

## KNR CONSTRUCTIONS LTD

22-Jan-16

### Result Update

CMP	555
Target Price	680
Previous Target Price	-
Upside	23%
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	2114
Nifty	7555

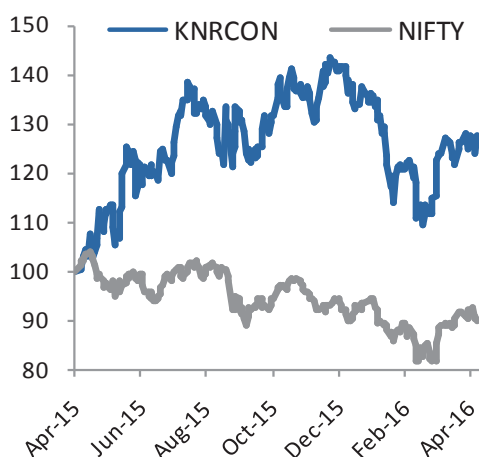
### Stock Performance

	1Month	1Year	YTD
Absolute	0.6	18.3	21.7
Rel.to Nifty	-0.3	31.6	32.7

### Share Holding Pattern-%

	3QFY16	2QFY16	3QFY15
Promoters	61%	61%	66%
Public	39%	39%	34%
other's	0%	0%	0%

### Company Vs NIFTY



## New Order win will boost Topline

KNR recently won order in irrigation will boost the top-line of FY17 by 250-300 cr. Company is in well position to mobilize resources at new site quickly and able to generate revenue after 4 months from now, in Q2FY17.

KNR recently won two new orders for formation of Reservoir and Canal of 600 cr and 383 Cr respectively from Irrigation Department of Telangana which is having construction period of 30 months.

### Q3FY16 Result Update :-

→ Revenue in Q3FY16 grew only by 2% to 219 Cr due to slow execution and unseasonal monsoon. But EBIDA M grew by 55% to 47 Cr based on higher operating income and final billing of Chhindwara project in MP.

→ KNR construction won new orders of 2579 Cr during 9 Months of FY16.

→ Order book as on Dec 2015 satnd at 3470 Cr, 3412 cr in road segment and 59 cr in irrigation segment

→ Equity requirement in Bihar BOT project is 12 Cr and management expect to receive provisional CoD by March 16

→ Final Completion Certificate for 100% of Project length received on 31st October 2015 of Walayar – Vadakkancherry Project

→ Current average per day toll collection at Rs. 11 lacs per day

→ Approx. 78% of work is comapedet on Bihar BOT project as on Dec 2015

### Outlook and Valuation

Company is operating with strong order book and cost control . We expect by the year end KNR order book will stand around 4536 Cr(Eastimated) which gives good revenue visibility for the period of 4 years at current revenue level. Strong order book, cost control , healthy operating margin , project execution capabilities is the key factor to increased company's earning in going ahead . Stock is treaded at 24x price to earing of FY16E in current price , We recommend "BUY" rating on this stock with price target of Rs 680.

Financials	FY12	FY13	FY14	FY15	FY16E
Sales	892	765	895	931	876
EBITDA	132	117	131	127	131
Net Profit	47	49	60	70	63
EBIDTA%	14.8%	15.2%	14.7%	13.6%	15.0%
P/E	7.4	5.1	4.0	17.1	

(Source: Company/Eastwind)

## Investment Argument :-

- We expect by the year end KNR order book will stand around 4536 Cr(Eastimated) which gives good revenue visibility for the period of 4 years at current revenue level.
- NHAI is target to award 20,000 km of road, an estimated worth of 2.3 trillion. And two third will be through EPC mode. Management of the company is already stated that they will focus on EPC project rather than BOT project. So going forward there will be huge opportunity for the KNR Construction.
- KNR Debt to Equity ratio is 0.98 and is in good position to bid new EPC project.
- Tax rate will go up because KNR has take up irrigation project and 80IA benefit is not aviable on irrigation project, but it will compensatsed by higher valoume of sales.

## Concall/ Managment Intreviwe Update :-

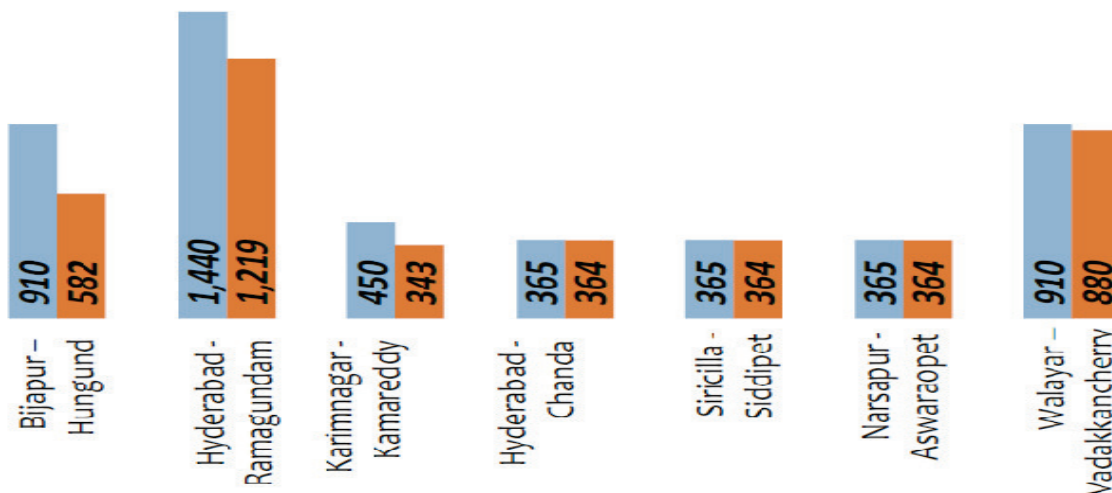
- Additional revenue of 250-300 Cr in FY17 based on Irrigation order of 984 Cr in Telengana
- Margin on new irrigation order is same as older order
- Managment expect to receive provisional CoD by March 16 of Muzaffarpur Barauni Tollway in Bihar
- Work has been started on Bangladesh project and managment expect it to complete in next 18 to 24 months from Feburay-2016
- Managgment expect 1100 Cr and 1300 Cr revenue if FY17 & FY18 respectively
- EBITDA M will be in range of 13-14%

## 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:-

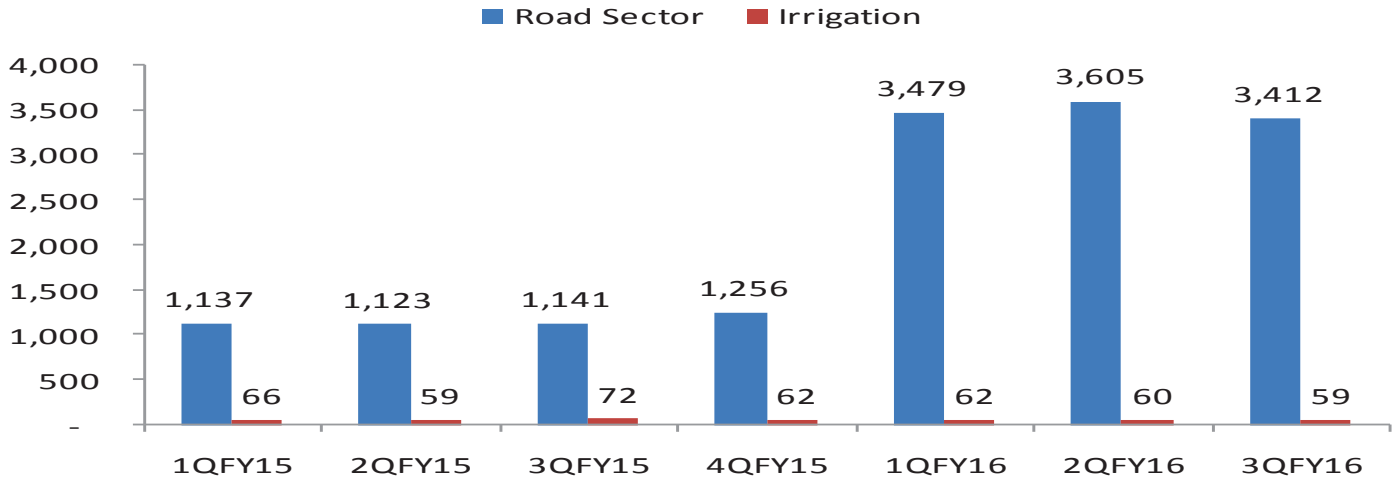
■ Scheduled Completion (Days)  
■ Actual Completion (Days)



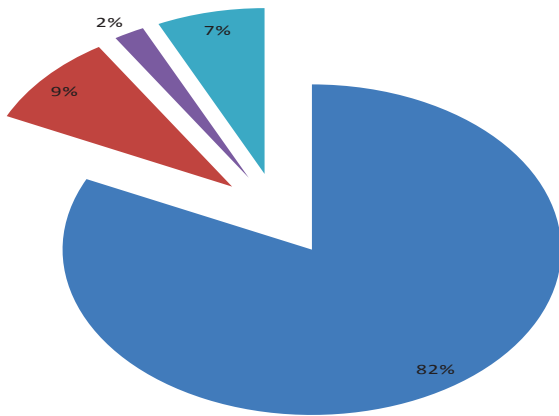
Timely completion capabilities will help KNR construction to grow higher in this competitive scenario, where execution is key aspect for the highway project.

Strong order book gives good Revenue visibility

(In Rs. Cr)

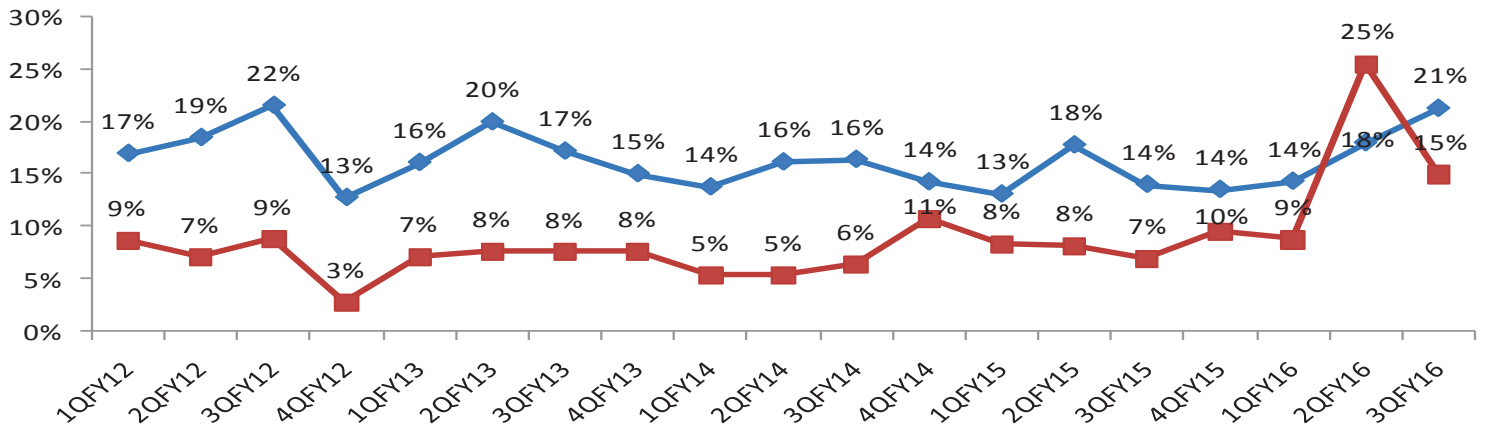


■ South India ■ Central India ■ North India ■ East India ■ International



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	Bangladesh	36

◆ EBIDTA % ■ PAT %



## Financials Snap Shot

INCOME STATEMENT					RATIOS				
	FY13	FY14	FY15	FY16E		FY13	FY14	FY15	FY16E
Revenue (Net of Excise D	765	895	931	876	EPS	17.4	21.5	24.8	22.6
Other Income	18	17	13	17	Book Value	164.9	217.2	280.4	301.7
Total Revenue	783	912	944	893	DPS	1.2	1.2	1.2	1.2
COGS	601	707	723	0	Payout (incl. Div. Tax.)	7%	5%	5%	5%
GPM	1	1	1	0	<b>Valuation(x)</b>				
Other Expenses	18	21	43	0	P/E	5.1	4.0	17.1	0.0
EBITDA	117	131	127	131	Price / Book Value	0.5	0.4	1.5	0.0
EBITDA Margin (%)	15%	15%	14%	15%	Dividend Yield (%)	1.31%	1.38%	0.28%	#DIV/0!
Depreciation	56	59	55	56	<b>Profitability Ratios</b>				
EBIT	61	73	72	75	RoE	11%	10%	9%	7%
Interest	12	18	13	41	RoCE	11%	8%	5%	5%
PBT	67	72	71	51	<b>Turnover Ratios</b>				
Tax	16	7	0	-14	Asset Turnover (x)	0.7	0.6	0.5	0.4
Tax Rate (%)	23%	9%	0%	-28%	Debtors (No. of Days)	55.3	30.8	43.2	35.0
Reported PAT	49	60	70	63	Inventory (No. of Days)	28.7	27.4	28.1	28.1
Dividend Paid	3	3	3	3	Creditors (No. of Days)	53.3	31.8	29.6	29.6
No. of Shares	3	3	3	3	Net Debt/Equity (x)	0.17	0.56	0.85	0.87

Souce: Eastwind/Company

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	FY13	FY14	FY15	FY16E		FY13	FY14	FY15	FY16E
Share Capital	28	28	28	28	OP/(Loss) before Tax	67	72	71	51
Reserves	436	583	760	820	Depreciation	56	59	55	56
Net Worth	464	611	788	849	Direct Taxes Paid	31	24	33	14
Long term Debt	80	343	672	742	Operating profit before working capital changes				
Short term Debt	64	50	88	88	CF from Op. Activity	3	239	66	161
Deferred Tax	0	0	0	0	Capital expenditure on fix	149	512	548	45
Total Capital Employed	544	954	1460	1591	CF from Inv. Activity	(100)	(485)	(549)	(163)
Net Fixed Assets	406	858	1343	1450	Repayment of Long Term	89	278	342	70
Capital WIP	5	2	4	4	Interest Paid	12	18	14	41
Debtors	116	75	110	84	Divd Paid (incl Tax)	3	3	3	3
Cash & Bank Balances	23	57	44	66	CF from Fin. Activity	109	276	462	26
Trade payables	112	78	75	71	Inc/(Dec) in Cash	13	31	(21)	24
Total Provisions	115	57	42	39	Add: Opening Balance	7	19	50	44
Net Current Assets	220	117	174	199	Closing Balance	19	50	29	68
Total Assets	1125	1454	2012	2127					

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