

August 13, 2025

FY26 to be a washout year ...

About the stock: KNR Constructions (KNR) is a leading company in the highways sector having executed 9127+ lane km of projects across 12 states, along with established presence in irrigation and urban water infrastructure management.

- Reported subdued revenue growth of ~8.4% over FY20-25.

Q1FY26 Performance: KNR's standalone total revenue was ₹483.32 crore, down 41% YoY, on adjusted basis largely due to low executable order book. The EBITDA at ₹65.6 crore, down 51.6% YoY on adjusted basis with an EBITDA margin of 13.6%, down 297 bps YoY. The PAT was ₹51.3 crore, down 36.5% YoY on adjusted basis.

Investment Rationale

- Revenue Guidance cut further:** Due to low executable order book, the management expects revenues in the range of ₹2000-₹2500 crore in FY26 vs. revenues of ₹2500-₹3000 crore indicated earlier. We bake in revenues of ₹ 2534 crore in FY26, with recovery likely in FY27, resulting in ~6.2% CAGR over FY26E-27E at ₹ 3,786 crore.
- Awarding activity poised to pick up in H2:** As of Q1, the company's total order book stood at ₹8,305 crore implying 2.5x book to bill. The company received one mining segment order worth ₹ 4801 crore (KNR share ~74%) in Q1. Note that awarding activity has been muted in Q1 FY26, with the NHAI awarding only 166 km of highway projects between April and June. The management has identified around 45 road projects with a total value of ~₹80,000 crore that they intend to bid on. The company is aiming to capitalize on an accelerated tendering process, guiding for order inflows to the tune of ₹10,000 crore - ₹12,000 crore by the end of FY26. This will be key for revenue growth ahead
- Balance sheet comfortable:** KNR reported a gross debt of ₹5.5 crore and cash of ₹81 crore in standalone balance sheet as of June 30, 2025. As of Q1, the company has invested ₹626 crore out of a revised equity requirement of ₹990 crore for its HAM projects. An additional ₹314 crore are required and will be infused as ₹185 crore in FY26 and ₹129 crore in FY27. We expect its debt to remain at minimal to zero levels with operating cash flows/ release of irrigation dues sufficient to fund HAM equity over the next couple of years.

Rating and Target Price

- Weak order book implies that revenues will remain weak for FY26. We now downgrade to HOLD vs BUY, earlier.
- We value KNR on SoTP basis at target price of ₹ 200/share

Key Financial Summary

₹ crore	FY22	FY23	FY24	FY25	5 yr CAGR (FY20-25)	FY26E	FY27E	2 yr CAGR (FY25-27E)
Net Sales	3,272.6	3,743.8	4,091.0	3,358.6	8.4%	2,534.4	3,786.3	6.2%
EBITDA	677.7	721.7	701.0	625.9	5.1%	379.1	566.4	-4.9%
EBITDA Margin (%)	20.7	19.3	17.1	18.6		15.0	15.0	
Adj. PAT	367.7	401.2	441.0	355.7	8.8%	252.7	389.0	4.6%
Adj. EPS (₹)	13.1	14.3	15.7	12.6		9.0	13.8	
P/E (x)	14.8	11.3	11.4	7.8		22.4	14.5	
EV/EBITDA (x)	7.9	7.6	7.7	8.8		13.5	8.7	
RoNW (%)	16.4	14.7	13.7	9.0		6.0	8.5	
RoCE (%)	25.8	21.9	22.1	24.9		8.4	11.7	

Source: Company, ICICI Direct Research



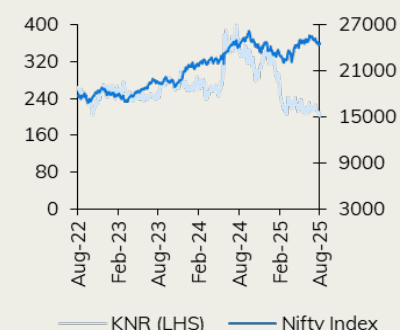
Particulars

Particulars	Amount (₹ crore)
Market Cap	5,653
Total Debt (FY25)	0.0
Cash (FY25)	144
EV	5,509
52 week H/L (₹)	366/ 193
Equity capital	56.2
Face value (₹)	2

Shareholding pattern

	Sep-24	Dec-24	Mar-25	Jun-25
Promoters	48.8	48.8	48.8	48.8
DII	30.5	29.7	28.3	25.1
FII	6.7	7.0	6.9	7.1
Other	14.1	14.5	16.0	19.0

Price Chart



Key risks

- Lower than expected order inflows
- Heightened competitive intensity impacting margins

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Performance highlights and outlook

- **Guidance** – Due to slow execution, the management expects revenues in the range of ₹2000-₹2500 crore in FY26 vs. revenues of ₹2500-₹3000 crore indicated earlier. The management indicated potential revenue range of ₹3000 crore - ₹3500 crore in FY27, driven by accelerated execution of new orders. The margin guidance has been maintained at 13-14% for FY26. However, it expects fairly better performance in H2FY26.
- **Order-book position** – As of Q1FY26, KNR Constructions' order book stood at ₹8,305 crore, bifurcated as 27% and 6% from HAM road and EPC Road projects respectively, 17% from irrigation, 13% from pipeline projects, and 43% from mining projects which includes a significant ₹4,801 crore (of which ~74% is KNR's share) contract for the Vemardi coal mine. The order book is expected to be executed over 1.5–2 years, excluding the mining projects, which have a five-year operation period plus a 360-day development phase. The company anticipates robust order inflows of ₹10,000–12,000 crore by the end of FY26, driven by opportunities in NHAI projects (identified tenders worth ₹ 80000 crore), irrigation, mining, and state government contracts, with a bid pipeline of ~₹3,000 crore, including ₹2,200 crore from MSRDC and ₹700 crore from Telangana flyover projects.
- **Equity Requirement** - As of June 30, 2025, KNR Constructions has invested ₹626 crore out of the revised equity requirement of ₹990 crore for its existing HAM projects. The remaining equity requirement of ₹314 crore is planned to be infused as ₹185 crore in FY26 and ₹129 crore in FY27. This reflects steady progress in funding the projects, with a significant portion already invested and the balance strategically spread over the next two fiscal years to support ongoing and upcoming HAM project execution.
- **Progress on HAM projects** – As of June 30, 2025, KNR Constructions' HAM project completion status is as follows:
 - Magadi to Somwarpet is approximately 89% complete, Oddanchatram to Madathukulam is 100% complete with final COD awaited (applied for),
 - Ramanattukara to Valanchery is approximately 99% complete,
 - Valanchery to Kappirikkad is approximately 98% complete,
 - Chittor to Thatchur is approximately 94% complete, and
 - Madathukulam to Somwarpet is approximately 43% complete..
- **Irrigation dues**– The management is expecting payments from the Government of Telangana for pending irrigation receivables of around ₹1,300 crore (including approximately ₹800 crore of certified bills), to be largely cleared by March 2026.
- **HAM project receivables:** Receivables from HAM projects stand at ~₹1200 crore, contributing to the overall working capital challenges.
- **Working capital, Cash and debt** – Working capital stood at 169 days as of Q1FY26 vs 71 days in Q1FY25. The company's standalone cash and debt stood at ₹81 crore and ₹5.5 crore respectively as of Q1FY26.
- **Capex** – KNR has incurred a capex of ₹2 crore in Q1. Management also indicated that it would incur additional capex once coal mine operations start.

Exhibit 1: Quarter Performance

Particulars	Q1FY26	Q1FY25 Adj	YoY (%)	Q4FY25 Adj	QoQ (%)	Comments
Total Operating Income	483.3	819.3	-41.0	851.2	-43.2	Low order book led to revenue decline
Other Income	21.7	5.1	325.8	18.5	17.5	
Consumption of raw materials	232.6	365.5	-36.4	374.2	-37.9	
Employee benefit expenses	39.0	41.9	-7.0	41.1	-5.1	
Other Expenses	56.9	80.5	-29.4	75.2	-24.4	
EBITDA	65.6	135.6	-51.6	117.5	-44.2	
EBITDA Margin(%)	13.6	16.5	-297 bps	13.8	-23 bps	Negative operating leverage led margin decline
Depreciation	15.0	22.5	-33.4	22.3	-32.7	
Interest	3.4	4.1	-15.9	3.8	-9.5	
PBT	68.9	114.1	-39.6	109.9	-37.3	
Exceptional Item	0.0	0.0	NM	0.0	NM	
Taxes	17.7	33.3	-47.0	34.8	-49.2	
Adj PAT	51.3	80.8	-36.5	75.2	-31.8	

Source: Company, ICICI Direct Research

Exhibit 2: SoTP Valuation

	Value (₹ crore)	Per Share (₹)	Comment
EPC Business	5057	180	13x FY27E P/E
HAM Projects Investment	626	22	1x Equity investment
SoTP Value	5683	202	
Rounded-off target price		200	

Source: Company, ICICI Direct Research

Financial Summary

Exhibit 3: Profit and loss statement ₹ crore

(₹ Crore)	FY24	FY25	FY26E	FY27E
Net Sales	4,091.0	3,358.6	2,534.4	3,786.3
Other operating income	-	-	-	-
Total Revenues	4,091.0	3,358.6	2,534.4	3,786.3
Raw Material Expense	1,660.2	1,466.4	1,013.8	1,533.5
Other Construction Exp.	1,089.4	773.9	773.0	1,154.8
Employee benefit expenses	173.5	176.9	107.5	160.6
Other Expenses	467.0	315.4	261.0	371.1
Total Operating Exp	3,390.0	2,732.7	2,155.3	3,220.0
EBITDA	701.0	625.9	379.1	566.4
Other Income	142.2	451.7	64.7	83.7
Interest	29.3	13.0	16.2	16.2
Depreciation	124.5	90.3	89.8	113.8
PBT	689.3	959.4	337.8	520.0
Total Tax	195.5	233.7	85.1	131.0
Reported PAT	493.8	725.7	252.7	389.0
Adjusted PAT	441.0	355.7	252.7	389.0

Source: Company, ICICI Direct Research

Exhibit 4: Cash flow statement ₹ crore

(₹ Crore)	FY24	FY25	FY26E	FY27E
Profit before Tax	689	959	338	520
Depreciation	125	90	90	114
Interest Paid	29	13	16	16
Others	(1)	(373)	(65)	(84)
CF before WC changes	842	689	379	566
Net Increase in CA	(467)	(432)	73	(434)
Net Increase in CL	60	(305)	(11)	336
Taxes paid	(218)	(217)	(85)	(131)
Net CF from Op Activities	218	(264)	356	338
(Purchase)/Sale of FA	(73)	(18)	(100)	(100)
Loans and Inv in JV/SPV	(193)	(67)	77	(85)
Others	112	277	65	84
Net CF from Inv. Activities	(154)	191	41	(102)
Debt Proceeds/Repayment	(0)	-	-	-
Interest Paid	(22)	(12)	(16)	(16)
Others	(7)	(7)	(7)	(7)
Net CF from Fin. Activities	(29)	(19)	(23)	(23)
Net Cash flow	35	(91)	374	213
Opening Cash/ Cash Equiv.	200	235	144	517
Closing Cash/ Cash Equiv.	235	144	517	730

Source: Company, ICICI Direct Research

Exhibit 5: Balance Sheet ₹ crore

(₹ Crore)	FY24	FY25	FY26E	FY27E
Liabilities				
Share Capital	56.2	56.2	56.2	56.2
Reserves & Surplus	3,169.4	3,888.7	4,134.4	4,516.3
Networth	3,225.7	3,945.0	4,190.6	4,572.6
Secured Loan	-	-	-	-
Unsecured Loan	-	-	-	-
Total Debt	-	-	-	-
Deferred Tax Liability	-	-	-	-
Total Liabilities	3,247	3,957	4,203	4,585
Assets				
Gross Block	1,672.7	1,696.9	1,796.9	1,896.9
Net Block	366.0	299.9	310.0	296.2
Capital WIP	2.2	0.4	0.4	0.4
Non-current Investments	728.3	852.5	776.0	861.5
Current Assets				
Inventories	220.7	160.3	222.2	332.0
Sundry Debtors	1,405.9	1,276.2	937.4	985.5
Loans and Advances	6.1	5.3	4.9	5.5
Other Current Assets	1,037.0	1,635.8	1,835.8	2,035.8
Cash	234.6	143.6	517.2	730.4
Total Current Assets	2,669.7	3,077.5	3,000.2	3,358.6
Creditors	273.9	308.0	232.4	347.2
Provisions	8.0	15.0	11.3	16.9
Other Current Liabilities	708.6	369.6	437.5	653.5
Other Long Term Liabilit	14.9	5.5	5.5	5.5
Total Current Liabilities	990.5	692.5	681.1	1,017.6
Net Current Assets	1,909.6	2,525.0	2,832.7	3,067.8
Total Assets	3,247	3,957	4,203	4,585

Source: Company, ICICI Direct Research

Exhibit 6: Key ratios

(Year-end March)	FY24E	FY25	FY26E	FY27E
Per Share Data				
EPS (Fully Diluted)	17.6	25.8	9.0	13.8
Adjusted EPS	15.7	12.6	9.0	13.8
BV	114.7	140.3	149.0	162.6
Operating Ratios				
EBITDA / Net Sales	17.1	18.6	15.0	15.0
PAT / Net Sales	10.8	10.6	10.0	10.3
Inventory Days	20	17	32	32
Debtor Days	125	139	135	95
Creditor Days	24	33	33	33
Return Ratios				
RoE	13.7	9.0	6.0	8.5
RoCE	22.1	24.9	8.4	11.7
RoIC	25.3	18.1	9.9	15.1
Valuation Ratios				
EV / EBITDA	7.7	8.8	13.5	8.7
P/E	11.4	7.8	22.4	14.5
EV / Net Sales	1.3	1.6	2.0	1.3
Market Cap / Sales	1.4	1.7	2.2	1.5
Price to Book Value	1.8	1.4	1.3	1.2
Turnover Ratios				
Gross Block Turnover	2.4	2.0	1.4	2.0
Solvency Ratios				
Debt / Equity	-	-	-	-
Current Ratio	2.7	4.4	4.4	3.3
Debt / EBITDA	-	-	-	-
Quick Ratio	2.5	4.2	4.1	3.0

Source: Company, ICICI Direct Research

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Hold: -5% to 15%;

Reduce: -15% to -5%;

Sell: <-15%



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