

**KNR Construction**

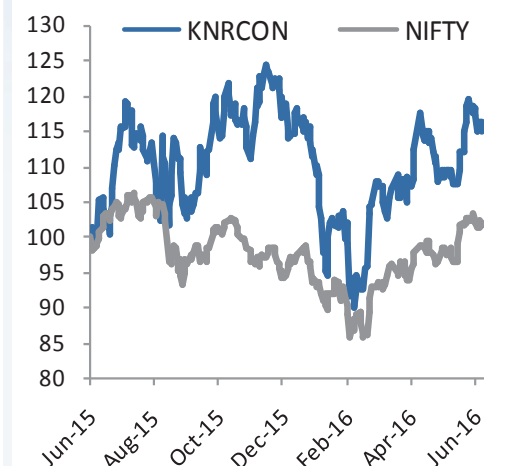
Result Update	
CMP	555
Target Price	640
Previous Target Price	-
Upside	15%
Change from Previous	-

Market Data	
BSE Code	532942
NSE Symbol	KNRCON
52wk Range H/L	651.75/408
Mkt Capital (Rs Cr)	1,526
Av. Volume	1288
Nifty	8170

Stock Performance			
	1Month	1Year	YTD
Absolute	7.7	9.6	9.0
Rel.to Nifty	2.1	8.1	8.5

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

**Company Vs NIFTY**



The Company has reported numbers better than our expectation for Q4FY16. Company's mgt. is very conservative about future guidance but our expectation is that it can do much better than what it has guided. KNR has history of executing project before time which is one of its strong point. It has strong balance sheet with lower debt compared to other player's in industry. KNR is planning Rs.50 Cr of Equity infusion in Walayar BOT project towards debt repayment. So we expect debt on consolidate books will come down going forward.

**Q4FY16 Result Update :-**

- Revenue on standalone basis is Rs. 296 crores in Q4 FY'16, as against Rs. 256 crores in Q4FY15, growth of 16%
- Standalone EBITDA came at Rs. 45cr with margins about 15.3% compare to 24 cr in same period last Year
- EBITDA M improve by 160 bsp
- Standalone profit after-tax grew by 138% to Rs. 58 crores from Rs. 24 crores in Q4 FY'15.
- PAT M at 19.5% based on 80IA benefit
- Revenue for the FY16 is 903 cr as against 876 cr in same period last year, growth of 3%
- EBITDA for FY16 came at 155 Cr with margin at 17.2% an improvement of 2.8% over FY15
- PAT grew by 121% to Rs. 161 cr from 73 Cr in FY15

**Outlook and Valuation**

Going forward, we expect KNR will perform better based on new order inflows and focus on execution of under construction project. Management initiative to make viable BOT project portfolio by infusing equity of 130 cr and 52 cr in Walayar and Muzaffarpur respectively. Considering government ambitious road expansion plan, company's present order book and better execution capabilities we are positive on this stock and we recommend to "BUY" with Target price of Rs.640

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 NHA has set a target of 25000 Km of road for FY17 on awarding site and in terms of construction, NHA 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 around 4554 Cr. Which giving good revenue visibilities.
- In FY16 KNR has infused 130 cr and 50 cr in Walayar BOT project and Muzaffarpur BOT project respectively to make project more viable and planning to infuse more Rs. 50 Cr as equity in Walayar BOT project to compensate lower traffic.
- Current Debt to Equity is 1.06 and we expect to improve going forward.

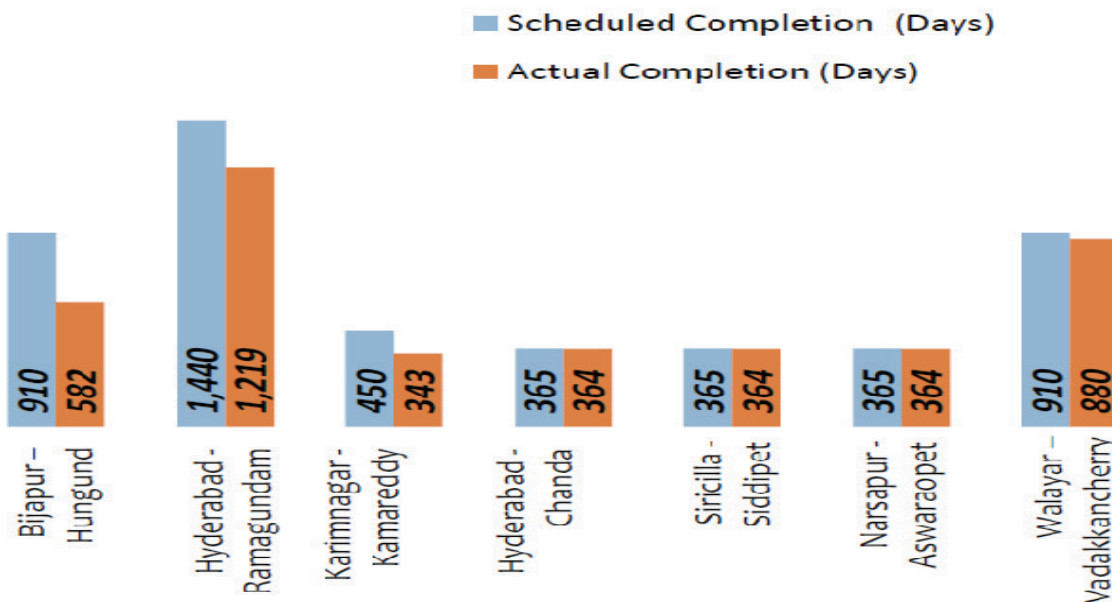
## Concall/ Management Intreivie Update :-

- Current Debt to Equity is 1.06 and the management expect it to improve going forward.
- Company targeting 2000 Cr of New order in FY17
- Rs 1100 Cr plus revenue guidance for FY17
- EBITDA Margin will be in the range of 13.5-14% for FY17
- Capex for the FY17 is Rs 60 Cr
- Current tax will be around 22% and tax rate after taking credit will be around 11% to 12%.
- Current Toll collection at Walayar BOT is 11 Lakh/day and it is likely to go up

## 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.

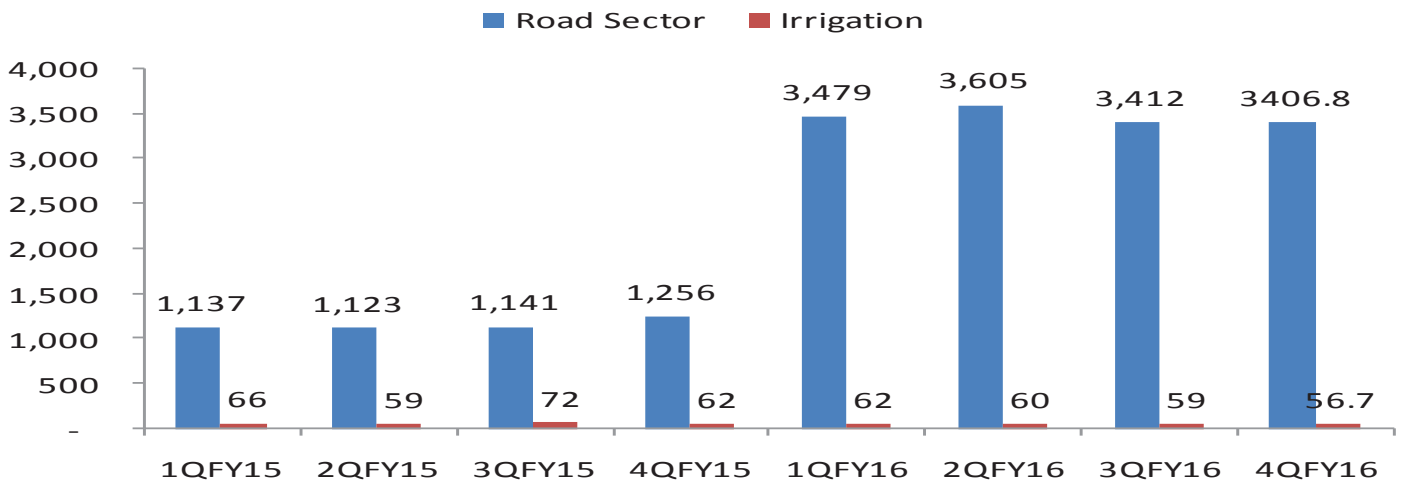
## Significant experience and Strong track record in timely execution of Projects :-



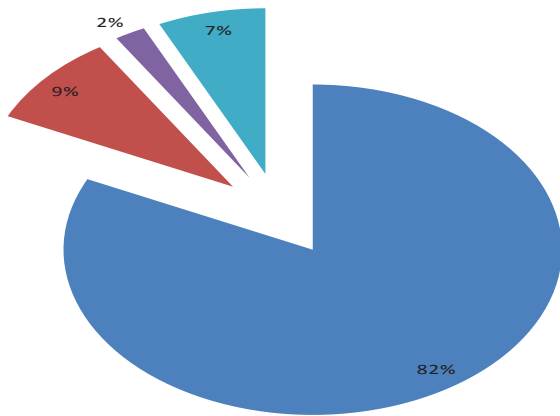
Timely completion capabilities will help KNR construction to grow higher in this competitive scenario, where execution is key aspect for the highway project.

Strong order book gives good Revenue visibility

(In Rs. Cr)



South India Central India North India East India International



Key outstanding EPC road projects as on February '16	Rs cr	Clients	Execution time-line
Flyover-salem city, TN	295	NHAI	39
Road widening project, M.P	256	MPRDC	24
Trivandurm Bypass, Kerala	669	NHAI	24
Villupuram road, TN	320	TNRSP	42
Madurai road project, TN	896	NHAI	30
Chittagong road, Bangladesh	263	Banglades	36

EBIDTA % PAT %

