259	36,545	-16.7%	1.2%
EBITDA	4,244	5,419	3,460	5,482	-18.5%	1.2%
EBITDA margin	14.0%	15.0%	13.7%	15.0%	-0.3%	0.0%
Adj. PAT	3,045	3,986	2,436	4,042	-20.0%	1.4%

Source: Company, MOFSL

### Valuation and view

- Factoring in a subdued execution in 1QFY26 and a thin order book, we now expect a tepid revenue CAGR of 6% over FY25–27E. EBITDA margin assumptions are also revised downward to 13-14% (from 14-15% earlier), in line with weak guidance. With a bleak execution outlook in the near term, we sharply reduce our revenue estimates for FY26 by ~17% and EBITDA estimates by ~19%, while largely maintaining our estimates for FY27.
- We reiterate our Neutral rating on the stock with an SoTP-based TP of INR210. We value the EPC business at a P/E of 12x on FY27E EPS and BOT assets at 1x investment value.**

### Exhibit 6: Our SoTP-based TP stands at INR210

Particulars	INR m	Per share (INR)
<b>Valuation</b>		
FY27 PAT – 12x P/E	50,118	180
BOT Portfolio valuation	10,862	30
<b>Total</b>	<b>60,979</b>	<b>210</b>

Source: MOFSL, Company

## Financials and valuations

Standalone Income Statement						(INR m)
Y/E March	FY22	FY23	FY24	FY25	FY26E	FY27E
<b>Total Income from Operations</b>	<b>32,726</b>	<b>37,438</b>	<b>39,558</b>	<b>32,344</b>	<b>25,259</b>	<b>36,545</b>
Change (%)	21.1	14.4	5.7	-18.2	-21.9	44.7
<b>EBITDA</b>	<b>6,777</b>	<b>7,217</b>	<b>6,902</b>	<b>5,084</b>	<b>3,460</b>	<b>5,482</b>
Margin (%)	20.7	19.3	17.4	15.7	13.7	15.0
Depreciation	1,346	1,474	1,245	903	759	1,049
<b>EBIT</b>	<b>5,431</b>	<b>5,743</b>	<b>5,657</b>	<b>4,181</b>	<b>2,701</b>	<b>4,433</b>
Int. and Finance Charges	274	393	293	130	114	128
Other Income	417	321	328	941	631	1,096
<b>PBT bef. EO Exp.</b>	<b>5,574</b>	<b>5,671</b>	<b>5,692</b>	<b>4,993</b>	<b>3,219</b>	<b>5,401</b>
EO Items	214	1,380	654	3,317	80	0
<b>PBT after EO Exp.</b>	<b>5,788</b>	<b>7,051</b>	<b>6,346</b>	<b>8,310</b>	<b>3,299</b>	<b>5,401</b>
Total Tax	1,970	2,062	1,407	1,279	783	1,359
Tax Rate (%)	34.0	29.3	22.2	15.4	23.7	25.2
<b>Reported PAT</b>	<b>3,818</b>	<b>4,988</b>	<b>4,938</b>	<b>7,257</b>	<b>2,516</b>	<b>4,042</b>
<b>Adjusted PAT</b>	<b>3,604</b>	<b>4,148</b>	<b>4,284</b>	<b>3,939</b>	<b>2,436</b>	<b>4,042</b>
Change (%)	42.4	15.1	3.3	-8.1	-38.2	65.9
Margin (%)	11.0	11.1	10.8	12.2	9.6	11.1

Standalone Balance Sheet						(INR m)
Y/E March	FY22	FY23	FY24	FY25	FY26E	FY27E
Equity Share Capital	562	562	562	562	562	562
Total Reserves	21,857	26,780	31,694	38,887	41,263	45,164
<b>Net Worth</b>	<b>22,420</b>	<b>27,343</b>	<b>32,257</b>	<b>39,450</b>	<b>41,825</b>	<b>45,726</b>
Total Loans	0	3	0	0	0	0
Deferred Tax Liabilities	-1,183	-1,229	-1,367	-1,276	-1,276	-1,276
<b>Capital Employed</b>	<b>21,237</b>	<b>26,116</b>	<b>30,889</b>	<b>38,174</b>	<b>40,549</b>	<b>44,450</b>
Gross Block	15,471	16,955	17,756	17,979	19,979	21,979
Less: Accum. Deprn.	10,668	12,142	13,387	14,290	15,049	16,098
<b>Net Fixed Assets</b>	<b>4,803</b>	<b>4,813</b>	<b>4,369</b>	<b>3,689</b>	<b>4,930</b>	<b>5,881</b>
Capital WIP	206	25	22	26	26	26
<b>Total Investments</b>	<b>4,828</b>	<b>5,244</b>	<b>6,620</b>	<b>7,862</b>	<b>9,362</b>	<b>10,862</b>
<b>Current Assets</b>	<b>22,275</b>	<b>25,685</b>	<b>29,999</b>	<b>33,662</b>	<b>31,837</b>	<b>35,792</b>
Inventory	2,270	2,341	2,207	1,603	1,252	1,811
Account Receivables	8,494	9,834	13,642	12,450	10,104	12,791
Cash and Bank Balance	1,733	1,998	2,346	1,436	5,286	1,031
Other current assets	9,778	11,512	11,804	18,174	15,196	20,159
<b>Current Liability</b>	<b>10,875</b>	<b>9,651</b>	<b>10,121</b>	<b>7,065</b>	<b>5,606</b>	<b>8,111</b>
Account Payables	2,945	3,760	2,739	3,080	2,405	3,479
Other current liabilities	7,590	5,630	7,236	3,768	3,031	4,385
Provisions	339	261	146	218	170	246
<b>Net Current Assets</b>	<b>11,400</b>	<b>16,034</b>	<b>19,879</b>	<b>26,597</b>	<b>26,231</b>	<b>27,681</b>
<b>Appl. of Funds</b>	<b>21,237</b>	<b>26,116</b>	<b>30,889</b>	<b>38,174</b>	<b>40,549</b>	<b>44,450</b>

## Financials and valuations

### Ratios

Y/E March	FY22	FY23	FY24	FY25	FY26E	FY27E
<b>Basic (INR)</b>						
EPS	12.8	14.7	15.2	14.0	8.7	14.4
Cash EPS	17.6	20.0	19.7	17.2	11.4	18.1
BV/Share	79.7	97.2	114.7	140.3	148.7	162.6
DPS	0.2	0.2	0.2	0.2	0.4	0.4
Payout (%)	1.8	1.4	1.4	1.0	5.6	3.5
<b>Valuation (x)</b>						
P/E	15.8	13.7	13.3	14.4	23.3	14.1
P/BV	2.5	2.1	1.8	1.4	1.4	1.2
EV/EBITDA	8.1	7.6	7.9	10.9	14.9	10.2
Dividend Yield (%)	0.1	0.1	0.1	0.1	0.2	0.2
FCF per share	1.8	-1.4	5.2	-10.0	19.9	-8.8
<b>Return Ratios (%)</b>						
RoE	17.5	16.7	14.4	11.0	6.0	9.2
RoCE	18.8	17.2	15.6	12.1	6.3	9.5
RoIC	28.0	24.4	21.6	13.9	7.5	11.4
<b>Working Capital Ratios</b>						
Fixed Asset Turnover (x)	2.1	2.2	2.2	1.8	1.3	1.7
Asset Turnover (x)	1.5	1.4	1.3	0.8	0.6	0.8
Inventory (Days)	25	23	20	18	18	18
Debtor (Days)	95	96	126	140	146	128
Creditor (Days)	33	37	25	35	35	35
<b>Leverage Ratio (x)</b>						
Current Ratio	2.0	2.7	3.0	4.8	5.7	4.4
Interest Coverage Ratio	19.8	14.6	19.3	32.3	23.8	34.7
Net Debt/Equity	-0.1	-0.1	-0.1	0.0	-0.1	0.0

### Standalone Cash Flow Statement

(INR m)

Y/E March	FY22	FY23	FY24	FY25	FY26E	FY27E
<b>OP/(Loss) before Tax</b>	<b>5,788</b>	<b>7,051</b>	<b>6,893</b>	<b>9,594</b>	<b>3,219</b>	<b>5,401</b>
Depreciation	1,346	1,474	1,245	903	759	1,049
Interest and Finance Charges	271	363	209	115	114	128
Direct Taxes Paid	-1,826	-2,117	-2,177	-2,167	-783	-1,359
(Inc.)/Dec. in WC	-1,660	-5,235	-4,068	-7,364	4,215	-5,704
<b>CF from Operations</b>	<b>3,919</b>	<b>1,536</b>	<b>2,102</b>	<b>1,081</b>	<b>7,524</b>	<b>-486</b>
Others	-487	-1,407	75	-3,717	80	0
<b>CF from Operating incl. EO</b>	<b>3,432</b>	<b>129</b>	<b>2,178</b>	<b>-2,637</b>	<b>7,604</b>	<b>-486</b>
(Inc.)/Dec. in FA	-2,939	-516	-728	-181	-2,000	-2,000
<b>Free Cash Flow</b>	<b>493</b>	<b>-387</b>	<b>1,450</b>	<b>-2,818</b>	<b>5,604</b>	<b>-2,486</b>
(Pur.)/Sale of Investments	296	980	-1,912	-676	-1,500	-1,500
Others	161	143	1,100	2,771	0	0
<b>CF from Investments</b>	<b>-2,483</b>	<b>607</b>	<b>-1,540</b>	<b>1,914</b>	<b>-3,500</b>	<b>-3,500</b>
Inc./(Dec.) in Debt	-7	3	-3	0	0	0
Interest Paid	-312	-402	-217	-117	-114	-128
Dividend Paid	-70	-70	-70	-70	-141	-141
Others	0	0	0	0	0	0
<b>CF from Fin. Activity</b>	<b>-390</b>	<b>-470</b>	<b>-290</b>	<b>-187</b>	<b>-254</b>	<b>-269</b>
<b>Inc./Dec. in Cash</b>	<b>560</b>	<b>265</b>	<b>348</b>	<b>-910</b>	<b>3,850</b>	<b>-4,254</b>
Opening Balance	1,173	1,733	1,998	2,346	1,436	5,286
<b>Closing Balance</b>	<b>1,733</b>	<b>1,998</b>	<b>2,346</b>	<b>1,436</b>	<b>5,286</b>	<b>1,031</b>

Investment in securities market are subject to market risks. Read all the related documents carefully before investing.

## NOTES

Explanation of Investment Rating	
Investment Rating	Expected return (over 12-month)
BUY	>=15%
SELL	< - 10%
NEUTRAL	< - 10 % to 15%
UNDER REVIEW	Rating may undergo a change
NOT RATED	We have forward looking estimates for the stock but we refrain from assigning recommendation

\*In case the recommendation given by the Research Analyst is inconsistent with the investment rating legend for a continuous period of 30 days, the Research Analyst shall be within following 30 days take appropriate measures to make the recommendation consistent with the investment rating legend.

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