

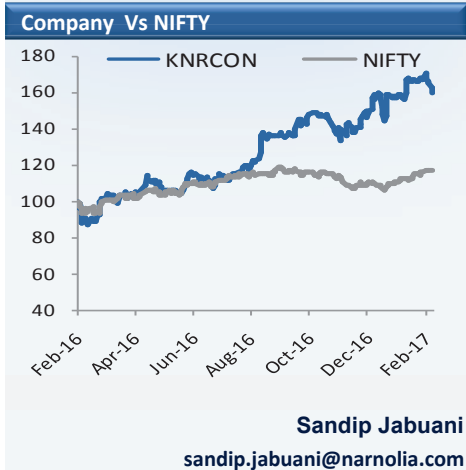
KNR Construction

Result Update	
CMP	177
Target Price	NA
Previous Target Price	
Upside	NA
Change from Previous	

Market Data	
BSE Code	532942
NSE Symbol	KNRCON
52wk Range H/L	201/85
Mkt Capital (Rs Cr)	2414
Av. Volume	46337
Nifty	8725

Stock Performance			
	1Month	3 Month	1 Year
Absolute	2.3	17.0	93.8
Rel.to Nifty	-2.4	8.6	67.7

Share Holding Pattern%			
	3QFY17	2QFY17	1QFY17
Promoters	58%	58%	61%
Public	42%	42%	39%
Other	0%	0%	0%
Total	100%	100%	100%



KNR has reported healthy revenue growth of 75% YoY to Rs. 382 Cr compared to Rs. 218 Cr but lower than our expectation. Lower executions on Madurai road project due to delay in some approval hurt the revenue growth. EBITDA for the quarter has clocked 23.8% growth YoY to Rs. 58 Cr as against Rs. 47 Cr in Q3FY16. During the quarter KNR has signed share purchase agreement for sale of the equity stake in two annuity BOT project and correspondingly impaired Rs. 11 Cr as impairment in value of an investment. Hence, it resulted in negative growth in bottom line.

Delay in approval will hurt Revenue Growth:-

Currently, KNR executes 2 major projects in state of Tamil Nadu namely (i) Madurai -Ramanathpuram and (ii) Dindigul-Bangalore. Tamil Nadu government has kept some approval for the project due to current instable political situation. In Q3FY17 execution on Mudurai project has come down by 9% QoQ due to delay in approval and management expect it to continue for one and half month going ahead. Dindigul – Bangalore project was delayed due to tree cutting permission. However the project has started, but considering the current situation we expect slow execution going forward. Management has guided to close year with 1300 Cr top line, which implies subdued revenue growth in Q4FY17.

Eyeing on HAM Model:-

Initially, KNR was not interested in HAM model but considering the higher competitive intensity and decreasing opportunity in EPC space, now management is willing to take up HAM projects. This decision will open up new opportunity in infra space but subsequently it will increase burden on the balance sheet. Current net debt is Rs. 149 Cr and 624 Cr on Standalone and consolidated books respectively

Outlook and Valuation

KNR is the one of the best and fastest growing company in infra space. Revenue growth in last 3 quarters was 70% above with strong balance sheet position. Current debt to equity position is 1.06 times. But considering the near-term headwinds of an unstable political condition in a state of Tamil Nadu, where KNR having a significant share of its current order book. Hence, we are **“NEUTRAL”** on the stock.

Financials	Q3FY17	Q2FY17	Q3FY16	YoY %	QoQ %
Sales	382	373	218	75%	2%
EBITDA	58	56	47	23%	4%
Net Profit	31	44	34	-9%	-30%
EBIDTA%	15.1%	15.0%	21.3%	(620) bps	1 bps
PAT %	8.0%	11.7%	15.6%	(760) bps	(370)bps

Q3FY17 Result Update :-

- ◆ KNR reported robust revenue growth of 75% YoY to Rs.382 cr as against Rs.219 Cr. This was the straight 3rd quarter where KNR has achieved 70% plus revenue growth
- ◆ EBITDA has clocked 23.8% of growth to Rs.58 cr as against Rs.47Cr in corresponding period last year led by higher revenue growth. However EBITDA margin decline by 620 bps YoY to 15.1% on account 14.80 Cr of higher other operating income reported in Q3FY16.
- ◆ Profit after tax has down by the 9.8% YoY to Rs. 31 Cr as compared to Rs. 34 Cr in Q3FY16 due to 11 cr of impairment in investment.
- ◆ Order book as on 31st Dec 2017 stands at Rs. 4238 Cr (Rs. 3607 Cr in Roads & Highways and Rs.632 Cr in Irrigation).

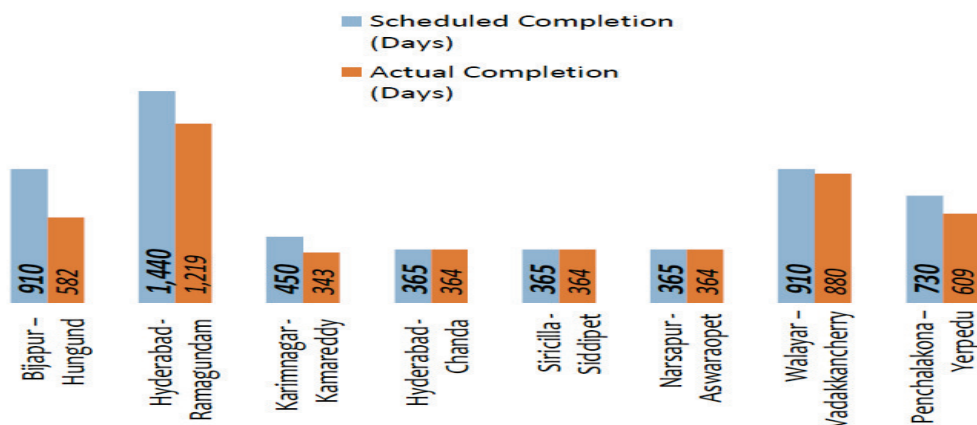
Concall/ Management Intreivue Update :-

- ◆ **Strong Order pipeline:-** bidding 2 HAM projects tune of Rs1000 Cr in Karnataka and EPC projects in Maharashtra
- ◆ Management expect top line of 1300 Cr and 1500 Cr in FY17 and FY18 respectively.
- ◆ Hubli hospet project facing land related issue. NHAI has acquired 70% land till date but in dilemma to give appointment date or not. Management is keen to take project at current status to avail 80 IA benefit.
- ◆ Tamil Nadu government has kept some approval for Madurai project due to unstable political situation.
- ◆ Tax rate :- 10-11% in FY17 and FY18
- ◆ Toll Collection:- 8.5 – 9 lakh/day at Muzaffarpur Barauni and 10.5 – 11 lakh/day at Walayar BOT project
- ◆ Capex requirement of 100 Cr in FY18
- ◆ 50% of the Tamil Nadu projects is from State authority
- ◆ Planning to securities to ongoing BOT projects (Walayar & Muzaffarpur Barauni)

About the Company:-

KNR constructions Limited (from know written as "KNRCL") is an ISO 9001:2000 Certified company and listed in Bombay StockExchange Limited (BSE) and National Stock Exchange of India Limited (NSE). KNRCL is a multidomain infrastructure project development company providing (EPC) engineering, procurement and construction services across various fast growing sectors namely roads & highways, irrigation and urban water infrastructure management. Our project execution strength primarily is in road transportation engineering projects namely construction and maintenance of roads, highways, flyovers and bridges wherever integral to the projects undertaken.

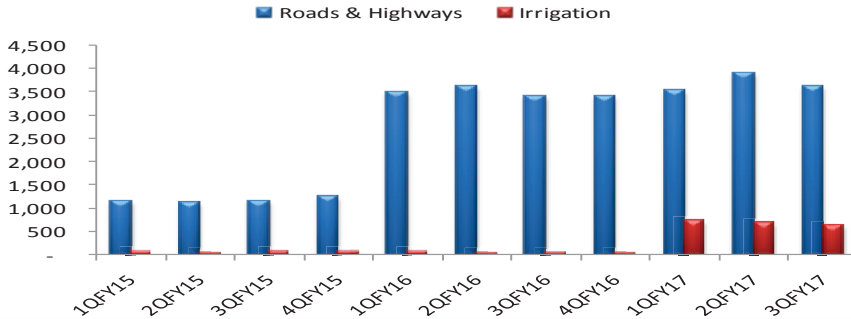
Significant experience and Strong track record in timely execution of Projects:-



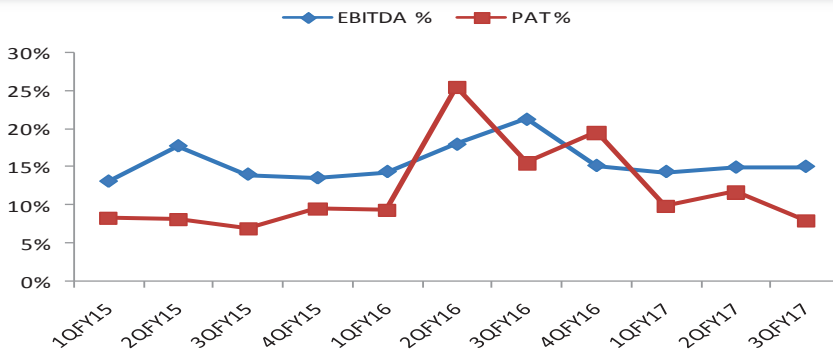
Timely completion capabilities will help KNR construction to grow higher in competitive scenario, comapny earn bonus of 6Cr on early completion of Penchalakona Yerpedu project.

Strong order book provides good Revenue visibility

(In Rs. Cr)



Strong Operating Margin



Walayar BOT project

- ◆ Provisional Completion Certificate for 100% of Project length has been issued for the project on 31st
- ◆ Caters to commercial traffic towards Kochi Port and Kochi International Container Transshipment Terminal. The project road serves as an arterial link to most of the important southern cities such as Salem, Erode, Coimbatore, Trissur, Palakkad, Kochi, Alannuzha, Kollam, Thiruvananthapuram and Nagercoil
- ◆ Current Debt is Rs.213 Cr and Toll collection for 9 months is Rs.28.97 Cr

KNR infuse Rs.90 cr and Rs. 130 Cr in walayar project respectively in Q2FY17 and H1FY17. Out of this promoter put Rs. 40 Cr and balance part was funded by parent company. Current toll Collection is 10.5-11 lakh/day

Muzaffarpur - Barauni BOT project

- ◆ Provisional Completion Certificate for 75% of Project length has been issued for the project on 3rd June
- ◆ Muzaffarpur is an important place for wholesale cloth trade and the largest city of northern Bihar while Barauni city is situated on holy river Ganga and also an important industrial city of Bihar having major industrial units such as IOC refinery, Barauni Thermal Power Plant, Hindustan Fertilizers Corporation and Barauni Dairy

Current Toll collection is 8.5-9lakh/day.

Financials Snap Shot

	INCOME STATEMENT					RATIOS			
	FY14	FY15	FY16	FY17E		FY14	FY15	FY16	FY17E
Net Revenue	895	931	995	1358	EPS	21	25	45	25
Other Income	17	13	42	29	Book Value	217	280	248	272
Total Revenue	912	944	1038	1387	DPS	1.2	1.2	1.2	0.6
EBITDA	131	127	174	226	Payout (incl. Div. Tax.)	5%	5%	3%	3%
EBITDA Margin (%)	15%	14%	18%	17%	Valuation(x)				
Depreciation	59	55	48	98	P/E	0.8	3.4	2.3	6.9
EBIT	73	72	126	128	Price / Book Value	0.1	0.3	0.4	0.6
Interest	18	13	56	79	Dividend Yield (%)	6.88%	1.38%	1.16%	0.38%
PBT	72	71	112	78	Profitability Ratios				
Tax	7	0	-21	8	RoE	10%	9%	18%	9%
Tax Rate (%)	9%	0%	-19%	11%	RoCE	7%	5%	9%	9%
Reported PAT	60	70	126	70	Turnover Ratios				
Dividend Paid	3	3	3	2	Asset Turnover (x)	0.6	0.5	0.5	0.6
No. of Shares (In Cr)	3	3	3	3	Debtors (No. of Days)	31	43	49	49
					Inventory (No. of Days)	27	28	30	21
					Creditors (No. of Days)	32	30	44	44
					Net Debt/Equity (x)	0.85	0.91	0.66	0.66

	BALANCE SHEET					CASH FLOW			
	FY14	FY15	FY16	FY17E		FY14	FY15	FY16	FY17E
Share Capital	28	28	28	28	OP/(Loss) before Tax	72	71	112	78
Reserves	583	760	669	728	Depreciation	59	55	48	98
Net Worth	611	788	697	756	Direct Taxes Paid	24	33	5	9
Long term Debt	343	672	631	502	Op. before WC Change	147	145	214	255
Short term Debt	50	88	106	173	CF from Op. Activity	239	66	256	258
Deferred Tax	0	0	0	0	Non Current Investment	0	0	0	0
Total Capital Employed	954	1460	1328	1268	Capex	512	548	258	167
Net Fixed Assets	858	1343	1263	1333	CF from Inv. Activity	(485)	(549)	(254)	(167)
Capital WIP	2	4	7	0	Repayment of LTB	278	342	12	(129)
Debtors	75	110	135	194	Interest Paid	18	14	57	79
Cash & Bank Balances	57	44	45	102	Divd Paid (incl Tax)	3	3	3	2
Trade payables	78	75	119	173	CF from Fin. Activity	276	462	2	(142)
Total Provisions	57	42	71	87	Inc/(Dec) in Cash	31	(21)	3	(52)
Net Current Assets	117	174	260	306	Add: Opening Balance	19	50	29	45
Total Assets	1454	2012	2051	2367	Closing Balance	50	29	33	-7