

Pick of the Day (Short Term Delivery Call)

Company Name: KNR Construction Ltd

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|----------------------|--------|
| NSE code | KNRCON |
| BSE code | 532942 |
| Market Cap (Rs Cr) | 10,236 |
| Promotor holding (%) | 51.1 |
| PE(x) TTM | 13.6 |
| Industry PE (x) TTM | 23.8 |
| EV/EBITDA (x) TTM | 9.3 |
| P/PB (x) TTM | 2.85 |

CMP (Rs): 362 | Buy Range: 355-362 | Target Price: 415 | Upside: 15%

Duration of recommendation: 3 months

KNR Constructions is an infrastructure project development company providing EPC services in segments such as roads and highways, irrigation and urban water infrastructure management. The services of the company include construction of roads, highways, bridges and flyovers on EPC, BOT and Hybrid Annuity Model (HAM) basis. It also undertakes Irrigation projects. urban water infrastructure management and agriculture projects.

Investment Rationale

Diverse Service Portfolio: KNR Constructions offers a range of services, including EPC services in roads and highways, irrigation, and urban water infrastructure management. They are involved in constructing roads, highways, bridges, and flyovers on EPC, BOT, and HAM basis, as well as undertaking irrigation projects and urban water infrastructure management.

Strong Clientele: The company has an impressive list of clients, including major government bodies such as the National Highways Authority of India (NHAI), Ministry of Road Transport & Highways (MoRTH), and several state highway improvement projects.

Robust Order Book: As of March 31, 2024, KNR Constructions has a total order book of INR 5305 crores. They are targeting an additional order inflow of INR 2000-3000 crores in the upcoming quarters with Rs. 1200 worth new projects recently won, making INR 6505 crores.

Strategic Future Plans: KNR Constructions is aiming to explore new geographical areas and undertake unconventional projects for stable growth. They are optimistic about new project awarding activities post the new government formation and are considering partnerships for metro and major irrigation projects.

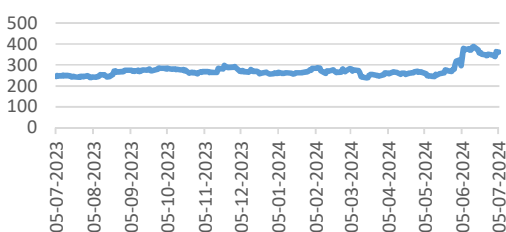
Industry Growth: The Ministry of Road Transport and Highways achieved a significant milestone by constructing 12,349 km of national highways in FY23-24, with a predicted increase of 5-8% in road construction activity for FY24-25. The focus on road construction as a national priority bodes well for KNR Constructions' future prospects.

Consistent Financial Performance: Consolidated Revenue/EBITDA/PAT grew at a CAGR of 15%/14.5%/33% respectively over FY21-24 period. Company's 3-year average ROE/ROCE are 19% & 19% respectively. Company's leverage position is also very good at D/E of 0.36 with cash & cash equivalents on hand Rs. 411 crores.

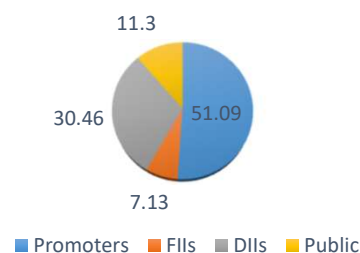
Healthy Performance in Q4FY24: Consolidated Revenue/EBITDA/PAT increased by 13.5%/52.3%/131% YoY to Rs. 1414 cr/Rs. 375 cr/Rs. 328 cr YoY respectively. EBITDA margins improved by 674 bps to 26.5% from 19.8% last year. On QoQ basis, Revenue/EBITDA/PAT were by +42%/+65.8%/+141% respectively.

Reasonable Valuation: At current market price of Rs 361.65, stock is currently trading at reasonable valuations of 24.2x / 21.6x its FY25-26e EPS, which is justified given Govt's increasing capex spending on infra projects.

1-Year Price Performance



Shareholding Pattern %



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