JM FINANCIAL

Infrastructure

Highway focused companies reported weak earnings

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Execution was a mixed bag in 1QFY26, with diversified EPC players such as Kalpataru Projects, KEC International and L&T delivering strong growth while highway companies like KNR Constructions, PNC Infratech and Ashoka Buildcon registered a sharp YoY decline due to lower executable backlogs and delayed payments. Execution is likely to remain weak across the board in 2QFY26 as well due to the heavy monsoon and, for highway companies, also due to weak executable backlogs as appointed dates for several projects are likely to come in end-2Q or in 3Q. Order inflows have been robust for diversified companies but relatively weaker for highway developers. Despite this, order backlogs remain moderate to strong for most companies, with book-to-bill ratios ranging from 2.5x to 4x TTM revenue for most players. EBITDA margins improved for diversified companies while being weak for highway companies. Gross debt and working capital stretched for most companies in 1QFY26 amid seasonality. Asset monetisation plans remain under progress for highway developers like PNC Infratech, HG Infra, Ashoka Buildcon and KNR Constructions, which will release significant growth capital. PNC Infratech and Ahluwalia Contracts are our top picks.

- **Execution a mixed bag:** In 1QFY26, execution was a mixed bag, with diversified EPC (Engineering, Procurement and Construction) players such as KPIL, KEC and L&T delivering strong growth led by robust order backlogs. KPIL/L&T/KEC saw revenue growth of 35%/16%/11% YoY during the quarter. However, highway companies like KNR, Ashoka and PNC saw a sharp YoY revenue decline of 42%/30%/13% due to lower executable order backlogs, delayed payments in JJM projects for PNC and in irrigation projects for KNR.

- **EBITDA margin improved or remained stable for diversified companies while highway companies reported weak margins:** EBITDA margins improved or remained stable for most diversified companies in 1QFY26. KEC International saw margin expansion of 100bps YoY to 7% while KPIL's margin was stable at 8.5% (up 10bps YoY). Margins have been impacted for most highway companies due to poor revenue mix and operating deleverage. Among the highways pack, EBITDA margins of KNR/HG/Ceigall contracted sharply by 370bps/240bps/210bps YoY during the quarter. Gross debt and working capital stretched for most companies in 1QFY26 amid seasonality.

- **Ordering activity strong for diversified companies, muted for highway companies:** Among our coverage companies, order inflows for diversified names such as L&T, Ahluwalia Contracts, NCC and KPIL have been strong in YTDFY26 while being weak for most highway companies such as Ceigall and HG Infra. Despite this, order backlogs remain moderate to strong for most companies, with book-to-bill ratios ranging from 2.5x to 4x TTM revenue for most players.

- **Highways bid pipeline at INR 683bn in Aug'25; expect improved awarding in FY26E:** Highways bid pipeline stands at INR 683bn in Aug'25 (vs. INR 664bn in July-25). Of this, NHAI's bid pipeline stands at INR 572bn with HAM/EPC/BOT projects accounting for 48%/28%/24% share. Order inflows for highway companies are likely to pick up in 2HFY26 after muted awarding in the last 2 years with c.INR 3.45tn (total capital cost; EPC cost: c.INR 2tn) worth of projects in the NHAI award pipeline for FY26E.

- **L&T reports strong earnings in 1QFY26 - order inflows robust; adjusted PAT rises by 30% YoY:** Consolidated/P&M business order inflows grew by 33%/41% YoY to INR 945bn/INR 766bn. Order backlog grew by 24% YoY to INR 6.1tn (3.1x TTM P&M revenue). P&M business revenue/EBITDA grew by 19% YoY to INR 458bn/INR 35bn while P&M margin was flat YoY. Consolidated revenue grew by 16% YoY to INR 637bn (JMFe: INR 629bn) led by strong execution in hydrocarbon (+50% YoY). Consolidated EBITDA grew by 13% YoY to INR 63bn. Adjusted PAT grew by 30% YoY to INR 36bn led by strong revenue growth and higher other income.

Exhibit 1. Stock price performance* (%)

Companies	1M	3M	12M
Ahluwalia Contracts	-13.1	1.0	-30.0
Ashoka Buildcon	-9.0	-9.0	-20.9
Ceigall India	-6.4	1.9	-35.2
GR Infraprojects	0.4	-1.1	-18.6
HG Infra Engineering	-8.1	-20.2	-38.3
Kalpataru Projects	9.2	19.2	4.4
KEC International	-6.6	2.6	-3.3
KNR Constructions	-9.2	-13.4	-38.7
Larsen & Toubro	3.4	0.9	0.7
NCC	-3.1	-5.5	-31.1
PNC Infratech	-0.6	6.1	-32.5
PSP Projects	-17.2	-0.7	-2.5
Ajax Engineering	0.1	4.0	N/A
NSE Infrastructure	**-0.1**	**2.2**	**-0.5**
Nifty 50	**0.1**	**1.2**	**1.4**

Source: Bloomberg; *: as on 20th Aug, 2025

Exhibit 1. JM Infrastructure universe

INR mn	Revenue			EBITDA			EBITDA Margin			Adjusted PAT		
	1Q26	1Q25	YoY	1Q26	1Q25	YoY	1Q26	1Q25	4Q25	1Q26	1Q25	YoY
Ahluwalia Contracts	10,049	9,193	9.3%	863	605	42.7%	8.6%	6.6%	10.2%	511	306	67.0%
Ashoka Buildcon	13,106	18,771	-30.2%	1,222	1,214	0.7%	9.3%	6.5%	7.3%	306	408	-25.1%
Ceigall India	8,183	7,592	7.8%	935	1,023	-8.6%	11.4%	13.5%	11.0%	559	587	-4.8%
GR Infraprojects	18,261	18,965	-3.7%	2,311	2,466	-6.3%	12.7%	13.0%	17.5%	2,158	1,957	10.3%
HG Infra	17,092	15,059	13.5%	2,357	2,433	-3.1%	13.8%	16.2%	14.3%	1,255	1,395	-10.1%
Kalpataru Projects International	50,397	37,219	35.4%	4,284	3,135	36.7%	8.5%	8.4%	8.4%	2,008	1,166	72.1%
KEC International	50,229	45,119	11.3%	3,501	2,704	29.5%	7.0%	6.0%	7.8%	1,246	636	96.0%
KNR Constructions	4,792	8,193	-41.5%	615	1,356	-54.6%	12.8%	16.5%	13.8%	430	916	-53.0%
Larsen & Toubro	6,36,789	5,51,198	15.5%	63,177	56,153	12.5%	9.9%	10.2%	11.0%	36,172	27,857	29.8%
NCC Ltd	43,782	47,133	-7.1%	3,949	4,396	-10.2%	9.0%	9.3%	9.2%	1,901	2,007	-5.3%
PNC Infratech	11,365	13,092	-13.2%	1,405	1,583	-11.2%	12.4%	12.1%	12.4%	808	954	-15.4%
PSP Projects	5,128	6,119	-16.2%	245	734	-66.7%	4.8%	12.0%	4.6%	2	343	-99.4%
Ajax Engineering	4,665	4,690	-0.5%	614	802	-23.4%	13.2%	17.1%	14.7%	529	670	-21.1%

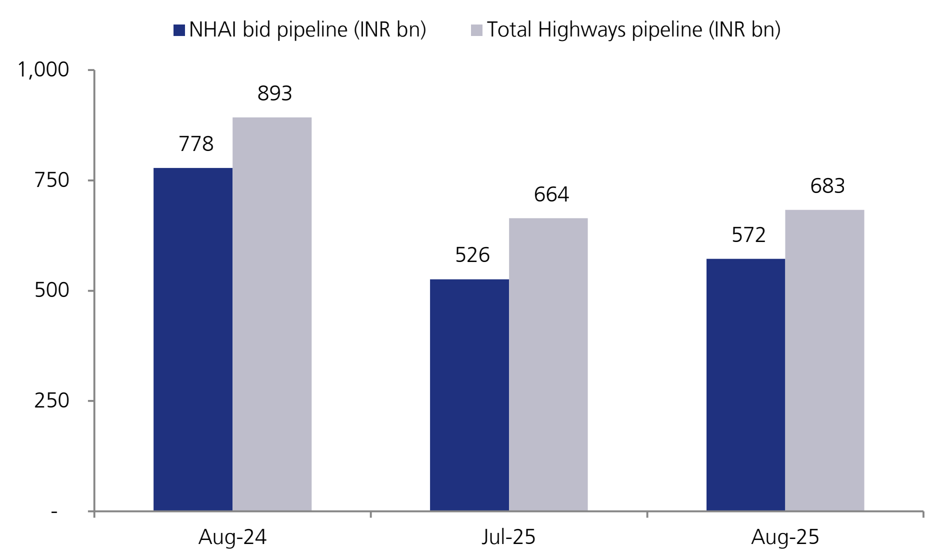
Source: Company, JM Financial

Exhibit 2. Highways bid pipeline moderates to INR 683bn*

Bid pipeline	No of projects	Value (INR bn)
NHAI	42	572
- EPC	19	157
- HAM	20	275
- BOT	3	139
NHIDCL	2	8
MoRTH	18	102
Total	62	683

Source: Projects Today, JM Financial; *as on 3rd Aug-25

Exhibit 3. Trends in highways bid pipeline*



Source: Projects Today, JM Financial; *as on 3rd Aug-25

Exhibit 4. Guidance of our coverage companies

FY26E Guidance	Revenue growth	EBITDA Margin	Order Inflow
Ahluwalia Contracts	15-20%	10%+	INR 80bn
Ashoka Buildcon	10%	9.5-10%	INR 100-120bn
Ceigall India	10-15%	11-12%	INR 50bn
GR Infraprojects	10-15%	12-13%	INR 220bn
HG Infra	INR 70bn	15-16%	INR 110bn
Kalpataru Projects International (Standalone)	20-25%	NA*	INR 260-280bn
KEC International	15%	8-8.5%	INR 300bn
KNR Constructions	INR 20-25bn	13-14%	INR 100-120bn
NCC Ltd	10%	9-9.25%	INR 220-250bn
PNC Infratech	INR 63-65bn	12.5-13%	INR 120-150bn
PSP Projects	NA#	8-9%	INR 75-80bn

Source: Company, JM Financial; *: PBT margin guidance of 5%-5.5%; #: no formal guidance provided

Exhibit 5. L&T quarterly results

Consolidated (INR mn)	1Q26	1Q25	YoY	4Q25	QoQ
Revenue	6,36,789	5,51,198	15.5%	7,43,923	-14.4%
EBITDA	63,177	56,153	12.5%	82,025	-23.0%
EBITDA Margin	9.9%	10.2%		11.0%	
Adj PAT	36,172	27,857	29.8%	50,225	-28.0%
Order inflow	9,44,530	7,09,360	33.2%	8,96,130	5.4%
P&M	**1Q26**	**1Q25**	**YoY**	**4Q25**	**QoQ**
P&M order inflows	7,66,210	5,44,400	40.7%	7,20,930	6.3%
Revenue	4,58,470	3,86,230	18.7%	5,68,730	-19.4%
EBITDA	34,950	29,360	19.0%	56,311	-37.9%
EBITDA Margin	7.6%	7.6%		9.9%	

Source: Company, JM Financial

Exhibit 6. Diversified companies on track to achieve FY26E order inflow guidance

INR bn	June-25 order backlog	Order backlog to bill (x)	1QFY26 Order inflow	YTD inflows	FY26 guidance	% achieved# in YTD
Ahluwalia Contracts	166	4.0	15	39	80	49%
Ashoka Buildcon	159	2.4	25	25	100-120	23%
Ceigall India	94	2.8	-	4	50	8%
GR Infraprojects	194	3.0	13	28	220	13%
HG Infra	147	2.3	11	11	110	10%
Kalpataru Projects International (Standalone)*	614	3.0	90	99	260-280	37%
KEC International (Consolidated)	344	1.5	55	85	300	28%
KNR Constructions	83	2.9	36	36	100-120	32%
NCC Ltd	618	3.3	37	67	220-250	29%
PNC Infratech	171	3.5	2	52	120-150	38%
PSP Projects	65	2.7	1	1	75-80	1%

Source: Company, JM Financial; *: Order backlog and book to bill is on standalone basis while order inflows are on a consolidated basis; #: calculated as a % of YTD inflows

Exhibit 7. Movement in aluminium, copper and China rebar prices

Average prices (USD/t)	Aluminium	Copper	China rebar
1QFY25	2,525	9,756	529
2QFY25	2,382	9,211	493
3QFY25	2,574	9,191	508
4QFY25	2,626	9,347	485
1QFY26	2,450	9,519	466
YoY	-3.0%	-2.4%	-11.9%
QoQ	-6.7%	1.8%	-3.6%

Source: Bloomberg, JM Financial

Exhibit 8. Valuation matrix

Company	CMP (INR)	Mkt Cap (INR bn)	EPS CAGR (FY25-28E) (%)	EPS				P/E (x)				RoE (%)			
				FY25	FY26E	FY27E	FY28E	FY25	FY26E	FY27E	FY28E	FY25	FY26E	FY27E	FY28E
L&T	3,592	4,906	20.5	106.6	132.2	158.2	186.4	33.4	27.2	22.7	19.3	14.9	17.6	17.9	18.1
KEC International	820	218	41.3	20.5	37.9	50.0	58.0	43.6	21.7	16.4	14.2	11.6	17.5	19.7	19.3
Kalpataru Projects International	1,181	202	29.3	39.9	54.7	72.6	86.1	30.0	21.6	16.3	13.7	10.5	12.3	14.6	15.1
NCC	221	139	19.6	12.7	14.6	18.5	21.8	21.9	15.1	11.9	10.1	11.2	11.7	13.3	13.9
GR Infraprojects*	1,269	123	11.9	81.0	84.9	103.3	113.6	18.2	15.0	12.3	11.2	10.4	9.9	10.8	10.7
GR Infra core business			22.8	41.4	53.0	66.1	76.6	30.7	23.9	19.2	16.6				
KNR Constructions	204	57	5.5	12.3	9.4	12.4	14.4	25.0	21.7	16.5	14.1	9.6	6.5	7.9	8.5
HG Infra	963	63	15.4	79.8	79.2	99.5	122.7	17.5	12.2	9.7	7.8	20.0	16.5	16.5	16.4
PNC Infratech	311	80	30.4	14.8	21.5	28.1	32.8	26.5	14.5	11.1	9.5	7.4	9.6	11.4	12.0
Ashoka Buildcon*	185	52	48.8	5.4	7.9	13.7	17.8	30.5	16.6	11.4	9.1	5.4	7.5	10.0	11.2
Ashoka Buildcon Core			39.4	7.5	11.2	16.3	20.3	5.4	7.9	13.7	17.8				
Ceigall India	257	45	17.6	14.9	17.1	21.8	24.3	22.5	15.0	11.8	10.6	19.4	15.3	16.6	15.7
Ahluwalia Contracts	930	62	33.2	30.1	48.0	61.8	71.2	35.8	19.4	15.0	13.1	11.8	16.4	17.9	17.3
PSP Projects	656	26	47.3	14.2	17.9	39.2	45.5	46.2	36.6	16.7	14.4	5.3	5.7	11.6	12.1
Ajax Engineering	690	79	15.4	22.7	23.8	29.5	35.0	26.5	29.0	23.4	19.7	24.8	21.0	21.1	20.3

Source: Company, JM Financial; Core EPS (ex of interest income from subsidiaries); ^: as on 20^{th} Aug-25

APPENDIX I

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