

# KNR Constructions

## Stable performance

KNR reported revenue/EBITDA/APAT at INR 8.6/1.4/0.9bn, adjusted for one-off in order to arrive at comparable numbers, (miss)/beat on our estimates by 7.7%/ 4.4%/16.7%. EBITDA margin came in at 16.1% (-154/-43bps YoY/QoQ vs. our estimate of 16.6%). KNR guided its FY25 revenue to be at INR35-36bn, with an EBITDA margin of 15-16% and Order Inflow (OI) of INR 60-80bn for FY25. KNR has not secured any order inflow in H1FY25, with Q4FY25 to have significant OI as per management's expectations. Revenue guidance is on the back of weak ordering start and lower starting order book. Given the aggressive competition, the company continues to aspire for projects from different segments like irrigation projects from states other than Telangana. On the HAM portfolio, KNR has already invested INR 5.1bn; the balance equity requirement in NHAI HAM projects is INR 4.36bn as of Sep'24, of which INR 2/1.2/1.1bn will be infused in H2FY25/26/27. KNR highlighted NHAI bid pipeline of INR 2tn and expects to win INR 50/20bn of orders from NHAI HAM/BOT. Beyond NHAI, it is looking to take INR 20bn MSRDC subcontract and INR 40bn is state order pipeline. Given a strong balance sheet and likely new order wins on the back on robust order pipeline in FY25, we maintain BUY with a TP of INR 374/sh (15x Sep-26E EPS).

- Q2FY25 financial performance:** Adjusted for one-offs in revenue, other expenses and other income (net of tax) to arrive at comparable numbers (excluding EO item) revenue stood at INR 8.6bn (-9.1%/+4.5% YoY/QoQ, a beat by 7.7%). EBITDA at INR 1.4bn (-17.0/+1.8% YoY/QoQ, a beat by 4.4%). Adjusted EBITDA margin of 16.1% (-154/-43bps YoY/QoQ); vs. our estimate of 16.6%). APAT at INR 946mn (-6.2%/+10.6% YoY/QoQ, a beat by 16.7%). KNR guided its FY25 revenue to be at INR 35-36bn, with an EBITDA margin of 15-16% amid a heavy monsoon. Moreover, KNR continues to guide an order inflow (OI) of INR 60-80bn in FY25. KNR needs both geographical and segment diversification to maintain the growth trajectory.
- Launch heavy H2FY25 to drive ordering:** In the year of tepid order inflows, KNR's executable OB as of Sep'24 stood at INR 44.1bn. Captive (HAM project) works constitute 33% of the OB whereas state/central government/other orders constitute 54/11/2%. Business segment-wise, Roads (HAM)/Roads (Non-HAM)/irrigation/pipeline account for 33/19/23/22% of the OB. The OB is geographically concentrated to Southern India, comprising of Karnataka, Kerala, Tamil Nadu (TN), Andhra Pradesh (AP) and Telangana. KNR expects execution to decline by 6-7 percent in FY25. KNR also has orders with INR 12bn apart from its existing OB for which appointed date is yet to be received. KNR is also evaluating sub-contracting/JV opportunities from Adani, Cube Highways, Navayuga for taking up projects under EPC mode.
- Strong balance sheet supported by healthy liquidity:** The gross debt/net cash stood at INR 29mn/2.4bn as of Sep'24. The cash status is aided by receipt of multiple claims INR 3.2bn in Q2FY25. At the consolidated level cash is INR 5bn. With likely realization of INR 9bn of irrigation receivables and INR 1.4bn of claims likely in 3QFY25, KNR may have net cash position in excess of INR 15bn by FY25 end. Further, NWC stood at 71/78 days as on Q2FY25/Q1FY25 respectively.

### Financial Summary (INR Mn)

Particulars	2QFY25	2QFY24	YoY (%)	1QFY25	QoQ (%)	FY24	FY25E	FY26E	FY27E
Net Sales	8,560	9,415	(9.1)	8,193	4.5	39,558	36,579	43,252	53,264
EBITDA	1,380	1,663	(17.0)	1,356	1.8	6,877	6,182	7,829	9,667
APAT	946	1,008	(6.2)	856	10.6	4,243	3,680	4,982	6,150
EPS (INR)	3.4	3.6	(6.2)	3.0	10.6	15.09	13.09	17.72	21.87
P/E (x)						21.2	24.5	18.1	14.6
EV/EBITDA (x)						12.7	14.1	11.4	8.2
RoE (%)						14.2	10.6	13.2	14.1

Source: Source: Company, HSIE Research

## BUY

CMP (as on 13 Nov 2024)	INR 308
Target Price	INR 374
NIFTY	23,559

KEY CHANGES	OLD	NEW	
Rating	BUY	BUY	
Price Target	INR 374	INR 374	
EPS Change %	FY25E	FY26E	FY27E

### KEY STOCK DATA

Bloomberg code	KNRC IN
No. of Shares (mn)	281
MCap (INR bn) / (\$ mn)	87/1,025
6m avg traded value (INR mn)	759
52 Week high / low	INR 415/237

### STOCK PERFORMANCE (%)

	3M	6M	12M
Absolute (%)	(11.4)	25.2	17.0
Relative (%)	(9.8)	18.4	(2.7)

### SHAREHOLDING PATTERN (%)

	Jun-24	Sept-24
Promoters	48.81	48.81
FIs & Local MFs	30.75	30.47
FPIs	8.18	6.66
Public & Others	12.27	14.06
Pledged Shares	-	-

Source: BSE

Pledged shares as % of total shares

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