

KNR Constructions

BUY

Weak Execution and Revenue Miss

Summary

KNR Constructions reported a sharp slowdown in execution, with consolidated revenue declining 38% YoY to Rs6bn and standalone revenue falling 45% YoY to Rs5bn, as most legacy projects neared completion and newly awarded contracts were still ramping up. Consolidated EBITDA stood at Rs2bn, translating to a strong margin of 29.9% due to segment mix effects, while standalone EBITDA fell 66% YoY to Rs0.6bn, with margins compressing to 13.6%. Consolidated PAT came in at Rs1bn (PAT margin 20.1%), down 26% YoY, while standalone PAT declined 62% YoY to Rs0.5bn (margin 10.6%). The divergence between consolidated and standalone profitability reflected contributions from high-margin associate/JV projects and the absence of certain costs at the consolidated level. We revise our rating to BUY on the stock with a revised TP at Rs 244 value at 10x FY27E EPS.

Key Highlights and Investment Rationale

- **Order book:** KNRC order book stood at Rs8bn, with a heavy skew towards mining (43%), followed by roads/HAM (27%), irrigation (17%), and pipelines (13%). The mix reflects the recent Rs48bn NTPC coal mining win, which, while boosting order book scale, will contribute minimally to FY26 revenue due to its long development phase. HAM projects are at varied completion stages, with Rs6bn of the Rs10bn revised equity requirement already infused and the balance to be invested over FY26–27.
- **Guidance:** Management revised FY26 revenue guidance down to Rs20–25bn from the earlier Rs25–30bn. Order inflow ambitions remain high at Rs100–120bn (ex-mining) by year-end. Blended EBITDA margins are guided at 13–13.5%, with potential 100–200 bps dilution from lower-margin mining.

TP **Rs244**

CMP **Rs202**

Potential upside/downside 21%

Previous Rating HOLD

Price Performance (%)

	-1m	-3m	-12m
Absolute	(6.5)	(8.7)	(44.1)
Rel to Sensex	(3.7)	(6.1)	(44.9)

V/s Consensus

EPS (Rs)	FY26E	FY27E
IDBI Capital	22	21
Consensus	19	21
% difference	17.6	-

Key Stock Data

Bloomberg/Reuters	KNRC IN / KNRL.BO
Sector	Construction
Shares o/s (mn)	281
Market cap. (Rs mn)	56,795
3-m daily average value (Rs mn)	5.4
52-week high / low	Rs365 / 189
Sensex / Nifty	80,236 / 24,487

Shareholding Pattern (%)

Promoters	48.8
FII	7.1
DII	25.0
Public	19.2

Financial snapshot

(Rs mn)

Year	FY23	FY24	FY25	FY26E	FY27E
Revenue	37,438	40,910	34,740	35,435	34,943
Change (yoy, %)	14	9	(15)	2	2
EBITDA	7,217	7,010	5,211	5,492	5,591
Change (yoy, %)	6	(3)	(26)	5	5
EBITDA Margin(%)	19.3	17.1	15.0	15.5	16.0
Adj.PAT	3,609	4,938	6,012	6,324	5,932
EPS (Rs)	13	18	21	22	21
Change (yoy, %)	0.1	37	22	5	(2)
PE(x)	24.0	18	14	14	15
Dividend Yield (%)	0.2	0	0	0	0
EV/EBITDA (x)	11.3	12.0	14.8	13.2	12.3
RoE (%)	14.5	17	17	15	13
RoCE (%)	23	19	11	10	9

Source: IDBI Capital Research

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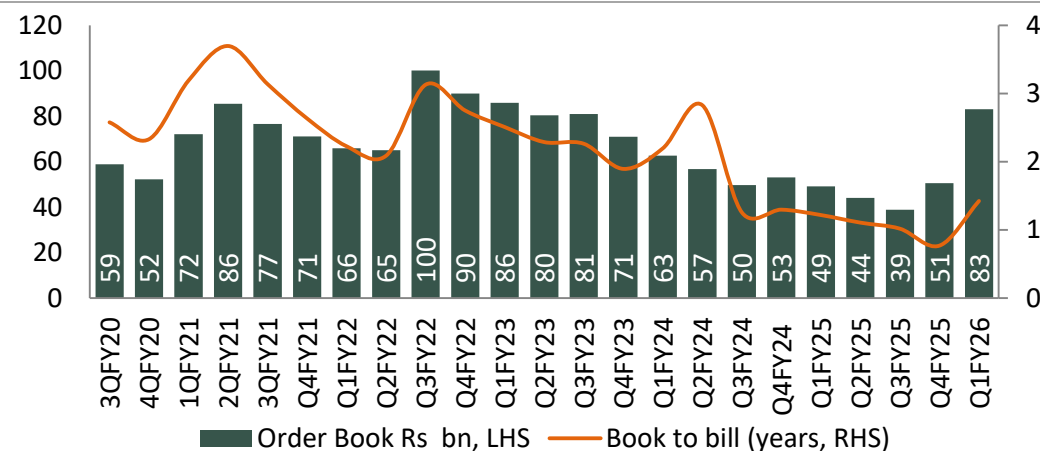
Conference call takeaways

- Q1 FY26 saw muted execution with standalone revenue at Rs5bn and consolidated revenue at Rs6bn, impacted by near-completion of most ongoing projects, slow ramp-up of new HAM/EPC contracts, and heavy monsoons in key geographies.
- Order book stood at Rs83bn as of Jun'25, comprising 27% roads, 17% irrigation, 13% pipelines, and 43% mining; 79% from third-party clients with state government orders forming the majority; execution visibility of 1.5–2 years excluding mining.
- Entered mining segment with Rs48bn NTPC coal mining contract (KNR stake 74%) to extract 34.5 mt over 5 years plus one-year development; FY26 revenue impact minimal (Rs90 cr) with Rs7bn annual contribution thereafter.
- Management targets Rs100–Rs120bn fresh order inflows in FY26 (ex-mining), focusing on NHAI, irrigation, mining, and state EPC projects; currently L1 in Rs7bn Telangana flyover and awaiting clearance for Rs22bn MSRDC project.
- Working capital cycle stretched to 169 days (vs 93 in Mar'25) due to Rs13bn pending irrigation receivables from Telangana; management expects Rs12bn collection by Mar'26 after recent government assurances.
- Standalone EBITDA margin at 13.6%, consolidated margin at 29.9% on segment mix; FY26 blended margin guided at 13–14%, with possible 1–2 ppt dilution from lower-margin mining operations.
- FY26 revenue guidance revised to Rs20–25bn (from Rs25–Rs30bn) due to delayed starts and limited executable order book; management expects strong rebound in FY27 on full execution of new orders.
- Capex in FY26 limited to Rs1bn as mining development uses existing assets; FY27 to see Rs3–4bn spend on heavy mining equipment.
- HAM asset monetization in advanced stages with SPA signing expected within a month; proceeds to be used for balance sheet strengthening and diversification into metro, railways, solar, and BOT toll assets NHAI awards slowed (166 km in Q1 FY26) due to land acquisition-linked bidding norms, though pipeline remains strong at Rs3.4 tn (6,376 km); acceleration expected if acquisition norms are eased

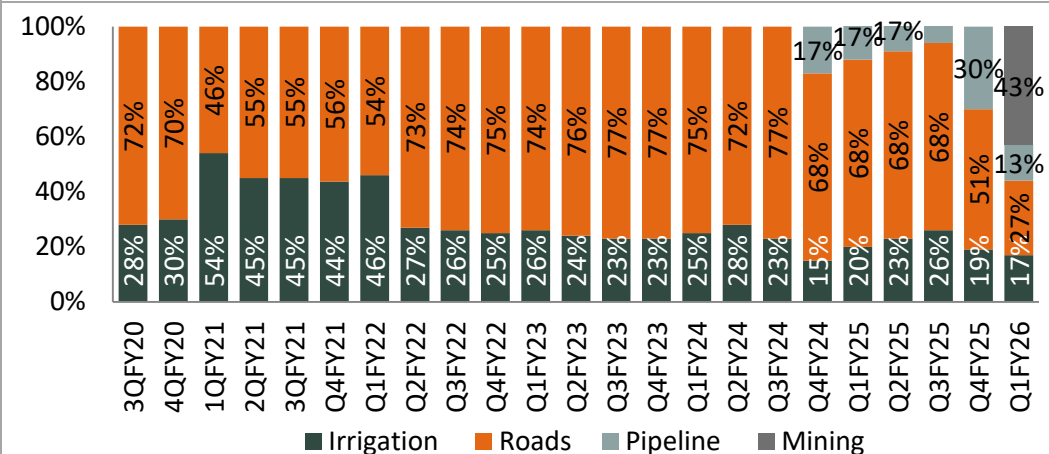
Exhibit 1: Financial snapshot (Rs mn)

Particulars	Q1FY26	Q4FY25	QoQ Chg (%)	Q1FY25	YoY Chg (%)
Net Sales	8,512	7,435	14	8,802	-3
EBIDTA	1,175	1,516	-22	1,920	-39
<i>EBITDA margin (%)</i>	<i>20.4</i>	<i>18.6</i>	<i>180bps</i>	<i>16.3</i>	<i>410bps</i>
Other income	185	1,166	-84	196	-6
PBIDT	1,360	2,681	-49	2,116	-36
Depreciation	223	229	-2	225	-1
Interest	38	31	22	41	-7
Pre-tax profit	1,100	2,422	-55	1,851	-41
Tax	348	600	-42	512	-32
Profit after tax	752	1,822	-59	1,339	-44
Adj Profit after tax	752	1,822	-59	1,339	-44

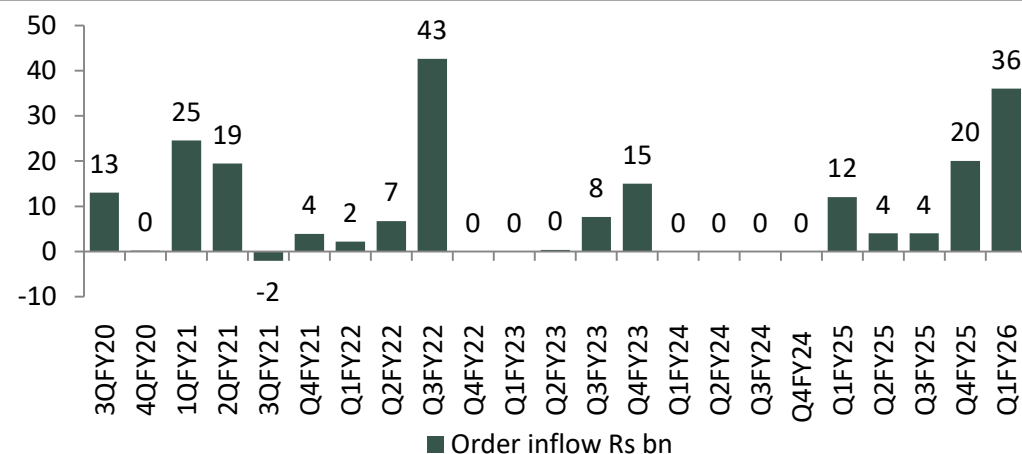
Source: Company; IDBI Capital Research

Exhibit 2: Book to bill at ~1.4x

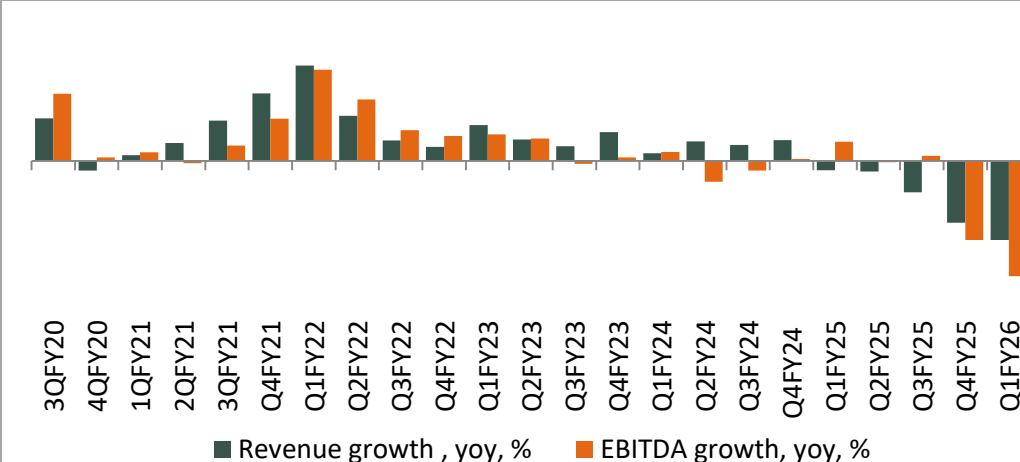
Source : Company

Exhibit 3: Order book composition : Pipeline orders at 13%

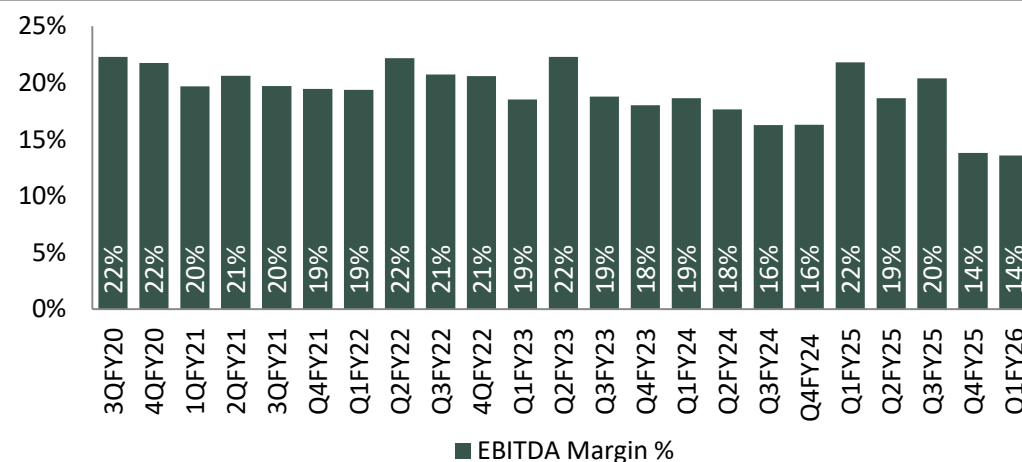
Source : Company

Exhibit 4: Order inflow trajectory

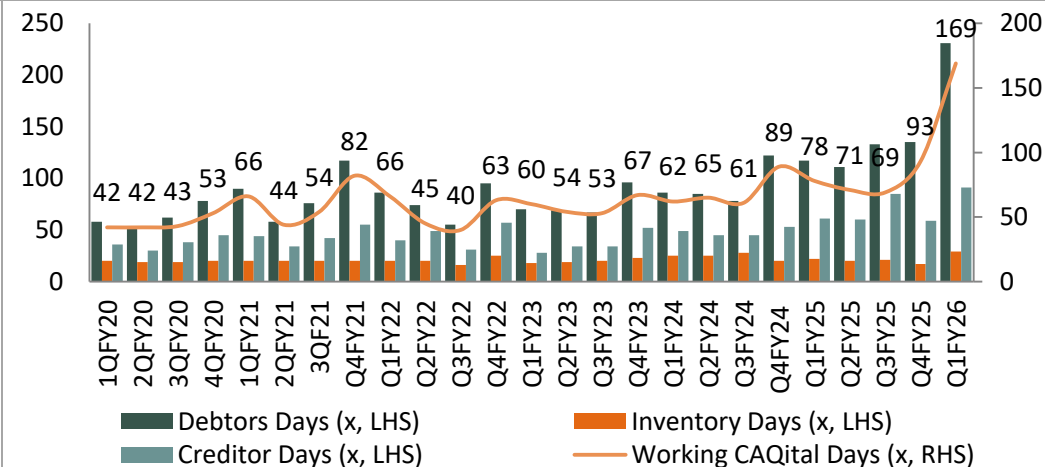
Source : Company

Exhibit 5: Q1FY26 Revenue down by 45% YoY & EBITDA down 66% YoY

Source : Company

Exhibit 6: Reported EBITDA margin at 14%

Source : Company

Exhibit 7: Q1FY26 Working Capital days decreased to 169 days

Source Company

Financial Summary

Profit & Loss Account

(Rs mn)

Year-end: March	FY22	FY23	FY24	FY25	FY26E	FY27E
Net sales	32,726	37,438	40,910	34,740	34,258	34,943
<i>Change (yoy, %)</i>	21	14	9	(15)	2	2
Operating expenses	(25,949)	(30,221)	(33,900)	(29,529)	(28,948)	(29,352)
EBITDA	6,777	7,217	7,010	5,211	5,310	5,591
<i>Change (yoy, %)</i>	26	6	(3)	(26)	5	5
<i>Margin (%)</i>	20.7	19.3	17.1	15.0	15.5	16.0
Depreciation	(1,345)	(1,474)	(1,245)	(1,307)	(1,370)	(1,458)
EBIT	5,432	5,743	5,765	3,904	3,941	4,133
Interest paid	(274)	(393)	(293)	(193)	(210)	(210)
Other income	417	321	1,422	4,681	4,742	4,979
Pre-tax profit	5,788	7,051	6,893	8,391	8,473	8,902
Tax	(1,970)	(2,062)	(1,955)	(2,380)	(2,403)	(2,970)
<i>Effective tax rate (%)</i>	34.0	29.3	28.4	28.4	28.4	33.4
Minority Interest	-	-	-	-	-	-
Net profit	3,818	4,988	4,938	6,012	6,070	5,932
Exceptional items	214	1,380	-	-	-	-
Adjusted net profit	3,604	3,609	4,938	6,012	6,070	5,932
<i>Change (yoy, %)</i>	41	0	37	22	4	(2)
EPS	12.8	12.8	17.6	21.4	21.6	21.1
Dividend per sh	0.4	0.6	0.5	0.7	0.7	0.7
<i>Dividend Payout (%)</i>	4.0	5	4	4	4	4

Balance Sheet

(Rs mn)

Year-end: March	FY22	FY23	FY24	FY25	FY26E	FY27E
Shareholders' funds	22,420	27,343	32,257	38,043	43,697	49,407
Share capital	562	562	562	562	562	562
Reserves & surplus	21,857	26,780	31,694	37,480	43,134	48,844
Total Debt	64	57	-	-	-	-
Other liabilities	206	228	216	216	216	216
Curr Liab & prov	10,605	9,369	9,905	9,519	9,723	10,076
Current liabilities	10,365	9,223	9,825	9,435	9,635	9,983
Provisions	240	146	80	84	88	93
Total liabilities	10,875	9,653	10,121	9,734	9,938	10,291
Total equity & liabilities	33,295	36,996	42,378	47,777	53,635	59,698
Net fixed assets	5,102	4,838	4,391	4,037	3,917	3,709
Investments	3,697	2,252	6,627	9,227	10,727	12,527
Other non-curr assets	2,953	2,540	2,775	2,845	2,919	2,997
Current assets	21,542	27,367	28,584	31,668	36,071	40,465
Inventories	2,270	2,341	2,207	1,923	1,885	1,911
Sundry Debtors	8,494	9,834	13,642	11,585	11,424	11,653
Cash and Bank	3,147	5,268	2,346	9,339	14,063	18,028
Other Curr Assets	7,631	9,924	10,389	8,822	8,700	8,874
Total assets	33,295	36,996	42,378	47,777	53,635	59,698

Cash Flow Statement

(Rs mn)

Year-end: March	FY22	FY23	FY24	FY25	FY26E	FY27E
Pre-tax profit	6,059	7,413	7,103	8,585	8,683	9,112
Depreciation	1,346	1,474	1,245	1,307	1,370	1,458
Tax paid	(1,826)	(2,117)	(2,177)	(2,380)	(2,403)	(2,970)
Chg in working capital	(2,019)	(6,625)	(2,872)	3,523	(82)	(76)
Other operating activities	(127)	(17)	(1,121)	(4,681)	(4,742)	(4,979)
Cash flow from operations (a)	3,432	129	2,178	6,354	2,825	2,545
Capital expenditure	(2,939)	(516)	(728)	(500)	(1,250)	(1,250)
Chg in investments	296	980	(1,950)	(2,600)	(1,500)	(1,800)
Other investing activities	(114)	367	1,100	4,611	4,668	4,902
Cash flow from investing (b)	(2,757)	830	(1,578)	1,511	1,918	1,852
Equity raised/(repaid)	-	-	-	-	-	-
Debt raised/(repaid)	(7)	3	(3)	-	-	-
Dividend (incl. tax)	(70)	(70)	(70)	(225)	(227)	(222)
Chg in minorities	-	-	-	-	-	-
Other financing activities	(312)	(402)	(217)	(193)	(210)	(210)
Cash flow from financing (c)	(390)	(470)	(290)	(418)	(437)	(432)
Net chg in cash (a+b+c)	285	489	310	7,446	4,306	3,965

Financial Ratios

Year-end: March	FY22	FY23	FY24	FY25	FY26E	FY27E
Book Value (Rs)	80	97	115	135	155	176
Adj EPS (Rs)	12.8	12.8	17.6	21.4	21.6	21.1
Adj EPS growth (%)	41	0	37	22	4	-2
EBITDA margin (%)	20.7	19.3	17.1	15.0	15.5	16.0
Pre-tax margin (%)	17.7	18.8	16.9	24.2	24.7	25.5
Net Debt/Equity (x)	-0.1	-0.2	-0.1	-0.2	-0.3	-0.4
ROCE (%)	26	23	19	11	10	9
ROE (%)	18	15	17	17	15	13

DuPont Analysis

Asset turnover (x)	1.0	1.1	1.0	0.8	0.7	0.6
Leverage factor (x)	1.5	1.4	1.3	1.3	1.2	1.2
Net margin (%)	11.0	9.6	12.1	17.3	17.7	17.0

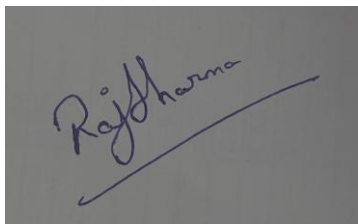
Working Capital & Liquidity ratio

Inventory days	25	23	20	20	20	20
Receivable days	95	96	122	122	122	122
Payable days	41	45	29	29	29	29

Valuations

Year-end: March	FY22	FY23	FY24	FY25	FY26E	FY27E
PER (x)	24.0	24.0	17.5	14.4	14.3	14.6
Price/Book value (x)	3.9	3.2	2.7	2.3	2.0	1.8
EV/Net sales (x)	2.6	2.2	2.1	2.2	2.1	2.0
EV/EBITDA (x)	12.3	11.3	12.0	14.8	13.7	12.3
Dividend Yield (%)	0.1	0.2	0.2	0.2	0.2	0.2

Source: Company; IDBI Capital Research



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Key to Ratings Stocks:**BUY:** 15%+; **HOLD:** -5% to 15%; **SELL:** -5% and below.**IDBI Capital Markets & Securities Ltd.****Equity Research Desk**

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