

KNR Constructions

Estimate change	↓
TP change	↓
Rating change	↓

Bloomberg	KNRC IN
Equity Shares (m)	281
M.Cap.(INRb)/(USDb)	59.3 / 0.7
52-Week Range (INR)	415 / 189
1, 6, 12 Rel. Per (%)	-5/-38/-40
12M Avg Val (INR M)	601

Financials & Valuations (INR b)

Y/E Mar	2025	2026E	2027E
Sales	32.3	30.3	36.1
EBITDA	5.1	4.2	5.4
PAT	3.9	3.0	4.0
EBITDA (%)	15.7	14.0	15.0
EPS (INR)	13.9	10.8	14.2
EPS Gr. (%)	-9.0	-21.9	30.9
BV/Sh. (INR)	140.3	150.6	164.3

Ratios

Net D/E	0.0	0.0	0.0
RoE (%)	10.4	7.4	9.0
RoCE (%)	12.2	7.7	9.2
Payout (%)	2.5	4.6	3.5

Valuations

P/E (x)	15.3	19.8	15.1
P/BV (x)	1.5	1.4	1.3
EV/EBITDA (x)	11.6	13.9	10.9
Div Yield (%)	0.1	0.2	0.2
FCF Yield (%)	-4.7	3.6	3.2

Shareholding pattern (%)

As On	Mar-25	Dec-24	Mar-24
Promoter	48.8	48.8	51.1
DII	28.3	29.7	30.5
FII	6.9	7.0	7.1
Others	16.0	14.5	11.3

FII Includes depository receipts

CMP: INR211 TP: INR210 (0%) Downgrade to Neutral

Miss on execution; lack of order inflows to curb growth ahead

- KNR Constructions (KNRC)'s 4QFY25 revenue dipped 28% YoY to ~INR8.5b (20% below our estimate).
- EBITDA margin contracted 340bp YoY to 13.8% (vs. our estimate of 17.0%) in 4QFY25. EBITDA declined 42% YoY to INR1.2b (vs. our estimate of INR1.8b). In line with weak operating performance, its APAT decreased 43% YoY to INR752m (39% below our estimate of INR1.2b).
- The current order book is ~INR51b, of which HAM projects make up 35%.
- In FY25, revenue was INR32.3b (-18% YoY), EBITDA stood at INR5.1b (-26% YoY), EBITDA margin was 15.7%, and APAT stood at INR3.9 (-8% YoY).
- The operating performance for 4QFY25 was far below our estimates due to muted execution. Management expects flat-to-negative revenue growth in FY26 due to a limited executable order book, and it has also reduced its EBITDA margin guidance for FY26 because of weak execution.
- Factoring in weaker execution trends and a soft order book, we cut our revenue estimates for FY26/FY27 by ~18%/24% and our EBITDA estimates by ~32%/33% for the same period. We expect EBITDA margin estimates to range ~14-15% over FY25-27, up from the earlier estimate of 16-17%. Further, considering sluggishness in NHAI's order awarding and the lack of diversification to other infra segments, the growth outlook appears challenging for KNRC. **We downgrade the stock to Neutral (from Buy) with a revised 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.**

Key takeaways from the management commentary

- As of Mar'25, KNRC reported an order book of INR50.5b. The current bidding pipeline is strong, with opportunities worth INR300-400b from NHAI, INR100-150b from various state government projects, and an additional INR20-50b from the mining sector.
- For FY26, KNRC expects revenue worth INR25-30b from its existing order book. Additional revenue could accrue depending on the award of new contracts, such as those from MSRDC, which could contribute INR3-4b.
- The company anticipates EBITDA margins in the range of 13-14%, slightly lower YoY due to elevated overheads and a relatively softer execution.
- Meanwhile, there is no ban on the parent company for bidding for projects, although the involved subsidiary may face a ban. The company is actively engaging with authorities and is optimistic about a favorable resolution. Insurance coverage is unlikely to cover the repair costs for the damaged structure, but the impact is expected to be manageable.

Valuation and view

- Factoring in a subdued execution in FY25 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 14-15% (from 16-17% earlier), in line with weak guidance. Given the ongoing slowdown in project awards by NHAI, we sharply cut our revenue estimates for FY26/FY27 by ~18%/24% and EBITDA estimates by ~32%/33%.

Alok Deora - Research analyst (Alok.Deora@MotilalOswal.com)

Saurabh Dugar - Research analyst (Saurabh.Dugar@MotilalOswal.com)

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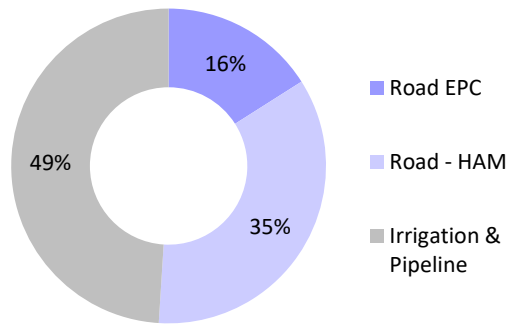
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■ We downgrade the stock to Neutral (from Buy) with a revised SoTP-based TP of INR210. We value the EPC business at a P/E of 12x on FY27E EPS and BOT assets at 1x investment value.

Quarterly performance – Standalone

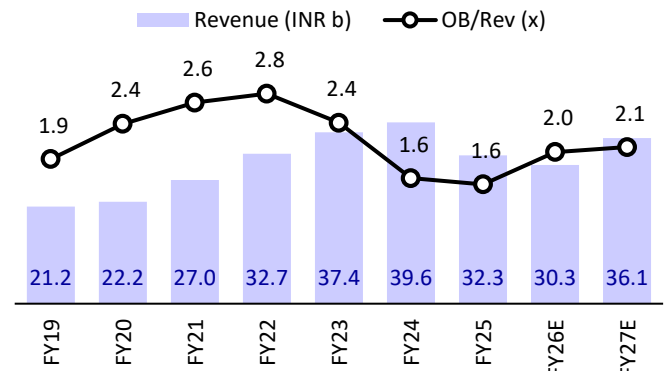
												(INR m)
Y/E March	FY24				FY25				FY24	FY25	MOFSL	Var (%)
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q			4QE	
Net Sales	9,296	9,415	9,054	11,793	8,193	8,561	7,079	8,512	39,558	32,344	10,648	-20
YoY Change (%)	4.4	11.1	9.1	0.3	-11.9	-9.1	-21.8	-27.8	5.7	-18.2	-9.7	
EBITDA	1,733	1,663	1,473	2,033	1,356	1,380	1,173	1,175	6,902	5,084	1,814	-35
Margins (%)	18.6	17.7	16.3	17.2	16.6	16.1	16.6	13.8	17.4	15.7	17.0	
Depreciation	283	311	325	326	225	226	229	223	1,245	903	232	
Interest	50	58	72	113	41	20	31	38	293	129	29	
Other Income	71	50	60	147	51	575	130	185	328	941	106	
PBT before EO expense	1,470	1,344	1,136	1,741	1,141	1,709	1,044	1,099	5,692	4,993	1,659	
Extra-Ord expense	0	0	0	654	531	1,867	919	0	654	3,317	0	
Tax	367	346	281	414	334	344	253	348	1,407	1,279	418	
Rate (%)	25.0	25.7	24.7	23.8	29.2	20.1	24.3	31.6	24.7	25.6	25.2	
Reported PAT	0	0	0	0	0	0	0	0	0	0	0	
Adj PAT	1,103	999	855	1,982	1,339	3,344	1,822	752	4,938	7,257	1,241	
YoY Change (%)	1,103	999	855	1,328	807	1,477	903	752	4,284	3,939	1,241	-39
Margins (%)	9.4	-7.2	10.1	3.2	-26.8	47.9	5.6	-43.4	3.3	-8.1	-6.5	

Exhibit 1: OB breakup (4QFY25: INR51b)



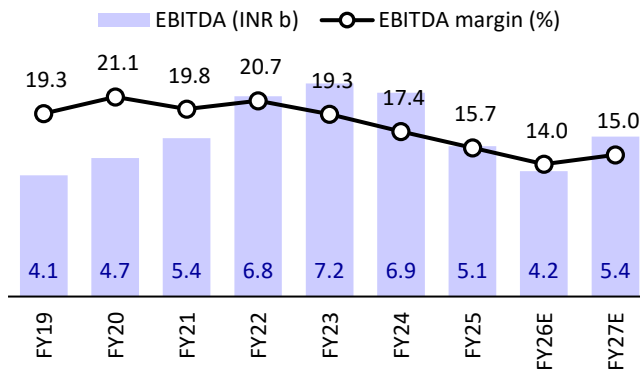
Source: MOFSL, Company

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



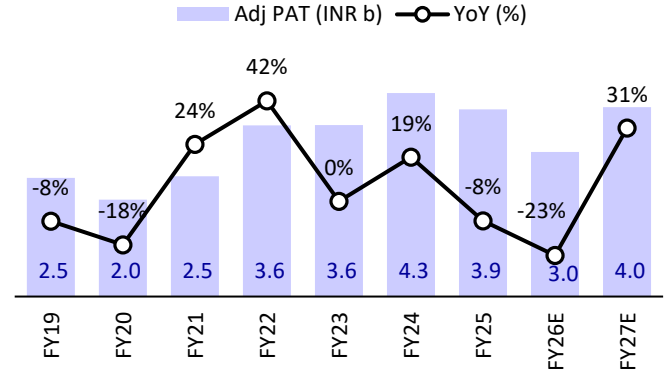
Source: MOFSL, Company

Exhibit 3: EBITDA and EBITDA margin trends



Source: MOFSL, Company

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



Source: MOFSL, Company

Highlights from the management commentary

Industry opportunity

- The road infrastructure sector experienced a slowdown in FY25 but showed signs of recovery in 4Q, driven by improved project awarding and acceleration in execution. To further streamline project timelines and ensure responsible bidding, MoRTH introduced key policy reforms, including fixed deadlines for land acquisition and clearances, along with an additional performance security requirement for aggressively priced bids.
- MoRTH also unveiled plans to upgrade 25,000–30,000km of existing two-lane highways into four-lane corridors, with an estimated investment of INR80–100m per km. Additionally, a 5,800km high-speed corridor network is in development to enhance connectivity and road safety.

Order book and bidding pipeline

- As of Mar'25, KNRC reported an order book of ~INR51b.
- The composition of the order book included 37% from HAM projects, 28% from irrigation works, 21% from pipeline-related projects, and the remaining 13% from other road construction activities.
- The company has set an ambitious target to secure INR80-100b in fresh orders by the end of FY26. The current bidding pipeline is strong, with opportunities

worth INR300-400b from NHAI, INR100-150b from various state government projects, and an additional INR20-50b from the mining sector.

- To diversify its business portfolio, KNRC is actively exploring new sectors including mining, water infrastructure, state highways, railways, airports, and river interlinking, often through joint ventures to broaden its capabilities.
- Out of the revised INR9.9b equity commitment for HAM projects, the company has invested INR6.5b to date. The remaining INR3.4b will be infused over the next two years—INR2.1b in FY26 and INR1.3 in FY27.

Other highlights

- KNRC reported an increase in working capital days to 93 days in FY25, compared to 89 days in FY24.
- Net debt-to-equity ratio stood at 0.44x, up from 0.34x.
- Unbilled revenue as of March 2025 stood at INR9.7b.
- A key concern for the company is the pending receivables of INR12b from irrigation projects in Telangana, which management expects to resolve within two months.
- There is no ban on the parent company for bidding for projects, although the involved subsidiary may face a ban. The company is actively engaging with authorities and is optimistic about a favorable resolution. Insurance coverage is unlikely to cover the repair costs for the damaged structure, but the impact is expected to be manageable.

Guidance

- For FY26, KNRC expects revenues worth INR25-30b from its existing order book. Additional revenue could accrue depending on the award of new contracts, such as those from MSRDC, which could contribute INR3-4b additionally.
- Management expects EBITDA margins in the range of 13–14%, slightly lower YoY due to elevated overheads and a relatively softer execution.
- Capex for FY26 is expected to be modest at INR200-300m, although FY27 may require a higher outlay of INR1-2b if the company wins large new projects.
- On the monetization front, KNRC has four HAM assets in advanced stages of negotiation, with deal closures anticipated by mid-Jul'25.

Exhibit 5: Revisions to our earnings estimates

Earnings Change INR m	Old		New		Change	
	FY26E	FY27E	FY26E	FY27E	FY26E	FY27E
Revenue	37,137	47,376	30,311	36,124	-18.4%	-23.8%
EBITDA	6,202	8,054	4,244	5,419	-31.6%	-32.7%
EBITDA margin	16.7%	17.0%	14.0%	15.0%	-2.7%	-2.0%
Adj. PAT	4,280	5,617	3,045	3,986	-28.8%	-29.0%

Source: Company, MOFSL

Valuation and view

- Factoring in a subdued execution in FY25 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 14–15% (from 16–17% earlier), in line with weak guidance. Given the ongoing slowdown in project awards by NHAI, we sharply cut our revenue estimates for FY26/FY27 by ~18%/24% and EBITDA estimates by ~32%/33%.
- We downgrade the stock to Neutral (from Buy) with a revised 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)
Valuation		
FY27 PAT – 12x P/E	47,834	170
BOT Portfolio valuation	11,862	40
Total	59,696	210

Source: MOFSL, Company

Financials and valuations

Standalone Income Statement

(INR m)

Y/E March	FY22	FY23	FY24	FY25	FY26E	FY27E
Total Income from Operations	32,726	37,438	39,558	32,344	30,311	36,124
Change (%)	21.1	14.4	5.7	-18.2	-6.3	19.2
EBITDA	6,777	7,217	6,902	5,084	4,244	5,419
Margin (%)	20.7	19.3	17.4	15.7	14.0	15.0
Depreciation	1,346	1,474	1,245	903	968	1,049
EBIT	5,431	5,743	5,657	4,181	3,276	4,370
Int. and Finance Charges	274	393	293	130	115	126
Other Income	417	321	328	941	909	1,084
PBT bef. EO Exp.	5,574	5,671	5,692	4,993	4,070	5,327
EO Items	214	1,380	654	3,317	0	0
PBT after EO Exp.	5,788	7,051	6,346	8,310	4,070	5,327
Total Tax	1,970	2,062	1,407	1,279	1,024	1,341
Tax Rate (%)	34.0	29.3	22.2	15.4	25.2	25.2
Reported PAT	3,818	4,988	4,938	7,257	3,045	3,986
Adjusted PAT	3,604	4,148	4,284	3,939	3,045	3,986
Change (%)	42.4	15.1	3.3	-8.1	-22.7	30.9
Margin (%)	11.0	11.1	10.8	12.2	10.0	11.0

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	41,792	45,638
Net Worth	22,420	27,343	32,257	39,450	42,355	46,200
Total Loans	0	3	0	0	0	0
Deferred Tax Liabilities	-1,183	-1,229	-1,367	-1,276	-1,276	-1,276
Capital Employed	21,237	26,116	30,889	38,174	41,079	44,925
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	15,258	16,307
Net Fixed Assets	4,803	4,813	4,369	3,689	4,721	5,672
Capital WIP	206	25	22	26	26	26
Total Investments	4,828	5,244	6,620	7,862	9,862	11,862
Current Assets	22,275	25,685	29,999	33,662	33,197	35,382
Inventory	2,270	2,341	2,207	1,603	1,502	1,790
Account Receivables	8,494	9,834	13,642	12,450	12,124	12,644
Cash and Bank Balance	1,733	1,998	2,346	1,436	1,335	1,021
Other current assets	9,778	11,512	11,804	18,174	18,236	19,927
Current Liability	10,875	9,651	10,121	7,065	6,727	8,018
Account Payables	2,945	3,760	2,739	3,080	2,886	3,439
Other current liabilities	7,590	5,630	7,236	3,768	3,637	4,335
Provisions	339	261	146	218	204	243
Net Current Assets	11,400	16,034	19,879	26,597	26,470	27,364
Appl. of Funds	21,237	26,116	30,889	38,174	41,079	44,924

Financials and valuations

Ratios

Y/E March	FY22	FY23	FY24	FY25	FY26E	FY27E
Basic (INR)						
EPS	12.8	14.7	15.2	14.0	10.8	14.2
Cash EPS	17.6	20.0	19.7	17.2	14.3	17.9
BV/Share	79.7	97.2	114.7	140.3	150.6	164.3
DPS	0.2	0.2	0.2	0.2	0.4	0.4
Payout (%)	1.8	1.4	1.4	1.0	4.6	3.5
Valuation (x)						
P/E	16.7	14.5	14.0	15.3	19.8	15.1
P/BV	2.7	2.2	1.9	1.5	1.4	1.3
EV/EBITDA	8.6	8.1	8.4	11.6	13.9	10.9
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	7.7	6.9
Return Ratios (%)						
RoE	17.5	16.7	14.4	11.0	7.4	9.0
RoCE	18.8	17.2	15.6	12.1	7.7	9.2
RoIC	28.0	24.4	21.6	13.9	8.4	10.6
Working Capital Ratios						
Fixed Asset Turnover (x)	2.1	2.2	2.2	1.8	1.5	1.6
Asset Turnover (x)	1.5	1.4	1.3	0.8	0.7	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
Leverage Ratio (x)						
Current Ratio	2.0	2.7	3.0	4.8	4.9	4.4
Interest Coverage Ratio	19.8	14.6	19.3	32.3	28.4	34.6
Net Debt/Equity	-0.1	-0.1	-0.1	0.0	0.0	0.0

Standalone Cash Flow Statement

(INR m)

Y/E March	FY22	FY23	FY24	FY25	FY26E	FY27E
OP/(Loss) before Tax	5,788	7,051	6,893	9,594	4,070	5,327
Depreciation	1,346	1,474	1,245	903	968	1,049
Interest and Finance Charges	271	363	209	115	115	126
Direct Taxes Paid	-1,826	-2,117	-2,177	-2,167	-1,024	-1,341
(Inc.)/Dec. in WC	-1,660	-5,235	-4,068	-7,364	26	-1,208
CF from Operations	3,919	1,536	2,102	1,081	4,155	3,953
Others	-487	-1,407	75	-3,717	0	0
CF from Operating incl. EO	3,432	129	2,178	-2,637	4,155	3,953
(Inc.)/Dec. in FA	-2,939	-516	-728	-181	-2,000	-2,000
Free Cash Flow	493	-387	1,450	-2,818	2,155	1,953
(Pur.)/Sale of Investments	296	980	-1,912	-676	-2,000	-2,000
Others	161	143	1,100	2,771	0	0
CF from Investments	-2,483	607	-1,540	1,914	-4,000	-4,000
Inc./(Dec.) in Debt	-7	3	-3	0	0	0
Interest Paid	-312	-402	-217	-117	-115	-126
Dividend Paid	-70	-70	-70	-70	-141	-141
Others	0	0	0	0	0	0
CF from Fin. Activity	-390	-470	-290	-187	-256	-267
Inc./Dec. in Cash	560	265	348	-910	-101	-314
Opening Balance	1,173	1,733	1,998	2,346	1,436	1,335
Closing Balance	1,733	1,998	2,346	1,436	1,335	1,021

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UNDER REVIEW	Rating may undergo a change
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Nainesh Rajani

Email: nainesh.rajani@motilaloswal.com

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Correspondence Address: Palm Spring Centre, 2nd Floor, Palm Court Complex, New Link Road, Malad (West), Mumbai- 400 064. Tel No: 022 71881000. Details of Compliance Officer: Neeraj

Agarwal, Email Id: na@motilaloswal.com, Contact No.:022-40548085.

Grievance Redressal Cell:

Contact Person	Contact No.	Email ID
Ms. Hemangi Date	022 40548000 / 022 67490600	query@motilaloswal.com
Ms. Kumud Upadhyay	022 40548082	servicehead@motilaloswal.com
Mr. Ajay Menon	022 40548083	am@motilaloswal.com

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