

KNR Constructions Ltd.

Accumulate

Sector: Construction & Engineering

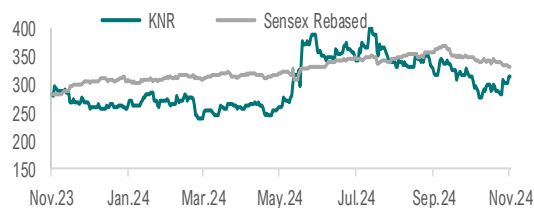
25th November 2024

Key Changes	Target ▲	Rating ▲	Earnings ▲	Target	Rs. 345		
Stock Type	Bloomberg Code	Sensex	NSE Code	BSE Code	Time Frame	CMP	Rs. 313
Small Cap	KNRC:IN	79,117	KNRCON	532942	12 Months	Return	+10%

Data as of: 22-11-2024

Company Data			
Market Cap (Cr)	8,803		
52 Week High — Low (Rs.)	415-237		
Enterprise Value (cr)	8,803		
Outstanding Shares (Rs cr)	28.1		
Free Float (%)	51.2		
Dividend Yield (%)	0.08		
6m average volume (cr)	0.2		
Beta	0.9		
Face value (Rs)	2		
Shareholding (%)	Q4FY24	Q1FY25	Q2FY25
Promoters	51.1	48.8	48.8
FII's	7.1	8.2	6.7
MFs/Insti	30.5	30.8	30.5
Public	11.3	12.3	14.1
Total	100.0	100.0	100.0
Promoter Pledge	Nil	Nil	Nil
Price Performance	3 Month	6 Month	1 Year
Absolute Return	-5%	20%	11%
Absolute Sensex	-4%	3%	18%
Relative Return*	-1%	17%	-6%

*over or under performance to benchmark index



Standalone (cr)	FY25E	FY26E	FY27E
Sales	3,916	4,212	4,853
Growth (%)	-4.3	7.6	15.2
EBITDA	654	703	825
EBITDA Margin(%)	16.7	16.7	17.0
Adj. PAT	563	512	546
Growth (%)	14.1	-9.1	6.6
Adj. EPS	20.0	18.2	19.4
Growth (%)	14.1	-9.1	6.6
P/E	15.6	17.2	16.1
P/B	1.1	1.0	0.9
EV/EBITDA	13.5	12.5	10.7
ROE (%)	15.8	12.2	11.6
D/E	0.0	0.0	0.0

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Fresh orders remains the key...

KNR Constructions Ltd (KNR) is a leading EPC player, largely focusing on national and state highway projects. KNR has successfully executed ~8,700 lane km of road projects across 12 states in India.

- Q2FY25 revenue declined by 6.1% YoY due to slow progress in execution and a delay in approvals of projects awarding impacted the topline growth.
- EBITDA margin improved by 99bps YoY to 18.6% due to a significant drop in sub-contracting expenses (56% YoY).
- KNR's order book + L1 remains healthy at Rs 5,606 cr (1.4x TTM revenue). The company has not received any orders in H1FY25; however, the management remains optimistic for H2FY25 and increased the inflow guidance to Rs 6,000cr to Rs 8,000cr.
- We expect new orders to remain the key catalyst for stability in execution. The strong order pipeline worth Rs 2 lakh cr from NHAI will give more impetus to the order book.
- KNR is also targeting new segments like railways, irrigation, metro, tunneling, railways, and solar to cater to the revenue growth.

Outlook & Valuation

The opportunity in the infra space remains optimistic in the H2FY25. We expect the new order inflows and the benefit from diversification in segment will remain a key catalyst to be watchful for stability in execution. Due to the recent underperformance in the stock price, we expect most of the headwinds are factored in the price. **We therefore revise our rating to Accumulate and value the core business at a P/E of 17x on FY26E EPS and HAM projects at 1xP/B to arrive at the SOTP target price of Rs 345.**

Quarterly Financials Standalone

Rs (cr)	Q2FY25	Q2FY24	YoY (%)	Q1FY25	QoQ (%)	H1FY25	H1FY24	YoY (%)
Sales	884	941	-6.1	880	0	1,764	1,871	-5.7
EBITDA	165	166	-0.9	192	(14)	357	340	5.1
Margin (%)	18.6	17.7	99bps	21.8	-317bps	20.2	18.1	208bps
EBIT	142	135	5.2	170	(16)	312	280	11.3
PBT	422	134	214.0	185	128	607	281	115.8
Rep. PAT	334	100	234.9	134	150	468	210	122.9
Adj PAT	349	100	249.9	134	161	483	210	130.0
EPS (Rs)	24.8	7.1	249.9	9.5	161.0	34.4	14.9	130.0

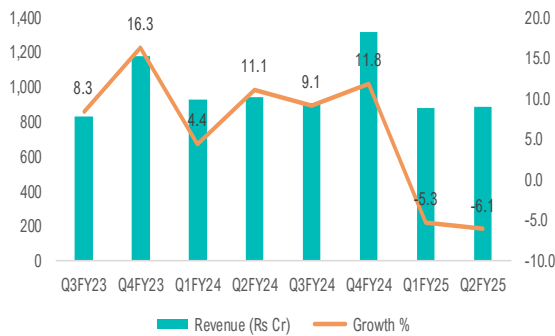
Key Concall Highlights..

- The current order book of Rs 4,406cr constitute 33% Roads (HAM), 19% Roads (others), 25% pipeline, 23% irrigation.
- The company has invested Rs556cr in 8 HAM projects and expected to invest balance Rs436cr in the coming years.
- KNR invested Rs13cr of capex in H1FY25.

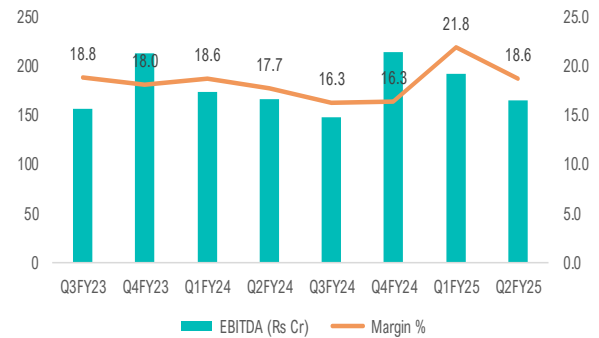
SOTP Valuation

Particulars	Invested Equity (Rs cr)	Value/Share (Rs)	Rationale
Standalone EPC		330	P/E17x FY27E EPS
HAM	436	15	1x P/BV
Total Value per share		345	

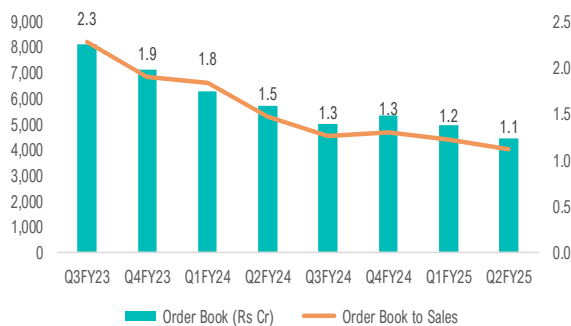
Revenue



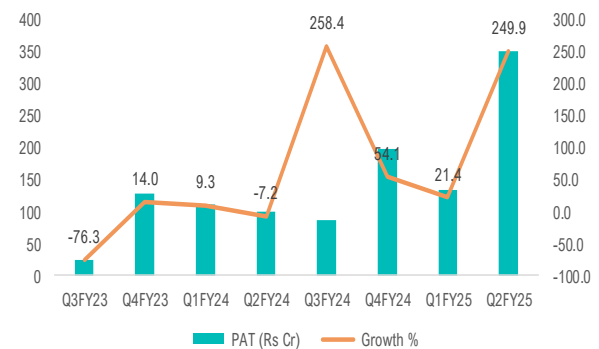
EBITDA



Order Book



PAT



Change in Estimates

Year / Rs cr	Old estimates		New estimates			Change %	
	FY25E	FY26E	FY25E	FY26E	FY27E	FY25E	FY26E
Revenue	4,173	4,610	3,916	4,212	4,853	-6.2	-8.6
EBITDA	676	756	654	703	825	-3.3	-7.0
Margins (%)	16.2	16.4	16.7	16.7	17.0	50bps	30bps
Adj. PAT	454	488	563	512	546	24.1	4.9
Adj. EPS	16.1	17.3	20.0	18.2	19.4	24.1	4.9



Standalone Financials

PROFIT & LOSS

Y.E March (Rs. cr)	FY23A	FY24A	FY25E	FY26E	FY27E
Revenue	3,744	4,091	3,916	4,212	4,853
% change	14.4	9.3	-4.3	7.6	15.2
EBITDA	722	701	654	703	825
% change	6.5	-2.9	-6.7	7.6	17.3
Depreciation	147	125	103	125	143
EBIT	574	576	551	578	682
Interest	39	29	20	22	24
Other Income	32.1	142.2	400.0	150.0	100.0
PBT	705	689	947	706	758
% change	21.8	-2.2	37.3	-25.4	7.4
Tax	206	196	225	194	212
Tax Rate (%)	29	28	24	28	28
Reported PAT	499	494	721	512	546
Adj*	-138	0	16	0	0
Adj PAT	361	494	563	512	546
% change	0.1	36.8	14.1	-9.1	6.6
No. of shares (cr)	28	28	28	28	28
Adj EPS (Rs.)	13	18	20	18	19
% change	0.0	0.4	0.1	-0.1	0.1
DPS (Rs.)	0.3	0.3	0.3	0.3	0.3

CASH FLOW

Y.E March (Rs. cr)	FY23A	FY24A	FY25E	FY26E	FY27E
Net inc. + Depn.	853	814	1,050	831	901
Non-cash adj.	-157	-276	-463	78	-138
Changes in W.C	-527	-173	73	-114	-237
C.F. Operation	164	331	617	767	494
Capital exp.	-282	-200	-200	-200	-200
Change in inv.	-42	-89	-102	-117	-135
Other invest.CF	-10	110	258	-250	-50
C.F - Investment	-333	-179	-44	-567	-385
Issue of equity	0	0	0	0	0
Issue/repay debt	80	-79	0	0	0
Dividends paid	-10	-10	-10	-10	-10
Other finance.CF	-39	-31	-20	-22	-24
C.F - Finance	193	-116	-30	-32	-34
Chg. in cash	23	36	543	168	75
Closing cash	197	233	776	945	1,020

BALANCE SHEET

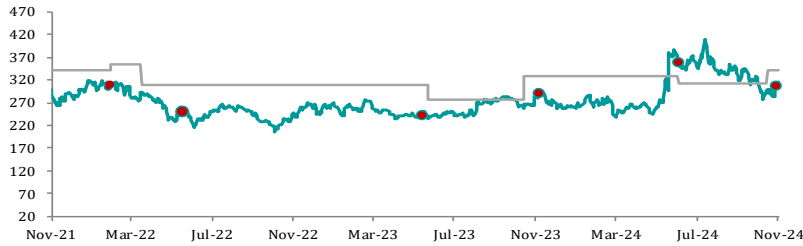
Y.E March (Rs. cr)	FY23A	FY24A	FY25E	FY26E	FY27E
Cash	200	233	776	945	1,020
Accounts Receivable	1,013	1,121	1,073	1,154	1,330
Inventories	234	264	256	273	315
Other Cur. Assets	1,050	1,124	1,076	1,158	1,334
Investments	590	679	781	898	1,032
Gross Fixed Assets	1,766	1,966	2,166	2,366	2,566
Net Fixed Assets	415	490	587	662	719
CWIP	3	3	3	3	3
Intangible Assets	0	0	0	0	0
Def. Tax (Net)	123	157	199	227	259
Other Assets	71	150	150	150	150
Total Assets	3,700	4,221	4,900	5,468	6,160
Current Liabilities	928	964	934	998	1,149
Provisions	26	28	27	29	33
Debt Funds	0	0	0	0	0
Other Liabilities	11	10	10	10	10
Equity Capital	56	56	56	56	56
Reserves & Surplus	2,678	3,162	3,873	4,375	4,911
Shareholder's Fund	2,734	3,218	3,929	4,431	4,967
Total Liabilities	3,700	4,221	4,900	5,468	6,160
BVPS (Rs.)	194	229	279	315	353

RATIOS

Y.E March	FY23A	FY24A	FY25E	FY26E	FY27E
Profitab. & Return					
EBITDA margin (%)	19.3	17.1	16.7	16.7	17.0
EBIT margin (%)	15.3	14.1	14.1	13.7	14.1
Net profit mgn.(%)	9.6	12.1	14.4	12.2	11.2
ROE (%)	14.5	16.6	15.8	12.2	11.6
ROCE (%)	15.6	17.2	16.2	12.6	12.0
W.C & Liquidity					
Receivables (days)	90.8	95.2	102.2	96.5	93.4
Inventory (days)	46.0	49.1	52.9	50.3	48.6
Payables (days)	66.9	66.6	61.1	57.1	49.6
Current ratio (x)	2.6	2.8	3.3	3.4	3.4
Quick ratio (x)	1.3	1.4	2.0	2.1	2.0
Turnover & Leverage					
Gross asset T.O (x)	2.3	2.2	1.9	1.9	2.0
Total asset T.O (x)	1.1	1.0	0.9	0.8	0.8
Int. coverage ratio (x)	14.6	19.7	27.5	26.3	28.4
Adj. debt/equity (x)	0.0	0.0	0.0	0.0	0.0
Valuation					
EV/Sales (x)	2.4	2.2	2.2	2.1	1.8
EV/EBITDA (x)	12.2	12.6	13.5	12.5	10.7
P/E (x)	24.4	17.8	15.6	17.2	16.1
P/BV (x)	1.6	1.4	1.1	1.0	0.9



Recommendation Summary (last 3 years)



Dates	Rating	Target
18-Aug-2021	Accumulate	341
17-Feb-22	Accumulate	354
08-Jun-22	Buy	309
09-Jun-23	Accumulate	276
28-Nov-23	Accumulate	330
26-Jun-24	Sell	311
25-Nov-24	Accumulate	345

Ratings	Large caps	Midcaps	Small Caps
Buy	Upside is above 10%	Upside is above 15%	Upside is above 20%
Accumulate	-	Upside is between 10%-15%	Upside is between 10%-20%
Hold	Upside is between 0% - 10%	Upside is between 0%-10%	Upside is between 0%-10%
Reduce/sell	Downside is more than 0%	Downside is more than 0%	Downside is more than 0%

Not rated/Neutral

Definition:

Buy: Acquire at Current Market Price (CMP), with the target mentioned in the research note; **Accumulate:** Partial buying or to accumulate as CMP dips in the future; **Hold:** Hold the stock with the expected target mentioned in the note.; **Reduce:** Reduce your exposure to the stock due to limited upside.; **Sell:** Exit from the stock; **Not rated/Neutral:** The analyst has no investment opinion on the stock.

Symbols definition:



Upgrade



No Change



Downgrade

To satisfy regulatory requirements, we attribute 'Accumulate' as Buy and 'Reduce' as Sell.

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Not rated/Neutral- The analyst has no investment opinion on the stock under review.

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