

Result Below Expectations; Maintain HOLD

Est. Vs. Actual for Q2FY26: Revenue – MISS; EBITDA Margin – MISS; PAT – MISS

Change in Estimates post Q2FY26

FY26E/FY27E: Revenue: -6%/-10%; EBITDA:-12%/-12%; PAT: -15%/-15%

Recommendation Rationale

- **Order Book:** The company's order book stood at Rs 8,215 Cr as of 30th Sep'25, providing 12–18 months of revenue visibility. While the current order book size poses a potential risk to near-term revenue growth, management expects additional order inflows of Rs 8,000–10,000 Cr in FY26, which should help sustain a healthy execution pipeline and support growth momentum.
- **Revision in Revenue & EBITDA Guidance:** For FY26, management has guided revenue in the range of Rs 2,000–2,100 Cr, citing a lower executable order book, with EBITDA margins expected at 13–14%. Accordingly, we revise our revenue and EBITDA estimates downward by 6%/12% for FY26 and 10%/12% for FY27, respectively.
- **Strong Bidding Pipeline:** Management highlighted a strong and diversified bidding pipeline, including Rs 4,000 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 NHAI's Rs 3.5 Lc Cr roads and highways program and upcoming irrigation sector projects, positioning it well for sustained order inflows.

Sector Outlook: Cautiously Optimistic

Company Outlook & Guidance: For FY26, the company anticipates revenue of Rs 2,000–2,100 Cr, with EBITDA margins expected to be in the range of 13–14% in H2FY26. The company expects a slowdown in the awarding of road projects but anticipates the pace to pick up in Q4FY26.

Current Valuation: 14x FY27 EPS (Earlier Valuation: 15x FY26 EPS) and HAM assets at 1.2x book value.

Current TP: Rs155/share (Earlier TP: Rs 185/share)

Recommendation: We maintain our HOLD recommendation on the stock.

Alternative BUY Ideas from our Sector Coverage

J Kumar Infraprojects (TP- 775 /share); GR Infraprojects (TP- 1420 /share), HG Infra (TP- 1255/Share)

Financial Performance

KNR Constructions Ltd. (KNRCL) reported revenue of Rs 493 Cr in Q2FY26, down 44% YoY. EBITDA stood at Rs 54 Cr, down 67% YoY, while PAT came in at Rs 28 Cr, down 92% YoY. EBITDA margin was 10.9% (vs our estimate of 13.2%), compared to 18.7% in Q2FY25. The prior year's revenue included an arbitration claim, while PAT reflected an exceptional gain.

Key Financials (Standalone)

(Rs Cr)	Q2FY26	QoQ (%)	YoY (%)	Axis Est.	Variance
Net Sales	493	2%	-44%	530	-7%
EBITDA	54	-18%	-67%	70	-23%
EBITDA Margin	10.9%	35%	125%	13.2%	-227bps
Net Profit	28	-45%	-92%	44	-36%
EPS (Rs)	1.0	-46%	-92%	1.6	-37%

Source: Company, Axis Research

(CMP as of 13th November, 2025)

CMP (Rs)	170
Upside/Downside (%)	(9)
High/Low (Rs)	359/168
Market cap (Cr)	4,785
Avg. daily vol. (6m) Shrs.	14,00,000
No. of shares (Cr)	28.1

Shareholding (%)

	Mar-25	Jun-25	Sep-25
Promoter	48.8	48.8	48.8
FII's	6.9	7.1	7.5
MFs / UTI	27.4	24.1	20.6
Banks / FI's	0.0	0.0	0.0
Others	16.9	20.0	23.1

Financial & Valuations

Y/E Mar (Rs Cr)	FY25	FY26E	FY27E
Net Sales	3359	2130	2662
EBITDA	627	285	386
Net Profit	727	184	227
EPS (Rs)	26	7	8
PER (x)	7	26	21
P/BV (x)	1	1	1
EV/EBITDA (x)	8	17	12
ROE (%)	20%	5%	5%

Change in Estimates (%)

Y/E Mar	FY26E	FY27E
Sales	-6%	-10%
EBITDA	-12%	-12%
PAT	-15%	-15%

Relative Performance



Source: Ace Equity

Results Gallery

[Q1FY26](#)
[Q4FY25](#)
[Q3FY25](#)
[Q2FY25](#)

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Outlook

Despite a strong bidding pipeline, delays in project awards and lower order intake to date remain key concerns, potentially impacting the company's near-term growth visibility. Sustained momentum will depend on the timely execution of ongoing projects and the ability to secure new orders. We remain cautiously optimistic about the growth prospects of the road sector and the companies operating within it. However, faster project awarding and accelerated land acquisition could significantly improve the outlook going forward.

Valuation & Recommendation

We maintain our HOLD rating on the stock and value the company at 14x FY27E EPS, and HAM projects at 1.2x book value to arrive at a target price of Rs 155 /share. The TP implies a downside of 9% from the CMP.

Key Concall Highlights

- **Order Book:** As of Q2FY26, the company's order book stood at Rs 8,215 Cr, with 43% from mining, 25% from Roads-HAM, and 32% from irrigation. Within Roads, 80% is from state governments, 3% from the central government, and 2% from other entities. The company won two new projects worth Rs 532 Cr during the quarter, which are yet to be included in the order book. It received letters of acceptance for two EPC projects in Telangana: (1) from the Greater Hyderabad Municipal Corporation for the construction of a three-lane flyover on NS-65 at Kukatpally Y Junction, Hyderabad, with a project cost of Rs 72 Cr, and (2) for the construction of a multi-level flyover at Khajaguda Junction and IIIT Junction, along with widening and development works, with a project cost of Rs 459 Cr.
- **Equity Investments in Subsidiaries:** The total equity requirement for eight HAM projects stands at Rs 990 Cr, of which Rs 698 Cr was invested till 30th Sep'25. The remaining equity infusion is Rs 175 Cr in FY26 and Rs 117 Cr in FY27.
- **Telangana Irrigation Project:** As of 30th Sep'25, receivables stood at Rs 758 Cr and unbilled revenue at Rs 720 Cr. The company received Rs 72 Cr post Sep'25 and is in discussions with the state government to resolve payment issues.
- **Working Capital Days:** Working capital days increased to 144 days in Q2FY26 from 93 days 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 the 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	2,172	2,702	2,320	3,016	-6%	-10%
EBITDA	285	386	324	437	-12%	-12%
PAT	184	227	218	268	-15%	-15%

Source: Company, Axis Securities Research

Result Review Q2FY26

(Rs Cr)	Quarterly Performance				
	Q2FY26	Q1FY26	Q2FY25	% Change (QoQ)	% Change (YoY)
Sales	493	483	884	2%	-44%
Other Op. Inc	0	0	0		
Total Revenue	493	483	884	2%	-44%
Expenditure					
Cost of material consumed	166	233	388	-29%	-57%
Subcontract expenses	3	23	21	-88%	-87%
Spreading & assortment expenses	174	67	185	160%	-6%
Employee Cost	46	39	53	19%	-12%
Other Expenses	50	57	72	-12%	-30%
Total Expenditure	439	417	719	5%	-39%
	54	66	165	-18%	-67%
EBITDA	10.9%	13.6%	18.7%	-270bps	-772bps
	4	22	297	-82%	-99%
Oth. Inc.	5	3	2	35%	125%
Interest	15	15	23	-2%	-35%
Depreciation	0	0	15	0%	0%
Exceptional Item	39	69	422	-44%	-91%
PBT	10	18	88	-42%	-88%
Tax	28	52	334	-45%	-92%
PAT	1.0	1.8	11.9	-46%	-92%
EPS (Rs)	493	483	884	2%	-44%

Source: Company, Axis Securities Research

Financials (Standalone)

Profit & Loss

(Rs Cr)

Y/E March	FY24	FY25	FY26E	FY27E
Net sales	4091	3359	2130	2662
Other operating income	0	0	0	0
Total income	4091	3359	2130	2662
Cost of materials consumed	1660	1466	910	1126
Contribution (%)	59.4%	56.3%	57.3%	57.7%
Other Expenses	1730	1265	935	1150
Operating Profit	701	627	285	386
	142	452	43	40
Other income	843	1,079	328	426
PBIDT	125	90	66	108
Depreciation	29	13	13	11
Interest & Fin Chg.	0	-15	0	0
Pre-tax profit	689	960	249	307
Tax provision	196	234	64	80
PAT	494	727	184	227

Source: Company, Axis Securities Research

Balance Sheet

(Rs Cr)

Y/E March	FY24	FY25	FY26E	FY27E
Total assets	4,238	4,648	4,752	5,073
Net Block	366	300	254	445
CWIP	2	0	0	0
Right to use assets	5	3	3	3
Investments	662	786	886	986
Wkg. cap. (excl cash)	1311	1097	690	864
Cash / Bank balance	235	144	526	125
Other assets	1657	2319	2394	2650
Capital employed	4,238	4,648	4,752	5,073
Equity capital	56	56	56	56
Reserves	3169	3889	4073	4300
Minority Interests	0	0	0	0
Borrowings	0	0	0	0
Other Liabilities	1012	703	622	717

Source: Company, Axis Securities Research

Cash Flow

(Rs Cr)

Y/E March	FY24	FY25	FY26E	FY27E
PBT	689	959	249	307
Depreciation	125	90	66	108
Interest Expense	21	12	13	11
Changes in Working Capital	-407	-737	263	-330
Others	8	-372	-43	-40
Tax Paid	-218	-217	-64	-80
Net Cash from Operations	218	(264)	484	(23)
Capex	-78	-20	-20	-300
Investment	-191	-68	-100	-100
Others	112	235	31	34
Net Cash from Investing	(158)	147	(89)	(366)
Borrowings	500	265	0	0
Interest Expense	-22	-12	-13	-11
Dividend paid	-7	-7	0	0
Others	-500	-265	0	0
Net Cash from Financing	(29)	(19)	(13)	(11)
Net Change in Cash	31	(136)	382	(400)
Opening cash	186	217	81	463
Closing cash	217	81	463	63

Source: Company, Axis Securities Research

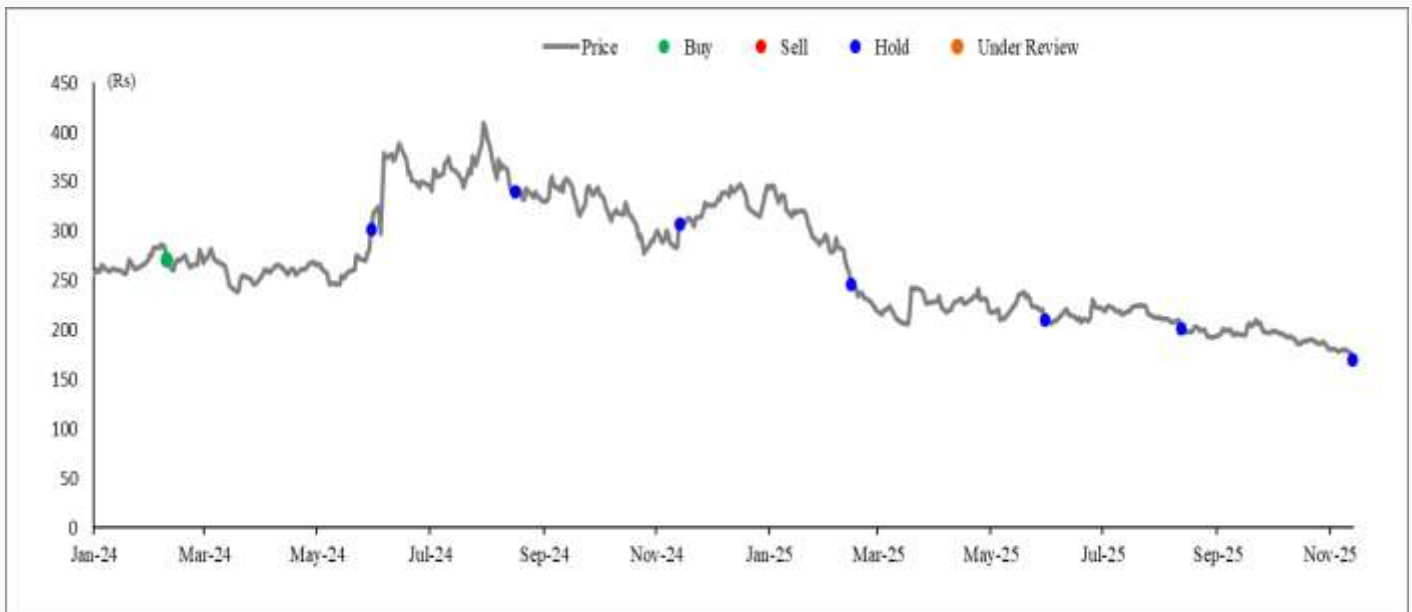
Ratio Analysis

(%)

Y/E March	FY24	FY25	FY26E	FY27E
Growth Indicator				
Sales Growth	9%	-18%	-37%	25%
EBITDA Growth	-3%	-11%	-54%	35%
PAT Growth	-1%	47%	-75%	23%
Profitability Ratios				
EBITDA Margin	17.1%	18.7%	13.4%	14.5%
Adjusted net margin	12.1%	21.6%	8.6%	8.5%
EFFICIENCY RATIOS (x)				
Total Asset Turnover	1.26	0.85	0.51	0.61
Fixed Asset Turnover	11.1	11.2	8.4	6.0
Debtor days	122	135	135	135
Inventory days	24	21	21	21
Payable days	29	41	41	41
Cash Conversion Cycle (days)	116	116	116	116
Leverage ratios				
Debt to equity	0.00	0.00	0.00	0.00
Net debt to equity	-0.07	-0.04	-0.13	-0.03
Interest coverage	24	49	22	36
Per Share Data				
Diluted EPS (Rs)	17.6	25.8	6.5	8.1
Book value per share (Rs)	115	140	147	155
DPS (Rs)	0.3	0.0	0.0	0.0
Return Ratios				
Return on equity	16.6%	20.3%	4.6%	5.4%
Return on capital employed	24%	27%	6%	7%
Valuation Ratios				
P/E	14	7	26	21
P/BV	2.1	1.2	1.2	1.1
EV/EBITDA	9.9	7.6	16.8	12.4

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
14-Nov-25	HOLD	155	Result Update

Source: Axis Securities Research

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