

13 August 2025

India | Equity Research | Results Update

KNR Constructions

Construction

Tepid execution to continue through the year

KNR Constructions (KNR) reported a revenue of INR 4.8bn in Q1FY26, down to a five-year trough. The lukewarm execution was primarily rooted in a smaller executable order book (OB). KNR has failed to grab any meaningful orders in the last two years, resulting in the weakened OB. Order inflow (OI) over the last two years has been tepid at ~INR 51bn vs. INR 100bn over FY21–22. As a result, its current executable OB stands weak at INR 48bn (excludes mining project of INR 35bn – to start from FY27). In light of this weakness, we cut our earnings. It has recently received appointed date for 2 HAM projects, which would instil some vim in execution, but KNR meeting its OI guidance of INR 100–120bn remains critical to see any upside. We maintain **SELL** at a revised TP of INR 163 (earlier INR 178).

Execution disappoints

KNR reported revenue of INR 4.8bn (-41% YoY). Execution was sub-par as four of its seven HAM projects have crossed the 90% completion mark. Additionally, execution on irrigation projects awarded in FY24 has not commenced. Thus, EBITDA was INR 656bn (-52% YoY) with a margin of 13.6% (-300bps YoY) and profits were INR 513mn (-44% YoY).

Remainder of the year to mirror Q1

We expect the execution for FY26 to be muted to the lack of executable orders (INR 48bn; 1.6x book-to-bill ratio). KNR expects additional revenue of INR 8–9bn (+INR 5bn in unbilled revenues) from irrigation and pipeline projects in FY26. In light of this, KNR has cut its revenue guidance to INR 20–25bn (vs. INR 25–30bn earlier) and margin guidance by 100–200bps (13–14% earlier).

Working capital deteriorates

Working capital days at end-Q1FY26 were 169 days (vs. 93 previously). The sharp increase is attributed to high trade receivables of INR 20bn (vs. INR 11bn QoQ) – INR 12bn from roads and INR 8bn from irrigation. Additionally, unbilled revenues were INR 10bn (INR 5bn from irrigation projects).

Earning cut; maintain SELL at a revised TP of INR 163

We cut our FY26E earnings by 28% due to the bleak execution outlook. We maintain **SELL** with a revised TP of INR 163 (INR 178 earlier).

Financial Summary

Y/E Mar-31 (INR mn)	FY24A	FY25A	FY26E	FY27E
Net Revenue	40,591	32,977	28,031	35,599
EBITDA	6,691	5,694	3,506	5,139
EBITDA Margin (%)	0.2	0.2	0.1	0.1
Net Profit	4,700	7,042	2,963	4,080
EPS (INR)	16.7	25.0	10.5	14.5
EPS % Chg YoY	0.1	0.5	(0.6)	0.4
P/E (x)	12.1	8.1	19.2	13.9
EV/EBITDA (x)	8.1	9.4	10.3	6.7
RoCE (%)	0.2	0.2	0.1	0.1
RoE (%)	0.2	0.2	0.1	0.1

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Market Data

Market Cap (INR)	57bn
Market Cap (USD)	647mn
Bloomberg Code	KNRC IN Equity
Reuters Code	KNRL.BO
52-week Range (INR)	368 /189
Free Float (%)	51.0
ADTV-3M (mn) (USD)	4.2

Price Performance (%)	3m	6m	12m
Absolute	(8.8)	(23.5)	(44.1)
Relative to Sensex	(6.1)	(28.8)	(44.9)

ESG Score	2023	2024	Change
ESG score	65.4	66.4	1.0
Environment	47.5	50.2	2.7
Social	68.1	67.9	(0.2)
Governance	75.3	78.1	2.8

Note - Score ranges from 0 - 100 with a higher score indicating higher ESG disclosures.

Source: SES ESG, I-sec research

Earnings Revisions (%)	FY26E	FY27E
Revenue	(17)	0
EBITDA	(30)	0
EPS	(28)	(1)

Previous Reports

01-06-2025: [Q4FY25 results review](#)

25-03-2025: [Initiating Coverage](#)

Exhibit 1: Financial highlights (INR mn)

INR mn	Q1FY25	Q2FY25	Q3FY25	Q4FY25	Q1FY26	QoQ (%)	YoY (%)	FY24	FY25	YoY %
Net Sales	8,193	8,838	7,435	8,512	4,833	(43)	(41)	40,591	32,977	(19)
EBITDA	1,355	1,648	1,516	1,175	656	(44)	(52)	6,691	5,694	(15)
OPM(%)	16.5	18.6	20.4	13.8	13.6	-23 bps	-297 bps	16.5	17.3	-78 bps
Other Income	196	2,970	1,166	185	217	17	11	1,422	4,517	218
Interest	41	20	31	38	34	(9)	(16)	293	130	(56)
Depreciation	225	226	229	223	150	(33)	(33)	1,245	903	(27)
PBT	1,285	4,371	2,422	1,099	689	(37)	(46)	6,575	9,179	40
Taxes	370	877	608	281	177	(37)	(52)	1,875	2,136	14
PAT	916	3,494	1,814	818	513	(37)	(44)	4,700	7,042	50
Reported PAT	916	3,344	1,822	752	513	(32)	(44)	4,938	6,834	38
Order book details										
Order Book	49,215	44,060	38,884	50,518	83,050	64	69	53,048	50,518	(5)
Book to Bill Ratio	1.2	1.1	1.0	1.5	2.8			1.3	1.5	-

Source: I-Sec research, Company data

Q1FY26 conference call highlights**OI**

- OI for the quarter was INR 37bn, of which INR 35.5bn is attributed to the single mining order from NTPC ([details below](#))
- KNR has stated that OI was lower due the increasing competitive intensity in road infrastructure projects
- The company expects incremental OI of INR 100-120bn in FY26
- The broad breakup of the expected orders is: INR 25bn from Tamil Nadu, INR 22bn from MSRDC, INR 20bn from Andhra Pradesh and INR 7bn from GHMC
- It also expects irrigation projects to be up for bidding in Madhya Pradesh, Rajasthan and Bihar in FY26

OB

- OB was INR 83bn (INR 47bn ex-Banhardih mining order) vs. INR 49bn YoY
- Book-to-bill ratio was 1.6x

Banhardih Coal Mining Block

- KNR (in a JV with Harsha Constructions) won a mining contract worth INR 48bn
- KNR hold 74% in the above-mentioned JV
- Thus, KNR's share of the order is INR 35.5bn
- The company expects a capex of INR 3-4bn for this project (INR 20mn of this capex was incurred in Q1FY26)
- KNR, through this project, expects a revenue recognition of INR 900mn in FY26 and then INR 7bn p.a. from FY27 for a period of 5 years

FY26 guidance

- Revenue guidance of INR 20-25bn (earlier INR 25-30bn)
- The guidance excludes the MSRDC order for which LoA is expected to be received in a couple of months
- Margin guidance cut by 100-200bps from 13-14%

- OI guidance of INR 135-155bn (vs. OI of INR 31bn in FY25)
- Capex guidance of INR 3-4bn in FY26

Other highlights

- KNR has invested INR 6.3bn in equity of the INR 9.9bn required for their HAM projects
- The remaining INR 1.8bn/INR 1.3bn are expected to be added in FY26/FY27
- KNR hopes to execute 50% of its pipeline projects (orders of ~INR 10bn) in FY26
- The balance of these pipeline projects is to be completed by Nov'25
- Further, KNR received the appointed date for the Mysore to Kushalnagara (Package IV) and Mysore to Kushalnagara (Package V) projects in Apr'25
- The cumulative bid project cost of the two projects stands at INR 13bn

Valuation and outlook

We believe KNR's dwindling OB is a key concern – posing substantial revenue visibility risk. Its OB of 1.5x sales is one of the lowest in the industry. Given the delay in receipt of appointed dates for some of its projects, we believe that even if substantial OI is accrued over the next few quarters, revenue for FY26E would still be weak. The company has signed MoUs with NCC and Cube Highways to execute metro and BOT road projects, which should aid in OB accretion. Given the competition and need to build its OB, there could be pressure on margins going forward. As a result, we reiterate our **SELL** rating on KNR with revised TP of INR 163 (earlier INR 178), valuing EPC earnings of FY27E at 8x (earlier 9x).

Risks: 1) Increased OI; and 2) pickup in execution of pipeline and irrigation projects

Exhibit 2: Valuation

Particulars	Rationale	INR mn	Multiple (x)	Value (INR mn)	Value per share (INR)
EPC	8x FY27E earnings	4,080	8.0	32,638	116
BOT	1.2x Equity Invested	1,019	1.2	1,223	4
HAM	1.2x Equity Invested	9,915	1.2	11,898	42
Target price (INR)				49,971	163
O/s shares					281

Source: I-Sec research, Company data

Exhibit 3: Earnings revision (INR mn)

Particulars	FY26E			FY27E		
	New	Old	Change (%)	New	Old	Change (%)
Revenue	28,031	33,967	-17%	35,599	35,665	0%
EBITDA	3,506	5,000	-30%	5,139	5,153	0%
PAT	2,963	4,079	-28%	4,080	4,094	-1%

Source: I-Sec research, Company data

Exhibit 4: Shareholding pattern

%	Dec'24	Mar'25	Jun'25
Promoters	48.8	48.8	48.8
Institutional investors	36.7	35.2	32.2
MFs and other	28.3	27.4	24.1
FIs/ Banks	0.0	0.0	0.1
Insurance Cos.	1.4	0.9	0.8
FIIIs	7.0	6.9	7.1
Others	14.5	16.0	19.0

Source: Bloomberg, I-Sec research

Exhibit 5: Price chart



Source: Bloomberg, I-Sec research

Financial Summary

Exhibit 6: Profit & Loss

(INR mn, year ending Mar-31)

	FY24A	FY25A	FY26E	FY27E
Net Sales	40,591	32,977	28,031	35,599
Operating Expenses	4,670	3,110	3,364	3,916
EBITDA	6,691	5,694	3,506	5,139
EBITDA Margin (%)	0.2	0.2	0.1	0.1
Depreciation & Amortization	1,245	903	929	1,148
EBIT	5,446	4,792	2,576	3,991
Interest expenditure	(293)	(130)	(136)	(143)
Other Non-operating Income	1,415	4,510	1,520	1,581
Recurring PBT	6,575	9,179	3,968	5,437
Profit / (Loss) from Associates	-	-	-	-
Less: Taxes	1,875	2,136	1,006	1,357
PAT	4,700	7,042	2,963	4,080
Less: Minority Interest	-	-	-	-
Extraordinaries (Net)	-	-	-	-
Net Income (Reported)	4,700	7,042	2,963	4,080
Net Income (Adjusted)	4,700	7,042	2,963	4,080

Source Company data, I-Sec research

Exhibit 7: Balance sheet

(INR mn, year ending Mar-31)

	FY24A	FY25A	FY26E	FY27E
Total Current Assets	29,999	32,204	35,152	40,133
of which cash & cash eqv.	2,346	2,252	18,603	19,146
Total Current Liabilities & Provisions	10,121	7,572	8,012	10,175
Net Current Assets	19,878	24,632	27,140	29,958
Investments	7,283	7,576	8,807	10,192
Net Fixed Assets	3,706	3,391	2,562	2,413
ROU Assets	-	-	-	-
Capital Work-in-Progress	22	12	12	12
Total Intangible Assets	-	-	-	-
Other assets	-	-	-	-
Deferred Tax Assets	1,367	1,291	1,291	1,291
Total Assets	32,257	36,902	39,810	43,866
Liabilities				
Borrowings	-	29	-	-
Deferred Tax Liability	-	-	-	-
provisions	-	-	-	-
other Liabilities	-	-	-	-
Equity Share Capital	562	562	562	562
Reserves & Surplus	31,694	36,310	39,248	43,303
Total Net Worth	32,257	36,872	39,810	43,866
Minority Interest	-	-	-	-
Total Liabilities	32,257	36,902	39,810	43,866

Source Company data, I-Sec research

Exhibit 8: Cashflow statement

(INR mn, year ending Mar-31)

	FY24A	FY25A	FY26E	FY27E
Operating Cashflow	1,203	2,194	16,807	1,804
Working Capital Changes	(3,496)	(4,848)	13,844	(2,276)
Capital Commitments	451	324	829	148
Free Cashflow	752	1,870	15,977	1,655
Other investing cashflow	-	-	-	-
Cashflow from Investing Activities	451	324	829	148
Issue of Share Capital	214	(2,427)	(24)	(24)
Interest Cost	-	-	-	-
Inc (Dec) in Borrowings	(3)	29	(29)	-
Dividend paid	-	-	-	-
Others	(1,519)	(216)	(1,231)	(1,385)
Cash flow from Financing Activities	(1,307)	(2,613)	(1,284)	(1,409)
Chg. in Cash & Bank balance	348	(94)	16,352	543
Closing cash & balance	2,346	2,252	18,603	19,146

Source Company data, I-Sec research

Exhibit 9: Key ratios

(Year ending Mar-31)

	FY24A	FY25A	FY26E	FY27E
Per Share Data (INR)				
Reported EPS	16.7	25.0	10.5	14.5
Adjusted EPS (Diluted)	16.7	25.0	10.5	14.5
Cash EPS	21.1	28.3	13.8	18.6
Dividend per share (DPS)	(0.1)	(0.1)	(0.1)	(0.1)
Book Value per share (BV)	114.7	131.1	141.6	156.0
Dividend Payout (%)	0.0	0.0	0.0	0.0
Growth (%)				
Net Sales	0.1	(0.2)	(0.2)	0.3
EBITDA	0.0	(0.1)	(0.4)	0.5
EPS (INR)	0.1	0.5	(0.6)	0.4
Valuation Ratios (x)				
P/E	12.1	8.1	19.2	13.9
P/CEPS	9.6	7.1	14.6	10.9
P/BV	1.8	1.5	1.4	1.3
EV / EBITDA	8.1	9.4	10.3	6.7
P / Sales	1.6	1.9	2.3	1.8
Dividend Yield (%)	0.0	0.0	0.0	0.0
Operating Ratios				
Gross Profit Margins (%)	0.3	0.3	0.2	0.3
EBITDA Margins (%)	0.2	0.2	0.1	0.1
Effective Tax Rate (%)	0.3	0.2	0.3	0.2
Net Profit Margins (%)	0.1	0.2	0.1	0.1
NWC / Total Assets (%)	-	-	-	-
Net Debt / Equity (x)	(0.3)	(0.3)	(0.7)	(0.7)
Net Debt / EBITDA (x)	(1.4)	(1.7)	(7.8)	(5.7)
Profitability Ratios				
RoCE (%)	0.2	0.2	0.1	0.1
RoE (%)	0.2	0.2	0.1	0.1
RoIC (%)	0.2	0.2	0.1	0.1
Fixed Asset Turnover (x)	10.3	9.3	9.4	14.3
Inventory Turnover Days	21	19	27	33
Receivables Days	132	110	83	101
Payables Days	26	31	31	38

Source Company data, I-Sec research

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