

KNR Constructions | REDUCE

Challenging times ahead

KNR Constructions reported dismal earnings in 2Q26 as adjusted PAT slumped 70% YoY to INR 279mn (JMFe: INR 400mn, consensus: INR 539mn) due to lower margins/other income. Irrigation receivables from Telangana government inched up further to INR 13.5bn. With strong inflows of INR 40bn in 1H26, backlog improved to INR 82bn (3.2x TTM revenue) as of Sept-25. However, only 43% of backlog is currently under execution. Also, EBITDA margins have been impacted due to operating deleverage, lower share of high margin irrigation segment and cost incurred towards Kerala project on KNR's books. Due to softer execution in 1H26 and weak executable backlog, KNR has further lowered its FY26E revenue guidance to c.INR 20bn (from INR 20-25bn earlier). Margins in 2H26 will be further impacted by cost of c.INR 400mn to be incurred in Kerala project. Accordingly, we have cut EPS sharply by 45%/25%/12% in FY26/27/28E led by cut in execution/margins. Valuations at 18x/13x FY27/28E EPS does not provide material upside. We downgrade the stock to REDUCE with SoTP based revised price target of INR 165 (valuing EPC business at 13x FY27 EPS and assets at INR 45/share).

- PAT sharply below JMFe due to lower margins and other income:** KNR's revenue/EBITDA declined sharply by 42%/61% YoY to INR 4.9bn/INR 536mn (JMFe: INR 4.3bn/INR 574mn) due to lower executable order backlog. Irrigation revenue stood at c.INR 1.7bn (+17% YoY), above JMFe of INR 1bn. EBITDA margins contracted sharply by 520bps YoY to 10.9% (JMFe: 13.5%) due to higher employee expenses (includes c.INR 100mn variable payout to promoters) and INR 100mn cost incurred towards Kerala project (on KNR's books). Other income declined sharply by 73% YoY to INR 39mn (JMFe: INR 160mn). Adjusted PAT declined sharply by 70% YoY to INR 279mn (JMFe: INR 400mn) due to lower margins and other income.
- Backlog strengthens but executability weak; cuts FY26E revenue guidance sharply:** With strong inflows of INR 40bn in 1H26, KNR's order backlog has improved to INR 82bn (3.2x TTM revenue) as of Sept-25. However, execution of the recently awarded INR 36bn mining order has been deferred by 9-12 months, with meaningful revenue contribution now expected in FY28E. Due to softer execution in 1H26 and weak executable backlog, KNR has further lowered its FY26E revenue guidance to c.INR 20bn (from INR 20-25bn earlier). Margins in 2H26 will be further impacted by cost of c.INR 400mn to be incurred in Kerala project and we estimate it to be around 10-11% in 2H26. KNR expects order inflows of INR 120-140bn for FY26E.
- Irrigation receivables rose further; asset monetization in sight:** Irrigation receivables from Telangana government rose further from INR 13bn in Aug-25 to INR 13.5bn currently. KNR received c.INR 744mn in 3Q26 so far and is hopeful of improved recoveries in 2H26. KNR has a pending equity requirement of INR 2.9bn for its HAM portfolio, to be infused in FY26/27E. KNR targets to complete monetization of 4 HAM assets in 2H26.
- Downgrade to REDUCE with price target of INR 165:** While KNR derives intrinsic strengths from a proven track record, good governance and strong balance sheet we see uncertainties in its medium growth outlook caused by uncertain prospects for its irrigation segment weak executable backlog. We have cut EPS sharply by 45%/25%/12% in FY26/27/28E mainly led by cut in execution and margins. Valuations at 18x/13x FY27/28E EPS does not provide material upside. We downgrade the stock to REDUCE with SoTP based revised price target of INR 165 (valuing EPC business at 13x FY27 EPS and assets at INR 45/share).



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Recommendation and Price Target

Current Reco.	REDUCE
Previous Reco.	HOLD
Current Price Target (12M)	165
Upside/(Downside)	-4.2%
Previous Price Target	205
Change	-19.5%

Key Data – KNRC IN

Current Market Price	INR173
Market cap (bn)	INR48.5/US\$0.5
Free Float	51%
Shares in issue (mn)	281.2
Diluted share (mn)	281.2
3-mon avg daily val (mn)	INR474.1/US\$5.3
52-week range	359/168
Sensex/Nifty	84,951/26,013
INR/US\$	88.6

Price Performance

%	1M	6M	12M
Absolute	-8.2	-26.5	-42.9
Relative*	-9.3	-28.8	-47.9

* To the BSE Sensex

Financial Summary					
Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
Net Sales	39,558	32,344	20,064	25,030	34,526
Sales Growth (%)	6.4	-18.2	-38.0	24.8	37.9
EBITDA	6,902	5,017	2,314	3,505	4,832
EBITDA Margin (%)	17.4	15.5	11.5	14.0	14.0
Adjusted Net Profit	4,410	3,393	1,442	2,612	3,556
Diluted EPS (INR)	15.7	12.1	5.1	9.3	12.6
Diluted EPS Growth (%)	8.7	-23.1	-57.5	81.1	36.1
ROIC (%)	15.0	8.7	3.6	6.5	8.4
ROE (%)	14.8	9.5	3.6	6.2	7.9
P/E (x)	16.6	25.5	33.7	18.6	13.7
P/B (x)	2.3	2.2	1.2	1.1	1.0
EV/EBITDA (x)	10.2	17.0	17.0	11.1	7.9
Dividend Yield (%)	0.1	0.1	0.1	0.1	0.2

Source: Company data, JM Financial. Note: Valuations as of 17/Nov/2025

JM Financial Research is also available on: Bloomberg - JMFR <GO>, FactSet, LSEG and S&P Capital IQ.

Please see Appendix I at the end of this report for Important Disclosures and Disclaimers and Research Analyst Certification.

Exhibit 1. Standalone quarterly results

INR mn	2QFY25	3QFY25	4QFY25	FY25	1QFY26	2QFY26	2QFY26E	Variance (%)	FY26E	FY27E	FY28E
Net Sales	8,560	7,079	8,512	32,344	4,792	4,930	4,250	16.0%	20,064	25,030	34,526
EBITDA	1,380	1,173	1,175	5,084	615	536	574	-6.7%	2,314	3,505	4,832
EBITDA margin (%)	16.1	16.6	13.8	15.7	12.8	10.9	13.5		11.5	14.0	14.0
Other income	145	130	185	657	150	39	160	-75.7%	361	744	822
Depreciation	226	229	223	903	150	147	170	-13.7%	614	623	764
Interest	20	31	38	130	34	46	30	54.8%	134	135	138
PBT	1,279	1,044	1,099	4,708	580	382	534	-28.6%	1,927	3,491	4,752
Tax	344	253	281	1,248	150	103	134	-23.8%	485	879	1,196
Effective tax rate (%)	26.9	24.3	25.6	26.5	25.8	26.9	25.2		25.2	25.2	25.2
Adjusted PAT	934	791	818	3,460	430	279	400	-30.2%	1,442	2,612	3,556
Extra-ordinary items	2,410	1,031	(66)	3,797	82	-	-		82	-	-
Reported PAT	3,344	1,822	752	7,257	513	279	400	-30.2%	1,525	2,612	3,556
YoY Growth (%)											
Net sales	(9.1)	(21.8)	(27.8)	(18.2)	(41.5)	(42.4)			(38.0)	24.8	37.9
EBITDA	(17.0)	(20.4)	(42.2)	(26.3)	(54.6)	(61.2)			(54.5)	51.4	37.9
Other income	189.7	116.1	27.2	101.0	(23.7)	(73.3)			(45.1)	106.3	10.4
Depreciation	(27.2)	(29.7)	(31.5)	(27.5)	(33.4)	(35.1)			(32.0)	1.6	22.5
Interest	(64.7)	(57.3)	(46.4)	(48.3)	(15.9)	127.6			3.7	0.4	2.6
PBT	(4.9)	(8.1)	(38.3)	(17.9)	(54.9)	(70.2)			(59.1)	81.1	36.1
PAT	(6.4)	(7.6)	(43.7)	(21.6)	(53.0)	(70.1)			(58.3)	81.1	36.1
Reported PAT	234.9	113.0	(62.1)	46.9	(61.7)	(91.7)			(79.0)	71.3	36.1

Source: JM Financial

Exhibit 2. Key assumptions

INR mn	FY24	FY25	FY26E	FY27E	FY28E
Order inflows	11,049	4,290	85,000	50,000	50,000
EBITDA Margins	17.4%	15.5%	11.5%	14.0%	14.0%
Equity investments#	1,930	1,625	1,700	1,720	-
Capex	728	181	350	1,000	2,000
NWC days*	163	285	320	250	175

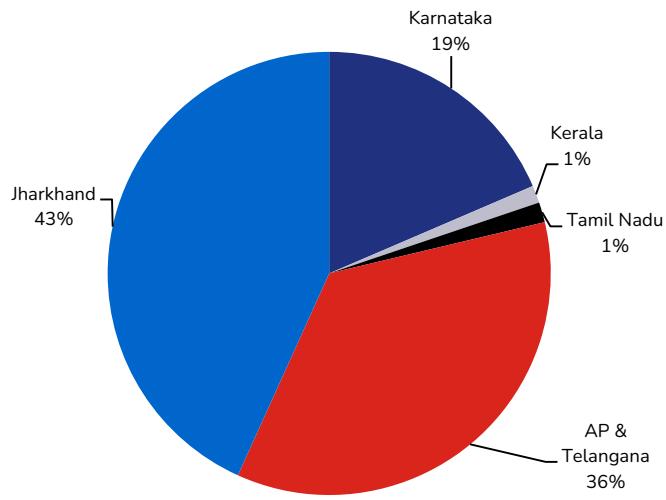
Source: Company, JM Financial *: ex of free cash and L&A to subsidiaries/JVs; #: gross investments for existing HAM portfolio

Exhibit 3. Change in estimates

INR mn	FY26E			FY27E			FY28E		
	New	Old	YoY (%)	New	Old	YoY (%)	New	Old	YoY (%)
Net Sales	20,064	25,064	(19.9)	25,030	32,975	(24.1)	34,526	39,398	(12.4)
EBITDA	2,314	3,634	(36.3)	3,505	4,948	(29.2)	4,832	5,911	(18.2)
EBITDA margin %	11.5	14.5		14.0	15.0		14.0	15.0	
Adj. PAT	1,442	2,640	(45.4)	2,612	3,479	(24.9)	3,556	4,059	(12.4)
Diluted EPS	5.1	9.4	(45.4)	9.3	12.4	(24.9)	12.6	14.4	(12.4)

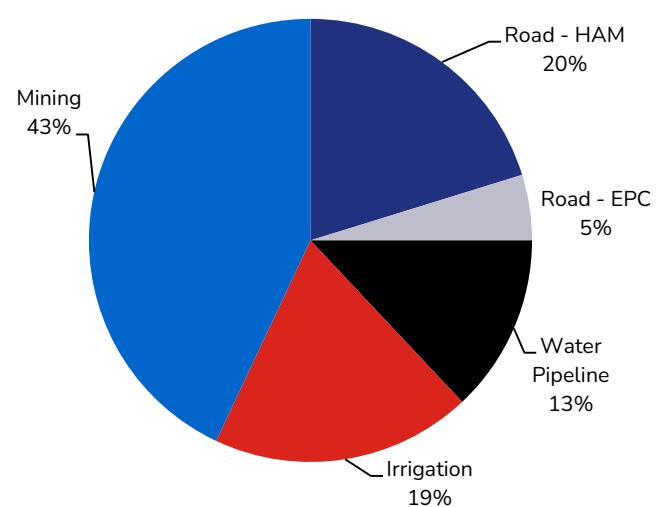
Source: Company, JM Financial

Exhibit 4. Backlog of INR 82bn* focused in five southern states



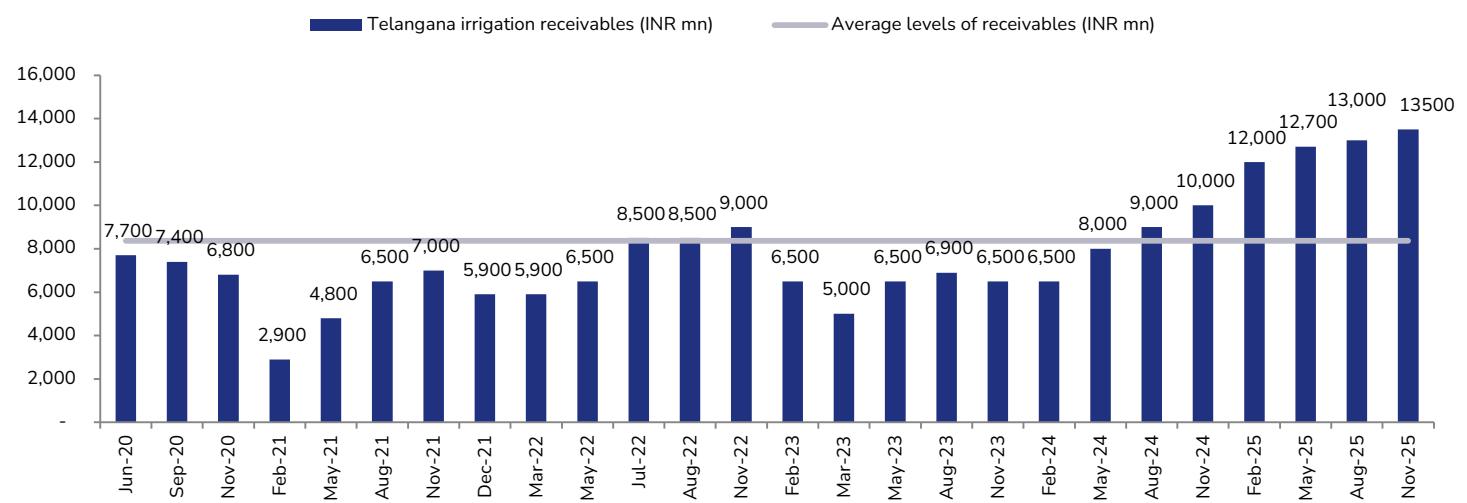
Source: Company, JM Financial; *: as on Sept-25

Exhibit 5. Mining accounts for 43% of Sept-25 order backlog



Source: Company, JM Financial

Exhibit 6. Telangana irrigation receivables stood at INR 13.5bn as on Nov'25 (TTM irrigation revenue: INR 4.7bn)



Source: Company, JM Financial

Exhibit 7. SoTP based target price of INR 165

Business	Rationale	Value	Multiple (x)	Value	Value per share (INR)
KNR Standalone	PEx Mar-27E EPS	2,612	13.0	33,960	121
Equity investment in BOT/annuity/HAM road assets					
Equity investment in HAMs		10,355	1.2	12,557	45
- 5 old HAMs	P/Bv (x) - Mar-27E	7,340	1.3	9,542	
- 3 new HAMs	P/Bv (x) - Mar-27E	2,587	1.0	2,587	
- HAMs yet to be won	P/Bv (x) - Mar-27E	428	1.0	428	
Sub-Total		10,355		12,557	45
Target price				46,517	165

Source: Company, JM Financial

Key conference call takeaways

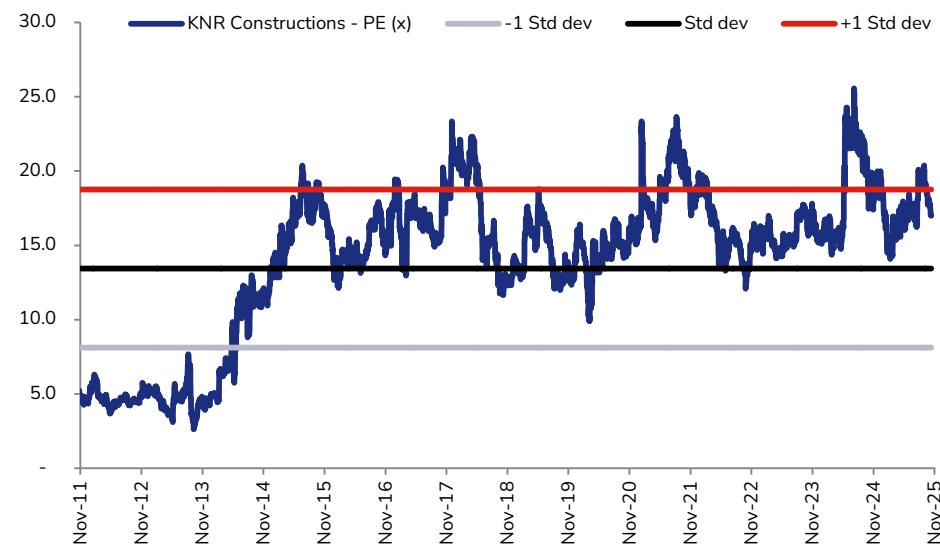
- FY26 Guidance:** Revenue: INR 20bn (earlier: INR 20-25bn); EBITDA margins: 13-14%; Order Inflow: INR 120-140bn; Capex: c. INR 300-400mn
- Irrigation receivables** rise further from INR 13bn in Aug-25 to INR 13.5bn currently.
- Water pipeline backlog** stands at INR 10.5bn. Expects rev of INR 3.5bn in FY26E and remainder in FY27E.
- Mining project execution delayed** by 9-12 months. KNR expects major revenue booking in FY28E.
- HAM updates:** Pending equity of INR 2.9bn to be invested by Mar-27. KNR targets monetization of 4 HAM assets in 2H26.
- Project updates:** KNR expects LoA for Bhandara-Gadchiroli MSRDC project in 4Q26 and does not expect cancellation of the project. This project currently is not included in backlog as LoA is awaited.

Exhibit 8. KNR's portfolio of eight HAM assets

Project (INR mn)	Awarding authority	State	Length (km)	FC/AD Status	BPC	Total Debt	Total Equity	Invested equity*	Debt drawn*
Magadi Somwarpeth	KSHIP	Karnataka	166	Received	11,445	2,570	1,233	1,233	2,187
Oddanchatram - Madathukulam	NHAI	Tamil Nadu	45	Received	9,200	3,170	805	644	2,450
Ramanattukara to Valanchery	NHAI	Kerala	40	Received	23,675	8,641	2,250	1,876	6,500
Valanchery to Kappirkkad	NHAI	Kerala	37	Received	21,400	7,753	2,092	1,734	6,250
Chittor Thatchur	NHAI	AP & TN	35	Received	10,415	3,858	962	836	3,000
Marripudi to Somavarappadu	NHAI	AP	29	Received	6,650	3,470	875	438	-
Ramnathapura Terakanambi	NHAI	Karnataka	27	Received	6,500	3,269	817	0	-
Yalachahalli to KR Nagar	NHAI	Karnataka	19	Received	6,903	3,506	895	0	-
Total of above			398			96,188	36,237	9,929	6,978
									23,137

Source: Company, JM Financial; *: as on Sept-25

Exhibit 9. 1 year forward P/E chart



Source: Company, JM Financial, Bloomberg

Financial Tables (Standalone)

Income Statement (INR mn)						Balance Sheet (INR mn)					
Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E	Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
Net Sales	39,558	32,344	20,064	25,030	34,526	Shareholders' Fund	32,257	39,450	40,945	43,503	46,985
Sales Growth	6.4%	-18.2%	-38.0%	24.8%	37.9%	Share Capital	562	562	562	562	562
Other Operating Income	0	0	0	0	0	Reserves & Surplus	31,694	38,887	40,382	42,940	46,422
Total Revenue	39,558	32,344	20,064	25,030	34,526	Preference Share Capital	0	0	0	0	0
Cost of Goods Sold/Op. Exp	30,012	24,647	15,710	19,061	26,755	Minority Interest	0	0	0	0	0
Personnel Cost	1,735	1,769	1,672	2,006	2,307	Total Loans	0	0	0	0	0
Other Expenses	909	911	368	459	633	Def. Tax Liab. / Assets (-)	-1,367	-1,276	-1,276	-1,276	-1,276
EBITDA	6,902	5,017	2,314	3,505	4,832	Total - Equity & Liab.	30,889	38,174	39,669	42,227	45,709
EBITDA Margin	17.4%	15.5%	11.5%	14.0%	14.0%	Net Fixed Assets	4,391	3,693	3,430	3,806	5,042
EBITDA Growth	-1.0%	-27.3%	-53.9%	51.4%	37.9%	Gross Fixed Assets	16,967	15,384	15,734	16,734	18,734
Depn. & Amort.	1,245	903	614	623	764	Intangible Assets	0	0	0	0	0
EBIT	5,657	4,114	1,701	2,882	4,069	Less: Depn. & Amort.	12,597	11,695	12,308	12,932	13,695
Other Income	327	657	361	744	822	Capital WIP	22	4	4	4	4
Finance Cost	251	130	134	135	138	Investments	6,620	7,862	9,562	11,709	14,104
PBT before Excep. & Forex	5,733	4,641	1,927	3,491	4,752	Current Assets	29,999	33,667	31,701	33,518	35,952
Excep. & Forex Inc/Loss(-)	528	3,797	82	0	0	Inventories	2,207	1,603	1,048	1,616	2,150
PBT	6,261	8,438	2,010	3,491	4,752	Sundry Debtors	14,059	12,762	10,444	10,286	9,648
Taxes	1,322	1,248	485	879	1,196	Cash & Bank Balances	2,346	1,436	9,162	9,700	10,196
Extraordinary Inc./Loss(-)	0	0	0	0	0	Loans & Advances	53	53	53	53	53
Assoc. Profit/Min. Int.(-)	0	0	0	0	0	Other Current Assets	11,333	17,813	10,994	11,864	13,905
Reported Net Profit	4,938	7,190	1,525	2,612	3,556	Current Liab. & Prov.	10,121	7,048	5,023	6,807	9,390
Adjusted Net Profit	4,410	3,393	1,442	2,612	3,556	Current Liabilities	2,739	3,080	1,905	2,309	3,185
Net Margin	11.1%	10.5%	7.2%	10.4%	10.3%	Provisions & Others	7,382	3,968	3,118	4,498	6,205
Diluted Share Cap. (mn)	281.2	281.2	281.2	281.2	281.2	Net Current Assets	19,878	26,619	26,678	26,712	26,563
Diluted EPS (INR)	15.7	12.1	5.1	9.3	12.6	Total - Assets	30,889	38,174	39,669	42,227	45,709
Diluted EPS Growth	8.7%	-23.1%	-57.5%	81.1%	36.1%						
Total Dividend + Tax	70	70	30	54	74						
Dividend Per Share (INR)	0.3	0.3	0.1	0.2	0.3						

Source: Company, JM Financial

Cash Flow Statement (INR mn)					
Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
Profit before Tax	6,261	8,438	2,010	3,491	4,752
Depn. & Amort.	1,245	903	614	623	764
Net Interest Exp. / Inc. (-)	251	130	134	135	138
Inc (-) / Dec in WCap.	-3,477	-7,651	7,668	503	646
Others	-4	-557	0	0	0
Taxes Paid	-1,481	-1,186	-485	-879	-1,196
Operating Cash Flow	2,794	76	9,940	3,874	5,104
Capex	-728	-181	-350	-1,000	-2,000
Free Cash Flow	2,066	-105	9,590	2,874	3,104
Inc (-) / Dec in Investments	-1,376	-673	-1,700	-2,147	-2,395
Others	-19	1	0	0	0
Investing Cash Flow	-2,123	-853	-2,050	-3,147	-4,395
Inc / Dec (-) in Capital	0	0	0	0	0
Dividend + Tax thereon	-70	-70	-30	-54	-74
Inc / Dec (-) in Loans	-3	0	0	0	0
Others	-251	-130	-134	-135	-138
Financing Cash Flow	-323	-200	-164	-189	-212
Inc / Dec (-) in Cash	348	-976	7,726	537	497
Opening Cash Balance	1,998	2,346	1,370	9,096	9,633
Closing Cash Balance	2,346	1,370	9,096	9,633	10,130

Source: Company, JM Financial

Dupont Analysis					
Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
Net Margin	11.1%	10.5%	7.2%	10.4%	10.3%
Asset Turnover (x)	1.3	0.9	0.5	0.6	0.8
Leverage Factor (x)	1.0	1.0	1.0	1.0	1.0
RoE	14.8%	9.5%	3.6%	6.2%	7.9%

Key Ratios					
Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
BV/Share (INR)	114.7	140.3	145.6	154.7	167.1
ROIC	15.0%	8.7%	3.6%	6.5%	8.4%
ROE	14.8%	9.5%	3.6%	6.2%	7.9%
Net Debt/Equity (x)	-0.1	0.0	-0.2	-0.2	-0.2
P/E (x)	16.6	25.5	33.7	18.6	13.7
P/B (x)	2.3	2.2	1.2	1.1	1.0
EV/EBITDA (x)	10.2	17.0	17.0	11.1	7.9
EV/Sales (x)	1.8	2.6	2.0	1.6	1.1
Debtor days	130	144	190	150	102
Inventory days	20	18	19	24	23
Creditor days	31	41	39	39	39

Source: Company, JM Financial

History of Recommendation and Target Price

Recommendation History

Date	Recommendation	Target Price	% Chg.
20-Jul-23	Buy	300	
17-Aug-23	Buy	300	0.0
18-Nov-23	Buy	330	10.3
5-Dec-23	Hold	275	-16.7
10-Feb-24	Hold	275	-0.2
31-May-24	Hold	305	10.9
16-Aug-24	Hold	320	5.1
13-Nov-24	Hold	320	0.0
30-May-25	Hold	240	-24.8
12-Aug-25	Hold	205	-14.6

KNR Constructors



APPENDIX I

JM Financial Institutional Securities Limited

Corporate Identity Number: U67100MH2017PLC296081

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New Rating System: Definition of ratings	
Rating	Meaning
BUY	Expected return >= 15% over the next twelve months.
ADD	Expected return >= 5% and < 15% over the next twelve months.
REDUCE	Expected return >= -10% and < 5% over the next twelve months.
SELL	Expected return < -10% over the next twelve months.

Note: For REITs (Real Estate Investment Trust) and InvIT (Infrastructure Investment Trust) total expected returns include dividends or DPU (distribution per unit)

Previous Rating System: Definition of ratings	
Rating	Meaning
BUY	Total expected returns of more than 10% for stocks with market capitalisation in excess of INR 200 billion and REITs* and more than 15% for all other stocks, over the next twelve months. Total expected return includes dividend yields.
HOLD	Price expected to move in the range of 10% downside to 10% upside from the current market price for stocks with market capitalisation in excess of INR 200 billion and REITs* and in the range of 10% downside to 15% upside from the current market price for all other stocks, over the next twelve months.
SELL	Price expected to move downwards by more than 10% from the current market price over the next twelve months.

* REITs refers to Real Estate Investment Trusts.

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