

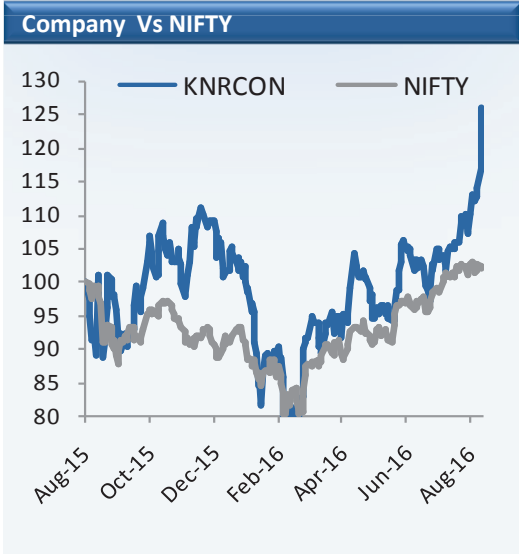
## KNR Construction

Result Update	
CMP	698
Target Price	815
Previous Target Price	640
Upside	17%
Change from Previous	27%

Market Data	
BSE Code	532942
NSE Symbol	KNRCON
52wk Range H/L	725/408
Mkt Capital (Rs Cr)	1965
Av. Volume	2127
Nifty	8624

Stock Performance			
	1Month	1Year	YTD
Absolute	22.1	32.4	21.3
Rel.to Nifty	21.5	29.2	13.0

Share Holding Pattern-%			
	3QFY16	2QFY16	3QFY15
Promoters	61%	61%	66%
Public	39%	39%	34%
other's	0%	0%	0%



### Strong Execution drove Revenue and Profitability

KNR reported robust revenue growth of 77% YoY to Rs.303 Cr as against Rs. 178 Cr. Revenue growth has mainly driven by the execution of the orders received last year, is now contributing to the top line. Currently KNR order book is Rs. 4258 Cr (4.5x of FY16 revenue) which provide strong revenue visibilities and management expecting another Rs.1000-1500 Cr of new orders in next 8-10 months. This will boost the earning and profitability of FY17/FY18.

### Strong Balance sheet will support future growth

KNR is planning to reduce debt of Walayar BOT project to Rs. 200 cr from Rs.307 by way of infusing equity. KNR has already infused Rs. 170 cr till Q1FY17. Current debt to equity ratio is 1:1 on consolidated book. We expect Debt on consolidated books by the year end will be around Rs.600 Cr (after reeducation of debt on walayar BOT project). Debt may go up if KNR under takes HAM project

### Q1FY17 Result Update :-

- ◆ KNR reported robust growth of 77% YoY to Rs. 303 cr as against Rs. 178 Cr. Growth in turnover during the current quarter driven by execution of the orders received in last years is now contributing to the top line.
- ◆ EBITDA of the company clocked 77% of growth to Rs. 44 cr as against Rs. 25 Cr in corresponding period last year.
- ◆ PAT margin improved by 50 bps to Rs. 30 Cr as against Rs.16 Cr based on lower tax liabilities. Current project under execution has benefit of 80IA
- ◆ Order book at the end of Q1FY17 stands at Rs.4258 Cr with 3 years of execution time frame, which provides good revenue visibility.
- ◆ KNR received provision completion certificate of 75% of project length for Muzaffarpur Barauni Toll project

### Outlook and Valuation

Going forward, we expect KNR to perform better based on strong execution of orders received in the last year and huge opportunities in terms of new order intake. Company's plan to reduce debt by way of infusing equity in BOT project will reduce interest cost going forward. Government's ambitious road expansion plan, EPC and HAM model will continue to drive awarding activities which will create immense opportunities for the company. So we have positive view on KNR and we maintain "BUY" with revised target price of **Rs. 815**.

Financials	FY13	FY14	FY15	FY16E	FY17E
Sales	765	895	931	995	1554
EBITDA	117	131	127	174	267
Net Profit	49	60	70	126	28
EBIDTA%	15.2%	14.7%	13.6%	17.5%	17.2%
P/E	5.1	4.0	17.1	9.5	

(Source: Company/Eastwind)

## Investment Argument :-

- ♦ The ministry and NHAI has set a target of 25000 Km of road for FY17 on awarding site and in terms of construction, NHAI is targeting to construction 8000 Km while the Ministry is targeting 7000 Km
- ♦ So based on that scenario we expect KNR will do much more better than what it guiding. Currently KNR order book is Rs.4258 Cr and Management targets to win new orders of Rs.1000-1500 Cr in next 8-10 months.This provides strong revenue visibility.
- ♦ Current Debt on Consolidated books is Rs. 700 Cr and further mamngment is planing to reduce debt to Rs. 600 Cr

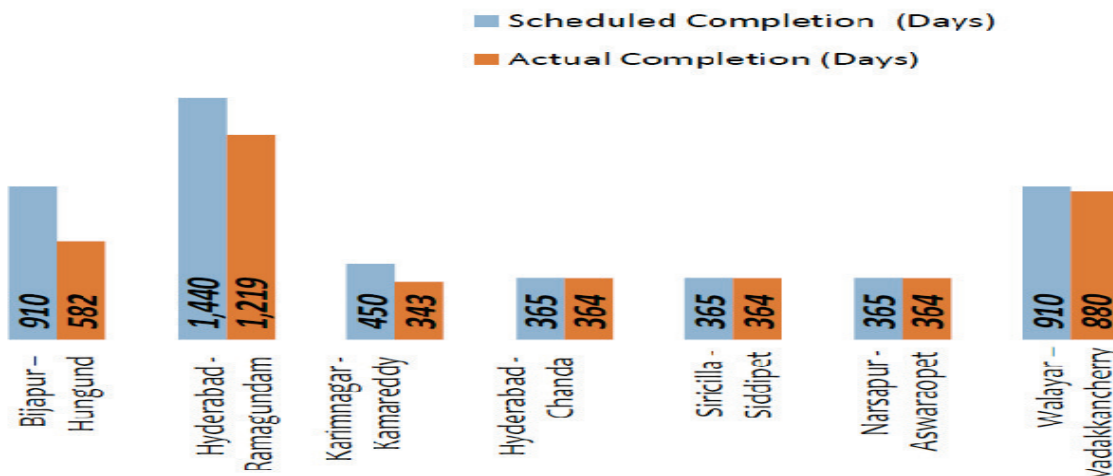
## Concall/ Managment Intreiviwe Update :-

- ♦ Company revise revenue guidance to 1200 Cr and 1500 cr plus revenue for FY17 and FY18 respectively
- ♦ KNR guiding 13.5-14.5% EBITDA margin for FY17
- ♦ Tax rate will be 8-10% for FY17 and 12% for FY18
- ♦ Company plans to reduce debt on Walayar BOT project to Rs.200 Cr by infusing equity
- ♦ Current toll collection at Muzaffarpur toll project is 6 lakh/day and likely go upto 10 lakh/day once company recive 100% COD
- ♦ Debt on consolidated book is 700 Cr
- ♦ Company targeting 1000-1500 cr of new orders in next 8-10 months

## 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.

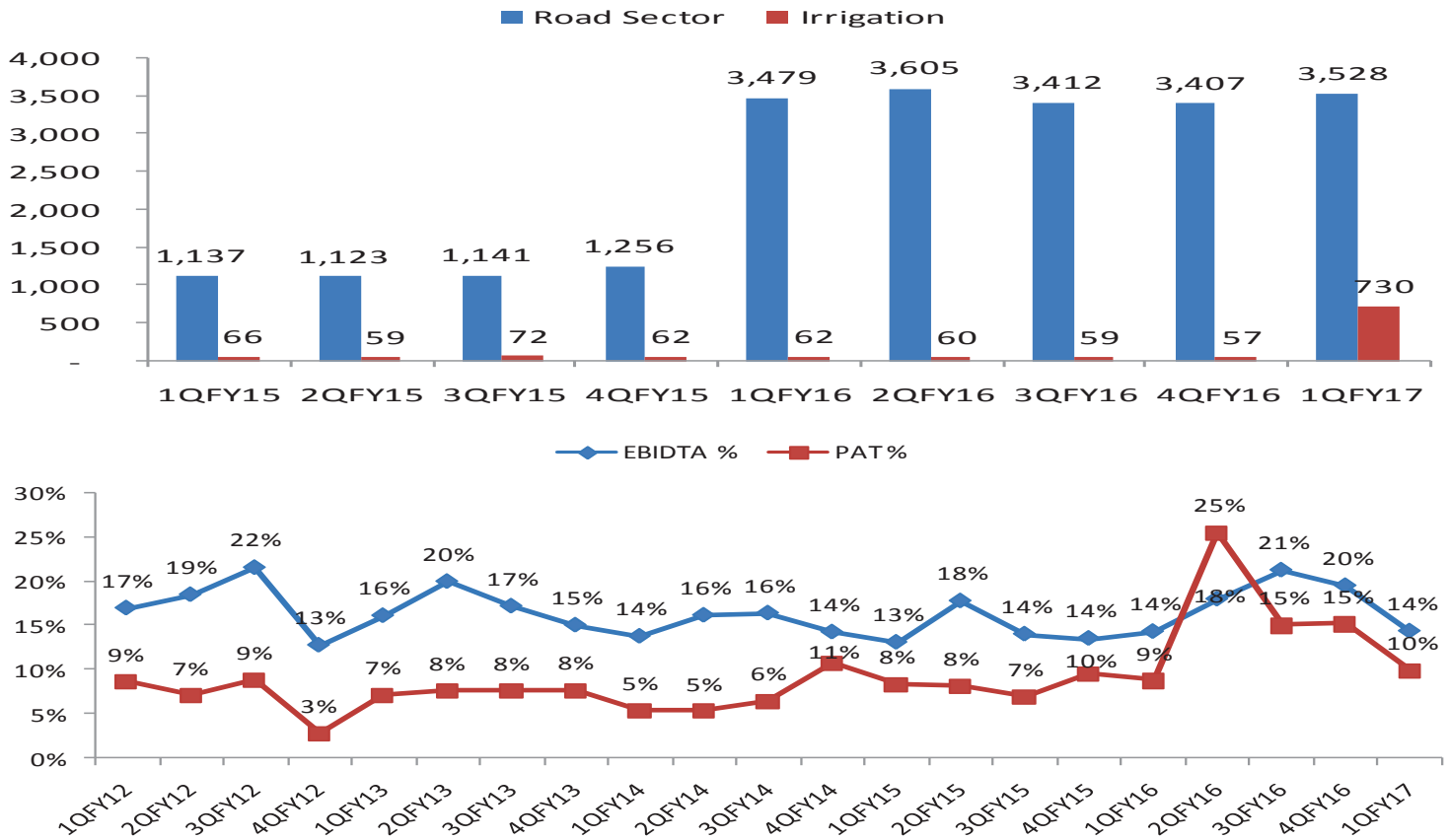
## Significant experience and Strong track record in timely execution of Projects:-



Timely completion capabilities will help KNR construction to grow higher in competitive scenario, where execution is key aspect for the highway project.

Strong order book gives good Revenue visibility

(In Rs. Cr)



## 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, Alappuzha, Kollam, Thiruvananthapuram and Nagercoil
- ◆ Current Debt is Rs.309 Cr and Toll collection in Q1FY17 is Rs.9.57 Cr

KNR infused Rs.170 Cr till Q1FY17 respectively, and company plans to reduce debt to Rs.200 cr from Rs. 307 Cr.

## 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 6lakh/day. KNR will receive 100% COD in next 3-4 months and daily collection likely to go upto 10lakh/day

## Financials Snap Shot

### INCOME STATEMENT

	FY13	FY14	FY14	FY16
Revenue (Net of Excise D	765	895	931	995
Other Income	18	17	13	42
Total Revenue	783	912	944	1038
COGS	601	707	723	663
GPM	1	1	1	1
Other Expenses	18	21	43	111
EBITDA	117	131	127	174
EBITDA Margin (%)	15%	15%	14%	18%
Depreciation	56	59	55	48
EBIT	61	73	72	126
Interest	12	18	13	56
PBT	67	72	71	112
Tax	16	7	0	-21
Tax Rate (%)	23%	9%	0%	-19%
Reported PAT	49	60	70	126
Dividend Paid	3	3	3	3
No. of Shares	3	3	3	3

Souce: Eastwind/Company

### RATIOS

	FY13	FY14	FY14	FY16
EPS	17.4	21.5	24.8	44.9
Book Value	164.9	217.2	280.4	247.8
DPS	1.2	1.2	1.2	1.2
Payout (incl. Div. Tax.)	7%	5%	5%	3%
<b>Valuation(x)</b>				
P/E	5.1	4.0	17.1	11.3
Price / Book Value	0.5	0.4	1.5	2.0
Dividend Yield (%)	1.31%	1.38%	0.28%	0.23%
<b>Profitability Ratios</b>				
RoE	11%	10%	9%	18%
RoCE	10%	7%	5%	9%
<b>Turnover Ratios</b>				
Asset Turnover (x)	0.7	0.6	0.5	0.5
Debtors (No. of Days)	55.3	30.8	43.2	49.4
Inventory (No. of Days)	28.7	27.4	28.1	34.0
Creditors (No. of Days)	53.3	31.8	29.6	43.6
Net Debt/Equity (x)	0.56	0.85	0.91	0.82

Souce: Eastwind/Company

	FY13	FY14	FY14	FY16
Share Capital	28	28	28	28
Reserves	436	583	760	669
Net Worth	464	611	788	697
Long term Debt	80	343	672	631
Short term Debt	64	50	88	106
Deferred Tax	0	0	0	0
Total Capital Employed	544	954	1460	1328
Net Fixed Assets	406	858	1343	1263
Capital WIP	5	2	4	0
Debtors	116	75	110	135
Cash & Bank Balances	23	57	44	45
Trade payables	112	78	75	119
Total Provisions	115	57	42	71
Net Current Assets	220	117	174	260
Total Assets	1125	1454	2012	2051

Souce: Eastwind/Company

	FY13	FY14	FY14	FY16
OP/(Loss) before Tax	67	72	71	112
Depreciation	56	59	55	48
Direct Taxes Paid	31	24	33	21
Operating profit before working capital changes				
CF from Op. Activity	3	239	66	285
Capital expenditure on fix	149	512	548	32
CF from Inv. Activity	(100)	(485)	(549)	32
Repayment of Long Term	89	278	342	(41)
Interest Paid	12	18	14	56
Divd Paid (incl Tax)	3	3	3	3
CF from Fin. Activity	109	276	462	(83)
Inc/(Dec) in Cash	13	31	(21)	234
Add: Opening Balance	7	19	50	44
Closing Balance	19	50	29	278

Souce: Eastwind/Company