

Suboptimal Execution; Retain HOLD
Est. Vs. Actual for Q1FY26: Revenue – **MISS**; EBITDA Margin– **MISS**; PAT– **MISS**
Change in Estimates post Q1FY26
FY26E/FY27E: Revenue: -17%/0%; EBITDA: -22%/-3%; PAT: -15%/-6%

Recommendation Rationale

- **Modest Order Book:** The company's order book stood at Rs 8,305 Cr as of 30 Jun'25, providing 12–18 months of revenue visibility. While the current order book size presents a potential risk to revenue growth, management anticipates additional order inflows of Rs 10,000–12,000 Cr in FY26, which should support a healthy pipeline going forward.
- **Revision in Revenue and Margin Guidance:** For FY26, management has guided revenue in the range of Rs 2,000–2,500 Cr, citing a lower executable order book, with EBITDA margins expected at 13–13.5%. Accordingly, we revise our revenue and EBITDA estimates downward by 17% and 22%, respectively.
- **Strong Bidding Pipeline:** Management highlighted a strong and diversified bidding pipeline, including Rs 2,500 Cr worth of projects in Tamil Nadu, Rs 2,200 Cr from MSRDC, Rs 2,000 Cr in Andhra Pradesh, and Rs 700 Cr for a major flyover in Hyderabad, along with works under the Musi Riverfront development. The company is also pursuing opportunities from NHA's Rs 3.4 Lc Cr roads and highways program and upcoming irrigation sector projects, positioning it well for sustained order inflows.

Sector Outlook: Positive
Company Outlook & Guidance: For FY26, the company anticipates revenue of Rs 2,000-2,500 Cr with EBITDA margins expected to be in the range of 13-13.5%.

Current Valuation: 15x FY27 EPS (Earlier Valuation: 15x FY26 EPS) and HAM assets at 1.2x book value.
Current TP: Rs 185/share (Earlier TP: Rs 195/share)
Recommendation: We maintain our **HOLD** recommendation on the stock.

Alternative BUY Ideas from our Sector Coverage
J Kumar Infraprojects (TP- Rs 905/share); GR Infraprojects (TP- Rs 1540/share)
Financial Performance

KNR Constructions Ltd. (KNRCL) reported revenue of Rs 483 Cr in Q1FY26, down 45% YoY. EBITDA came in at Rs 66 Cr, down 66% YoY, while PAT stood at Rs 52 Cr, down 61% YoY. EBITDA margin was 13.6% (vs our estimate of 14.3%), compared to 21.8% in Q1FY25. The prior year's revenue included an arbitration claim, while PAT reflected an exceptional gain.

Outlook

The road sector is witnessing strong momentum with a budget allocation of Rs 2.8 Tn for MoRTH, while NHA has Rs 3.4 Lc Cr worth of projects in the pipeline, offering significant opportunities for companies like KNRCL. However, delays in irrigation project execution and the absence of new order inflows to date remain concerns, potentially impacting near-term growth visibility. Sustained momentum will depend on timely project execution and securing fresh orders.

Key Financials (Standalone)

(Rs Cr)	Q1FY26	QoQ (%)	YoY (%)	Axis Est.	Variance
Net Sales	483	-43%	-45%	714	-32%
EBITDA	66	-44%	-66%	102	-35%
EBITDA Margin	13.6%	-8%	-16%	14.3%	-63bps
Net Profit	52	-32%	-61%	63	-18%
EPS (Rs)	1.8	-32%	-62%	2.2	-19%

Source: Company, Axis Research

(CMP as of 12th August, 2025)

CMP (Rs)	202
Upside/Downside (%)	-8%
High/Low (Rs)	366 / 189
Market cap (Cr)	5680
Avg. daily vol. (6m) Shrs.	14,08,799
No. of shares (Cr)	28.1

Shareholding (%)

	Dec-24	Mar-25	Jun-25
Promoter	48.8	48.8	48.8
FII's	7.0	6.9	7.1
MFs / UTI	28.3	27.4	24.1
Banks / FI's	0.0	0.0	0.0
Others	15.9	16.9	20.0

Financial & Valuations

Y/E Mar (Rs Cr)	FY25	FY26E	FY27E
Net Sales	3,359	2320	3016
EBITDA	627	324	437
Net Profit	727	218	268
EPS (Rs)	26	8	10
PER (x)	8	26	21
P/BV (x)	2	1	1
EV/EBITDA (x)	9	18	13
ROE (%)	20%	5%	6%

Change in Estimates (%)

Y/E Mar	FY26E	FY27E
Sales	-17%	0%
EBITDA	-22%	-3%
PAT	-15%	-6%

Relative Performance


Source: Ace Equity

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Valuation & Recommendation

- We maintain our HOLD rating on the stock and value the company at 15x FY27E EPS, and HAM projects at 1.2x book value to arrive at a target price of Rs 185/share. The TP implies a downside of 8% from the CMP.

Key Concall Highlights

- Order book:** As of Q1FY26, the company's order book stood at Rs 8,305 Cr, with 43% from mining, 21% from Roads-HAM, 6% from Roads-Others, 17% from irrigation, and 13% from pipeline. Within Roads-Others, 74% is from state governments, 4% from the central government, and 1% from other entities.
- Equity investments in subsidiaries:** The total equity requirement for 8 HAM projects is Rs 990 Cr, of which Rs 626 Cr was invested till 30th Jun'25. The remaining equity infusion is Rs 185 Cr in FY26 and Rs 129 Cr in FY27.
- Telangana irrigation project:** As of 30th Jun'25, receivables stood at Rs 1,200 Cr, including Rs 700 Cr in debtors and Rs 500 Cr in unbilled revenue. The company received Rs 14 Cr in Q1FY26 and is in discussions with the state government to resolve payment issues, expecting partial receipts in FY26 and the balance by Nov'26.
- Working capital days:** Working capital days rose to 169 in Q1FY26 from 93 in Q4FY25. Management guided for no major capex in FY26, with Rs 300–400 Cr planned for FY27.

Key Risks to Our Estimates and TP

- Lower project awarding and delay in appointed date may impact revenue growth projection.
- Higher input costs may impact margins

Change in Estimates

	New		Old		% Change	
	FY26E	FY27E	FY26E	FY27E	FY26E	FY27E
Sales	2,369	3,061	2,855	3,060	-17%	0%
EBITDA	324	437	414	453	-22%	-3%
PAT	218	268	255	285	-15%	-6%

Source: Company, Axis Securities Research

Result Review Q1FY26

(Rs Cr)	Quarterly Performance				
	Q1FY26	Q4FY25	Q1FY25	% Change (QoQ)	% Change (YoY)
Sales	483	851	880	-43%	-45%
Other Op. Inc	0	0	0		
Total Revenue	483	851	880	-43%	-45%
Expenditure					
Cost of material consumed	233	374	365	-38%	-36%
Subcontract expenses	23	49	35	-54%	-36%
Spreading & assortment expenses	67	194	161	-66%	-59%
Employee Cost	39	41	42	-5%	-7%
Other Expenses	57	75	85	-24%	-33%
Total Expenditure	417	733	688	-43%	-39%
EBITDA	66	118	192	-44%	-66%
	13.6%	13.8%	21.8%	-19bps	-819bps
Oth. Inc.	22	19	20	17%	11%
Interest	3	4	4	-8%	-16%
Depreciation	15	22	23	-33%	-34%
Exceptional Item	0	0	0	0%	0%
PBT	69	110	185	-37%	-63%
Tax	18	35	51	-49%	-66%
PAT	52	76	134	-32%	-61%
EPS (Rs)	1.8	2.7	4.8	-32%	-62%

Source: Company, Axis Securities Research

Financials (Standalone)

Profit & Loss

(Rs Cr)

Y/E March	FY24	FY25	FY26E	FY27E
Net sales	4091	3359	2320	3016
Other operating income	0	0	0	0
Total income	4091	3359	2320	3016
Cost of materials consumed	1660	1466	1032	1276
Contribution (%)	59.4%	56.3%	55.5%	57.7%
Other Expenses	1730	1265	964	1303
Operating Profit	701	627	324	437
	142	452	49	45
Other income	843	1,079	373	483
PBIDT	125	90	68	108
Depreciation	29	13	11	12
Interest & Fin Chg.	0	-15	0	0
Pre-tax profit	689	960	294	362
Tax provision	196	234	76	94
PAT	494	727	218	268

Source: Company, Axis Securities Research

Balance Sheet

(Rs Cr)

Y/E March	FY24	FY25	FY26E	FY27E
Total assets	4,238	4,648	4,802	5,182
Net Block	366	300	251	443
CWIP	2	0	0	0
Right to use assets	5	3	3	3
Investments	662	786	886	986
Wkg. cap. (excl cash)	1311	1097	752	979
Cash / Bank balance	235	144	499	87
Other assets	1657	2319	2411	2684
Capital employed	4,238	4,648	4,802	5,182
Equity capital	56	56	56	56
Reserves	3169	3889	4107	4375
Minority Interests	0	0	0	0
Borrowings	0	0	0	0
Other Liabilities	1012	703	640	751

Source: Company, Axis Securities Research

Cash Flow

(Rs Cr)

Y/E March	FY24	FY25	FY26E	FY27E
PBT	689	959	294	362
Depreciation	125	90	68	108
Interest Expense	21	12	11	12
Changes in Working Capital	-407	-737	201	-382
Others	8	-372	-49	-45
Tax Paid	-218	-217	-76	-94
Net Cash from Operations	218	(264)	449	(39)
Capex	-78	-20	-20	-300
Investment	-191	-68	-100	-100
Others	112	235	38	39
Net Cash from Investing	(158)	147	(82)	(361)
Borrowings	500	265	0	0
Interest Expense	-22	-12	-11	-12
Dividend paid	-7	-7	0	0
Others	-500	-265	0	0
Net Cash from Financing	(29)	(19)	(11)	(12)
Net Change in Cash	31	(136)	356	(412)
Opening cash	186	217	81	437
Closing cash	217	81	437	25

Source: Company, Axis Securities Research

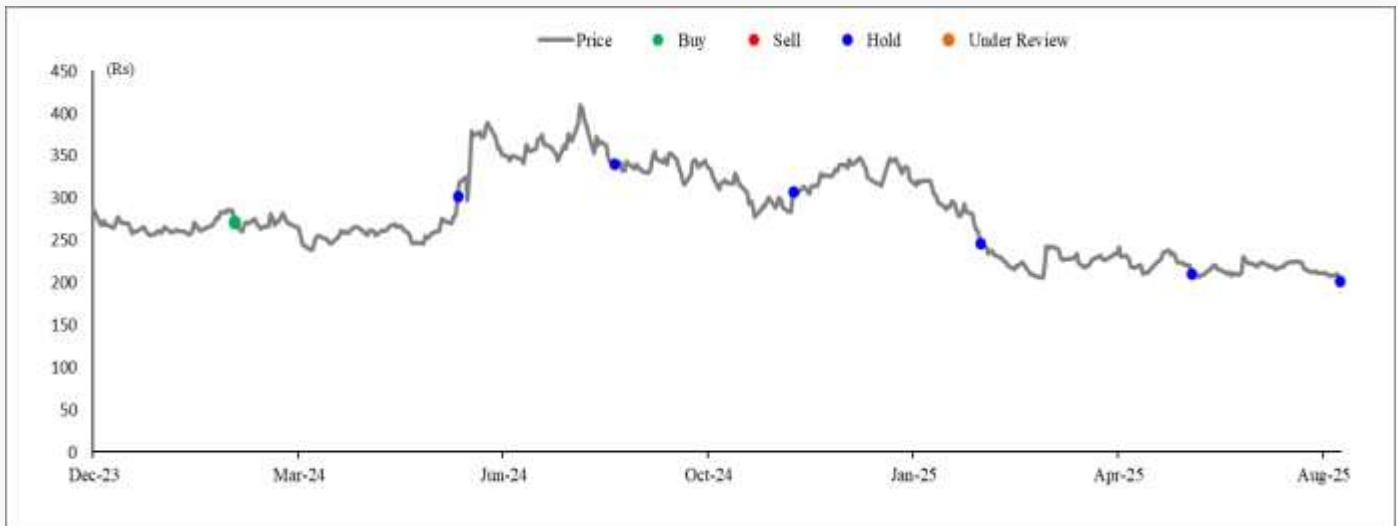
Ratio Analysis

(%)

Y/E March	FY24	FY25	FY26E	FY27E
Growth Indicator	9%	-18%	-31%	30%
Sales Growth	-3%	-11%	-48%	35%
EBITDA Growth	-1%	47%	-70%	23%
PAT Growth				
Profitability Ratios	17.1%	18.7%	14.0%	14.5%
EBITDA Margin	12.1%	21.6%	9.4%	8.9%
Adjusted net margin				
	1.26	0.85	0.56	0.68
EFFICIENCY RATIOS (x)	11.1	11.2	9.2	6.8
Total Asset Turnover	122	135	135	135
Fixed Asset Turnover	24	21	21	21
Debtor days	29	41	41	41
Inventory days	116	116	116	116
Payable days				
Cash Conversion Cycle (days)	0.00	0.00	0.00	0.00
Leverage ratios	-0.07	-0.04	-0.12	-0.02
Debt to equity	24	49	30	36
Net debt to equity				
Interest coverage	17.6	25.8	7.7	9.5
Per Share Data	115	140	148	158
Diluted EPS (Rs)	0.3	0.0	0.0	0.0
Book value per share (Rs)				
DPS (Rs)	16.6%	20.3%	5.4%	6.2%
Return Ratios	24%	27%	7%	9%
Return on equity				
Return on capital employed	14	8	26	21
Valuation Ratios	2.1	1.5	1.4	1.3
P/E	9.9	9.5	17.5	13.0
P/BV	9%	-18%		
EV/EBITDA	-3%	-11%	-23%	-22%

Source: Company, Axis Securities Research

KNR Constructions Price Chart and Recommendation History



Date	Reco	TP	Research
12-Feb-24	BUY	310	Result Update
31-May-24	HOLD	280	Result Update
19-Aug-24	HOLD	330	Result Update
14-Nov-24	HOLD	285	Result Update
17-Feb-25	HOLD	255	Result Update
02-Jun-25	HOLD	195	Result Update
13-Aug-25	HOLD	185	Result Update

Source: Axis Securities Research

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