

## KNR Constructions

### Performance Highlights

#### Quarterly highlights - Standalone

Y/E March (₹ cr)	1QFY17*	1QFY16*	% chg (yoy)
Net sales	304	175	73.9
EBITDA	44	28	57.2
Adj. PAT	30	16	86.7

Source: Company, Angel Research; \*Reported as per Ind AS, FY2016 numbers & other remaining quarters continue to be reported as per Indian GAAP; It needs to be noted that yoy growth for FY2017E is not comparable as FY2016 continues to be reported under Indian GAAP

KNR Constructions (KNR) reported strong set of 1QFY2017 numbers. On the top-line (standalone) front, it reported 73.9% yoy increase to ₹304cr (ahead of our estimate of ₹249cr). 48% of 1QFY2017 revenues were from (1) Madurai-Ramanathapuram project (₹68cr), (2) Trivandrum bypass project (₹44cr) and (3) Penchalakona-Yerpedu project (₹35cr). EBITDA and PAT numbers were ahead of our estimate at ₹44cr and ₹30cr, respectively (v/s our estimate of ₹37cr and ₹25cr, respectively).

KNR's order book as of now stands at ~₹4,925cr, which gives strong revenue visibility for over the next 3 years.

**Valuation:** KNR in our view enjoys (1) strong execution track record, (2) better cost structure (reflected in better EBITDA & PAT margins vs some of its peers), (3) shorter working capital cycle, (4) low leverage (since FY2011, D/E ratio has been ~0.2x), and (5) impressive RoEs (12.1-24.9% range during FY2011-16). All these factors indicate KNR's superior earnings quality, and strengthen our view that KNR would continue to trade at premium valuations. On valuing standalone entity at 15.0x to our FY2018E EPS of ₹48.5, and adding value for its Kerala & Muzaffarpur BOT projects, we arrive at FY2018E sum-of-the-parts (SoTP) based price target of ₹802/share, implying 15% upside from current levels. **Given the upside in the stock, we maintain our Buy rating on the stock.**

#### Key financials (Standalone)

Y/E March (₹ cr)	FY14	FY15	FY16	FY17E	FY18E
Net Sales	837	876	885	1,385	1,673
% chg	21.5	4.7	1.0	56.5	20.8
Net Profit	61	73	161	116	136
% chg	17.0	19.7	120.7	(28.0)	17.7
EBITDA (%)	15.3	14.4	15.6	14.7	14.0
EPS (₹)	21.7	26.0	57.3	41.2	48.5
P/E (x)	32.2	26.9	12.2	17.0	14.4
P/BV (x)	3.8	3.5	2.7	2.4	0.0
RoE (%)	12.6	13.5	24.9	14.9	15.2
RoCE (%)	15.4	13.8	19.1	18.8	19.2
EV/Sales (x)	2.4	2.3	2.3	1.5	1.2
EV/EBITDA (x)	16.0	16.2	13.3	10.1	8.8

Source: Company, Angel Research; CMP as of August 17, 2016

## BUY

CMP	₹699
Target Price	₹802

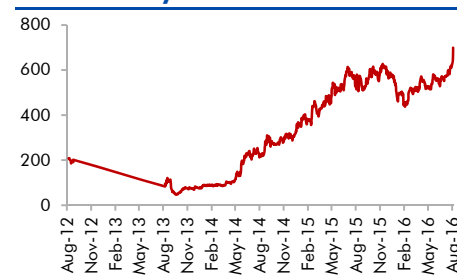
Investment Period	12 Months
-------------------	-----------

Stock Info	
Sector	Infrastructure
Market Cap (₹ cr)	1,630
Net debt (₹ cr)	72
Beta	1.2
52 Week High / Low	726/408
Avg. Daily Volume	3,229
Face Value (₹)	10
BSE Sensex	28,005
Nifty	8,624
Reuters Code	KNRL.BO
Bloomberg Code	KNRC@IN

Shareholding Pattern (%)	
Promoters	60.8
MF / Banks / Indian Fls	25.5
FII / NRIs / OCBs	4.0
Indian Public / Others	9.8

Abs. (%)	3m	1yr	3yr
Sensex	8.7	0.3	56.6
KNR	34.4	24.5	237.6

#### 3-Year Daily Price Chart



Source: Company, Angel Research

#### Yellapu Santosh

022 – 3935 7800 Ext: 6811  
 santosh.yellapu@angelbroking.com

**Exhibit 1: Quarterly Performance (Standalone)**

Particulars (₹ cr)	1QFY17*	1QFY16*	% chg (yoy)
<b>Net Sales</b>	<b>304</b>	<b>175</b>	<b>73.9</b>
<b>Total Expenditure</b>	<b>259</b>	<b>147</b>	<b>77.1</b>
Cost of materials consumed	79	84	(5.5)
Sub-Cont., Spreading & Assort. Exp.	138	34	302.2
Employee benefits Expense	13	10	32.2
Other Expenses	29	19	58.2
<b>EBITDA</b>	<b>44</b>	<b>28</b>	<b>57.2</b>
EBITDA %	14.5	16.1	
Depreciation	13	10	27.6
EBIT	31	18	74.4
Interest and Financial Charges	4	3	57.1
Other Income	5	4	45.2
PBT before Exceptional Items	32	19	71.1
Exceptional Items	0	0	
PBT after Exceptional Items	32	18.76	71.1
Tax	2	3	
% of PBT	5.9	13.7	
<b>PAT</b>	<b>30</b>	<b>16</b>	<b>86.7</b>
Other Comprehensive Inc.	(0)	(0)	
<b>Total Comprehensive Inc.</b>	<b>30</b>	<b>16</b>	<b>87.2</b>
PAT %	10.0	9.3	
Dil. EPS	10.74	5.76	86.5

Source: Company, Angel Research; Note: nmf- Not meaningful; \*Reported as per Ind AS, FY2016 numbers & other remaining quarters continue to be reported as per Indian GAAP; It needs to be noted that yoy growth for FY2017E is not comparable as FY2016 continues to be reported under Indian GAAP

## Standalone Business Review

### Strong execution seen during the quarter...

KNR reported strong execution during the quarter, reflecting 73.9% yoy revenue growth in 1QFY2017 to ₹304cr. Reported revenues were ahead of our estimate of ₹249cr. 48% of 1QFY2017 revenues were booked from (1) Trivandrum bypass project (₹44cr), (2) Madurai-Ramanathapuram project (₹68cr), and (3) Penchalakona-Yerpedu project (₹35cr).

### EBITDA margin declines 154bp yoy to 14.5%

KNR reported an EBITDA of ₹44cr, ahead of our estimate of ₹37cr. Reported EBITDA margins were at 14.5%, lower than year ago levels of 16.1% (reflecting 154bp yoy decline). Decline in yoy EBITDA margin was on account of 302.2% increase in sub-contracting, spreading and assorting expenses to ₹138cr (a/c's for 45.4% of 1QFY2017 sales) and 58.2% increase in other expenses to ₹29cr.

### PAT margin expands to 10.0%

KNR reported PAT of ₹30cr, ahead of our estimate of ₹25cr. Despite yoy EBITDA margin decline, reported PAT margins expanded to 10.0%, ahead of 9.3% reported year ago. KNR benefitted from lower tax rate of 5.9% during the quarter vs. 13.7% reported year ago. Lower effective tax rate for the quarter is on account of ₹5.6cr of MAT credit.

### Strong Order Inflow seen during YTD FY2017

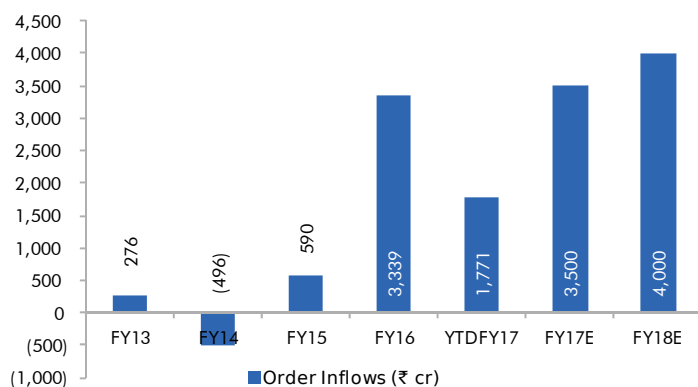
In 1QFY2017 KNR reported 2 major order wins worth ₹1,103.5cr (adj. for stake). These 2 order wins include (1) ₹415cr of EPC road order covering Dindigul-Bangalore road project, and (2) 2 irrigation packages worth ₹984cr on JV basis. KNR has 70% stake in this JV, where this Telangana Irrigation project is expected to be executed in next 30 months.

In 2QFY2017, KNR reported Hubli-Hospet stretch worth ₹1,335cr on JV basis to be executed in 36-months. For their 50% stake, KNR's shares stands at ₹667cr.

To-date in FY2017, KNR (for their share) has reported order wins of ₹1,771cr.

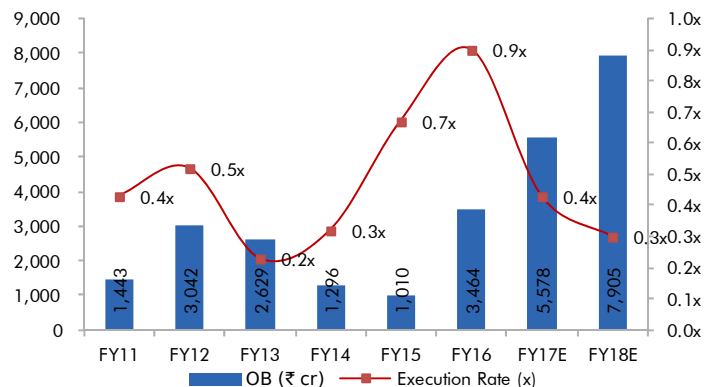
Management has guided for another ₹1,000-1,500cr of order win for remaining part of FY2017E.

**Exhibit 2: Order Inflows to see uptrend**



Source: Company, Angel Research

**Exhibit 3: Order Book gives better revenue visibility**



Source: Company, Angel Research

Recent order wins from road vertical take the total Order book to ₹4,925cr. This has resulted in current Order book/ last twelve month (LTM) sales ratio at 4.9x (vs 1.2x at 4QFY2015-end). The current order book gives strong revenue visibility for over next 3+ years.

### Concall Takeaways

During the quarter, KNR invested ₹171.5cr as quasi equity in Walayar-Vadakkancherry BOT Project for loan repayment. Post this investment, total equity investment in the project has increased to ₹307cr (reflecting D/E ratio of 1.0x, allaying any concerns over debt re-payment). KNR expects to infuse another ₹80-100cr towards the equity (which would be used for repayment) going forward. Management indicated that it is open to sell this BOT asset in long-run, once it gains some traction and they get valuations at least at par value.

For the Muzaffarpur Barauni BOT project, where KNR has 51% stake, all required equity infusion of ₹52cr has been made. This SPV has received 75% provisional completion certificate on Jun 3, 2016. With EPC works complete, KNR has already applied for 100% CoD, and expect favorable outcome in next 1-2 months. Also, some nearby packages with bridge works are not yet complete. On completion of these stretches and getting 100% CoD, management expects increase in Net toll from the current ₹6 lakh/day to ₹10 lakh/day.

Arunachal Pradesh EPC project where KNR is the JV partner with JKM Infra projects is expected to get in to full swing by Oct-2017. Owing to monsoons, no major works are being taken-up (lastly earthworks were done). Management expects to book ₹5cr/month of revenue from this project and finish 80-85% of total project by Dec-2016.

Of the total Order book of ₹4,925cr, roads have majority share (72% of the order book). Within the Roads vertical, ₹1,000cr worth of orders are to be constructed as Concrete Roads. As a result management has guided for ₹80-85cr of capex towards the Construction Equipments (esp. Paver equip.) in FY2017E (incorporated the same in to our model).

Management has highlighted that it does not receive any mobilization advance for Irrigation projects (vs. the 10% industry norm seen across some of the verticals). Also, share of Irrigation vertical's order wins to the total has increased in recent times to 18%. As a result, management has guided for 5-10 days increase in the working capital cycle (incorporated the same in to our model).

Despite sitting on an order book of ₹4,925cr (recent OB/LTM ratio at 4.9x), Management has conservatively guided for ₹1,200/1,500cr for FY2017/18E. Management expects EBITDA margins to be in 13.5-14.5% range. On account of sec. 80IA benefits, management has guided for 8-10% tax rate in FY2017E and 12% in FY2018E.

### Revision of Earnings Estimate

Considering strong 1QFY2017 results, strong order book (which gives visibility on strong execution), management guidance, we revise our FY2017-18E, estimates.

#### Exhibit 4: Earnings Revision

Y/E March (₹ cr)	FY2017E			FY2018E		
	Old	New	Chg. (%)	Old	New	Chg. (%)
<b>Net Sales</b>	1,210	1,385	14.5	1,595	1,673	4.9
<b>EBITDA</b>	186	203	9.1	255	235	(7.8)
<i>EBITDA Margins (%)</i>	15.4	14.7		16.0	14.0	
<b>PAT</b>	95	116	22.1	147	136	(7.5)
<i>PAT Margins (%)</i>	7.9	8.4		9.2	8.2	

Source: Angel Research

## Outlook & Valuation

Considering impressive 1QFY2017 results, potential for current order book to contribute to strong revenues, we expect KNR to report 56.5% yoy increase in FY2017 revenues to ₹1,385cr. Further, with recent order wins expected to start meaningful contribution in next 12 months, we expect FY2018E revenues to clock ₹1,673cr. On a whole, we expect KNR to report a strong 37.5% top-line CAGR during FY2016-18E.

Currently we are seeing 1-2 projects running ahead of their schedule, which comforts us that KNR could be eligible for early completion bonus (modeled in to our estimates). Also, considering their project mix, nature of recent order wins where low intensity was witnessed, we expect KNR to report FY2017/18E EBITDA margins at 14.7/14.0%, respectively (vs. management guidance of 13.5-14.5%).

In FY2016, KNR's PAT numbers benefitted from higher other income numbers, tax reversal on MAT, interest income on income tax & VAT reversals, liabilities no longer required written back. On adjusting for the same, FY2016 Adj. PAT stood at ₹83cr (reflecting 9.4% adj. PAT margins). We expect KNR to continue to enjoy sec. 80IA benefits in FY2017-18E. Considering this management has guided for 8-10% tax rate for FY2017E and 12% for FY2018E. We have been conservative in modeling FY2017-18E effective tax rate at 22.0%. On a whole, we expect KNR's standalone entity to report 28.3% Adj. PAT CAGR during FY2016-18E.

KNR in our view enjoys (1) strong execution track record, (2) better cost structure (reflected in the form of better EBITDA & PAT margins in comparison to some of its peers), (3) shorter working capital cycle, (4) low leverage (since FY2011, D/E ratio has been ~0.2x), and (5) impressive RoEs (12.1-24.9% range during FY2011-16). All these factors indicate at KNR's superior earnings quality, and strengthen our view that KNR would continue to trade at premium valuations.

For valuation purposes, we have valued KNR using Sum-Of-The-Parts method. KNR's EPC business (standalone entity) is valued at FY2018E P/E multiple, whereas only 1 of the 4 BOT projects has been valued using "Free Cash flow to Equity holders" method and another one on BV basis. We have excluded 2 Annuity BOT projects, where KNR has 40% stake in the JVs with Patel Engineering, as both these projects are securitized.

### Value of Core EPC business

Considering (1) current order backlog of ₹4,925cr, which gives revenue visibility for 3+ years, (2) ramp-up in some of the recently won projects, which gives better revenue visibility, (3) strong balance sheet (FY2016 D/E at 0.2x), (4) 28.3% adj. earnings CAGR during FY2016-18E, and (5) RoE to remain ~15% in FY2017-18E), we assign 15.0x P/E multiple to our FY2018E EPS estimate of ₹48.5/share and arrive at standalone business value of ₹728/share.

**Exhibit 5: Sum-of-the-Parts based Valuation Table**

Particulars	Segment	FY18E Std. PAT (₹ cr)	Target Multiple	Target Value (₹ cr)	Value/ share (₹)	% of SoTP	Basis
KNR's EPC business	Construction	136	15.0	2,047	728	91	P/E multiple
<b>Total</b>		<b>136</b>		<b>2,047</b>	<b>728</b>	<b>91</b>	

Particulars	Proj. Type	Discounted FCFE/ BV (₹ cr)	Project Stake	Adj. FCFE Value (₹ cr)	Value/ share (₹)	% of SoTP	Basis
Road BOT projects							
Walayar-Vadakkanchery BOT Proj.	Toll	136	100%	136	48	6	$K_e$ of 14%
Muzaffarpur-Barauni BOT Project	Toll	141	51%	72	26	3	P/BV multiple
<b>Total</b>		<b>277</b>		<b>208</b>	<b>74</b>	<b>9</b>	
<b>Grand Total</b>				<b>2,255</b>	<b>802</b>	<b>100</b>	
<b>Upside/ (Downside)</b>					<b>15%</b>		
<b>CMP</b>					<b>699</b>		

Source: Company, Angel Research

### Value of BOT projects

BOT projects have been valued using “Free Cash flow to Equity holders” and Book value method. The Walayar-Vadakkanchery BOT Project is operational ahead by 1 month from its scheduled CoD of Sep-2015. We have valued this BOT project using 14% discounting rate to arrive at a FCFE of ₹48/share (6% of SOTP value of the company). Also, we add ₹72cr of equity (for its 51% stake in the SPV), which KNR has infused in Muzaffarpur-Barauni BOT project. At 1x the BV, we arrive at project value of ₹26/share. On a whole, BOT projects contribute ₹74/share to our revised price target.

### Business Value

On combining the value of EPC business and BOT projects, we arrive at a combined business value of ₹802/share, reflecting 15% upside in the stock price from here-on. **We maintain our BUY rating on the stock.**

## Investment arguments

### Order Book grows 2.3x, gives better revenue visibility

KNR has been announcing large ticket project wins, mainly from Roads & Highways EPC space in FY2016-YTDFY2017. To-date in FY2017, KNR reported ₹1,771cr worth of project wins, thereby taking the order backlog to ₹4,925cr as of now (vs ₹1,010cr in 4QFY2015-end), which gives better revenue visibility for FY2017-18E.

#### Exhibit 6: Details of recently won EPC Road projects

Announced On	Project Details	Stake (%)	Project Value (₹ cr)
13-Apr-15	Upgrade 3 road stretches across Tamil Nadu	100%	729
17-Apr-15	2/4 laning of Madurai- Ramanathapuram section (115 kms, NH-49)	100%	937
14-May-15	4-laning of Kazhakkottam-Mukkola (NH-47)	100%	669
8-Jul-15	Widen/ Reconstruct 3 road stretches across different locations within Madhya Pradesh	100%	256
19-Feb-16	Construct various Flyovers at Salem	100%	295
7-Apr-16	Irrigation projects at Telangana	70%	687
25-May-16	4-laning of the Dindigul-Bangalore stretch	100%	415
8-Aug-16	4-laning of Hubli-Hospet stretch	50%	667
<b>Total</b>			<b>4,655</b>

Source: Company, Angel Research

KNR's Management highlighted that it intends to focus bidding of Road EPC and Hybrid Annuity projects (currently has bid for 1 Hybrid Annuity project). Management maintained optimism that the company would report order wins of ~₹1,000cr-1,500cr in remaining part of FY2017E. We expect KNR's order inflow growth momentum to continue going forward. For FY2017/FY2018E, we expect KNR to report ₹5,578cr/ ₹7,905cr worth of project wins across verticals.

We expect KNR to report 2.3x growth in its Order book during FY2016-18E.

### 37.5% & 28.3% Revenue & Adj. PAT CAGR, during FY16-18E

KNR reported 2.9% top-line CAGR during FY2011-16 on account of weak order inflow scenario. KNR reported strong order wins in FY2016, the benefits of which it is likely to see going forward.

With uptick in award activity and continued recent wins, coupled with average execution cycle of ~24-36 months, we expect KNR to report strong 37.5% revenue CAGR during FY2016-18E to ₹1,673cr.

During FY2011-16, KNR reported EBITDA margins in the range of 14.4%-17.8% and Adj. PAT margins in the range of 7.0%-9.4%. Assuming KNR would get 1 early completion bonus for its ongoing projects in FY2017E and nothing in FY2018, we model 156bp EBITDA margin decline from 15.6% in FY2016 to 14.0% in FY2018E. On considering (1) higher interest expenses (owing to stretch in working capital cycle), (2) assume 22.0% tax rate for FY2017-18E (as KNR would continue to avail tax benefits u/s 80IA, we estimate 28.3% Adj. PAT CAGR during FY2016-18E to ₹136cr. PAT margins would expand by 124bp to 8.2% by FY2018E.

### **Risks & Concerns**

- Any change in KNR's taxation policy or adverse ruling by Tax department could act as risk to our target price and rating.
- KNR is highly dependent on the Roads vertical (accounts for ~72% of order book). Delays in award activity and unfavorable changes in policy framework, could affect our outlook on KNR.
- Delays in execution (vs our estimates) could be a risk to our rating.

### **Company background**

KNR is a Hyderabad based 20+ year old company having executed ~6,000+kms of road projects across 12+ states in India. Over the years, KNR has executed Roads & Highways, Irrigation, and Bridges & Flyover projects. KNR also has a quarrying division, which ensures timely supply of stone aggregates at project locations. KNR over the years has evolved from a smaller sized Roads & Highways-Engineering Procurement and Construction (EPC) player to a large one by executing projects timely and building its qualification criterion. As of now, KNR has executed projects for a diversified range of clients namely, NHAI, KSHIP, MPRDCL, UPSHA, EIL, Sadbhav Engineering and GMR, amongst others.

In addition to the EPC business, KNR has 4 Build Operate Transfer (BOT) projects in its kitty, with 3 of them operational and the 4<sup>th</sup> already being partly operational.

As of now, KNR had an order book of ~₹4,925cr, which gives revenue visibility for 3+ years. The Roads & Highways vertical accounts for ~72% of the order book.



**Profit and Loss Statement (Standalone)**

Y/E March (₹ cr)	FY14	FY15	FY16	FY17E	FY18E
<b>Net Sales</b>	<b>837</b>	<b>876</b>	<b>885</b>	<b>1,385</b>	<b>1,673</b>
% Chg	21.5	4.7	1.0	56.5	20.8
<b>Total Expenditure</b>	<b>709</b>	<b>750</b>	<b>747</b>	<b>1,182</b>	<b>1,439</b>
Raw Materials con.	291	337	279	534	651
Sub-Contracting Exp.	282	260	327	442	540
Employee Expense	35	38	44	50	59
Other Expenses	101	115	97	156	189
<b>EBITDA</b>	<b>128</b>	<b>126</b>	<b>138</b>	<b>203</b>	<b>235</b>
% Chg	13.3	(1.6)	9.5	47.5	15.4
EBITDA %	15.3	14.4	15.6	14.7	14.0
Depreciation	57	54	43	51	58
<b>EBIT</b>	<b>71</b>	<b>72</b>	<b>95</b>	<b>152</b>	<b>177</b>
% Chg	23.5	1.7	31.7	60.6	16.1
Interest Exp.	17	12	13	20	19
Other Income	13	13	48	16	18
PBT	67	72	130	149	175
Tax	6	(1)	(31)	33	38
% of PBT	8.8	(1.0)	(23.8)	22.0	22.0
PAT before Exc. Item	61	73	161	116	136
Exceptional item	0	0	0	0	0
<b>PAT</b>	<b>61</b>	<b>73</b>	<b>161</b>	<b>116</b>	<b>136</b>
% Chg	17.0	19.7	120.7	(28.0)	17.7
PAT %	7.3	8.3	18.2	8.4	8.2
Basic EPS	21.7	26.0	57.3	41.2	48.5
Diluted EPS	21.7	26.0	57.3	41.2	48.5
% Chg	16.9	19.8	120.7	(28.0)	17.7

**Balance Sheet (Standalone)**

Y/E March (₹ cr)	FY14	FY15	FY16	FY17E	FY18E
<b>Sources of Funds</b>					
Equity Capital	28	28	28	28	28
Reserves Total	485	541	699	806	932
<b>Networth</b>	<b>513</b>	<b>569</b>	<b>727</b>	<b>834</b>	<b>960</b>
Total Debt	58	88	113	118	112
Other Long-term Liab.	100	69	181	102	112
Deferred Tax Liability	0	0	0	0	0
<b>Total Liabilities</b>	<b>671</b>	<b>726</b>	<b>1,020</b>	<b>1,054</b>	<b>1,184</b>
<b>Application of Funds</b>					
Gross Block	525	543	605	695	757
Accumulated Dep.	262	316	359	410	468
<b>Net Block</b>	<b>264</b>	<b>227</b>	<b>247</b>	<b>285</b>	<b>289</b>
Capital WIP	0	0	0	0	0
<b>Investments</b>	<b>40</b>	<b>32</b>	<b>43</b>	<b>59</b>	<b>60</b>
<b>Current Assets</b>					
Inventories	34	36	35	57	69
Sundry Debtors	117	177	129	285	339
Cash and Bank Balance	11	16	16	13	14
Loans & Advances	229	241	320	494	550
Current Liabilities	283	277	258	460	440
<b>Net Current Assets</b>	<b>108</b>	<b>192</b>	<b>244</b>	<b>389</b>	<b>533</b>
Other Assets	259	276	487	321	304
<b>Total Assets</b>	<b>671</b>	<b>726</b>	<b>1,020</b>	<b>1,054</b>	<b>1,184</b>

**Cash Flow Statement (Standalone)**

Y/E March (₹ cr)	FY14	FY15	FY16	FY17E	FY18E
Profit before tax	67	72	130	149	175
Dep. & Other Non-cash Charges	57	54	43	51	58
Change in Working Capital	16	(98)	65	(232)	(140)
Interest & Financial Charges	16	12	85	34	41
Direct taxes paid	(24)	(22)	(46)	(52)	(61)
<b>Cash Flow from Operations</b>	<b>133</b>	<b>18</b>	<b>279</b>	<b>(50)</b>	<b>72</b>
(Inc)/ Dec in Fixed Assets	(25)	(16)	(56)	(87)	(60)
(Inc)/ Dec in Investments	(55)	(9)	(223)	154	25
<b>Cash Flow from Investing</b>	<b>(80)</b>	<b>(25)</b>	<b>(280)</b>	<b>67</b>	<b>(35)</b>
Issue/ (Buy Back) of Equity	0	0	0	0	0
Inc./ (Dec.) in Loans	(32)	36	26	9	(6)
Dividend Paid (Incl. Tax)	(3)	(6)	(12)	(9)	(10)
Net Interest Expenses	(17)	(12)	(13)	(20)	(19)
<b>Cash Flow from Financing</b>	<b>(52)</b>	<b>18</b>	<b>1</b>	<b>(20)</b>	<b>(36)</b>
Inc./ (Dec.) in Cash	1	12	0	(3)	1
<b>Opening Cash balances</b>	<b>3</b>	<b>4</b>	<b>16</b>	<b>16</b>	<b>13</b>
<b>Closing Cash balances</b>	<b>4</b>	<b>16</b>	<b>16</b>	<b>13</b>	<b>14</b>

**Key Ratios (Standalone)**

Y/E March	FY14	FY15	FY16	FY17E	FY18E
<b>Valuation Ratio (x)</b>					
P/E (on FDEPS)	32.2	26.9	12.2	17.0	14.4
P/CEPS	16.6	15.5	9.6	11.8	10.1
Dividend yield (%)	0.0	0.0	0.0	0.0	0.0
EV/Sales	2.4	2.3	2.3	1.5	1.2
EV/EBITDA	16.0	16.2	13.3	10.1	8.8
EV / Total Assets	3.0	3.0	2.8	2.0	2.0
<b>Per Share Data (₹)</b>					
EPS (fully diluted)	21.7	26.0	57.3	41.2	48.5
Cash EPS	42.0	45.2	72.6	59.4	69.1
DPS	1.0	1.7	3.7	2.7	3.2
Book Value	183	202	258	297	341
<b>Returns (%)</b>					
RoCE (Pre-tax)	15.4	13.8	19.1	18.8	19.2
Angel RoIC (Pre-tax)	14.7	12.9	17.0	17.7	18.1
RoE	12.6	13.5	24.9	14.9	15.2
<b>Turnover ratios (x)</b>					
Asset Turnover (Gross Block) (X)	1.6	1.6	1.6	2.1	2.3
Inventory / Sales (days)	15	15	14	15	15
Receivables (days)	51	74	52	75	74
Payables (days)	34	29	45	44	35
<b>Leverage Ratios (x)</b>					
D/E ratio (x)	0.1	0.2	0.2	0.1	0.1
Interest Coverage Ratio (x)	4.9	6.9	11.3	8.6	10.1

Research Team Tel: 022 - 39357800

E-mail: research@angelbroking.com

Website: www.angelbroking.com

## DISCLAIMER

Angel Broking Private Limited (hereinafter referred to as "Angel") is a registered Member of National Stock Exchange of India Limited, Bombay Stock Exchange Limited and Metropolitan Stock Exchange Limited. It is also registered as a Depository Participant with CDSL and Portfolio Manager with SEBI. It also has registration with AMFI as a Mutual Fund Distributor. Angel Broking Private Limited is a registered entity with SEBI for Research Analyst in terms of SEBI (Research Analyst) Regulations, 2014 vide registration number INH000000164. Angel or its associates has not been debarred/ suspended by SEBI or any other regulatory authority for accessing /dealing in securities Market. Angel or its associates/analyst has not received any compensation / managed or co-managed public offering of securities of the company covered by Analyst during the past twelve months.

This document is solely for the personal information of the recipient, and must not be singularly used as the basis of any investment decision. Nothing in this document should be construed as investment or financial advice. Each recipient of this document should make such investigations as they deem necessary to arrive at an independent evaluation of an investment in the securities of the companies referred to in this document (including the merits and risks involved), and should consult their own advisors to determine the merits and risks of such an investment.

Reports based on technical and derivative analysis center on studying charts of a stock's price movement, outstanding positions and trading volume, as opposed to focusing on a company's fundamentals and, as such, may not match with a report on a company's fundamentals. Investors are advised to refer the Fundamental and Technical Research Reports available on our website to evaluate the contrary view, if any.

The information in this document has been printed on the basis of publicly available information, internal data and other reliable sources believed to be true, but we do not represent that it is accurate or complete and it should not be relied on as such, as this document is for general guidance only. Angel Broking Pvt. Limited or any of its affiliates/ group companies shall not be in any way responsible for any loss or damage that may arise to any person from any inadvertent error in the information contained in this report. Angel Broking Pvt. Limited has not independently verified all the information contained within this document. Accordingly, we cannot testify, nor make any representation or warranty, express or implied, to the accuracy, contents or data contained within this document. While Angel Broking Pvt. Limited endeavors to update on a reasonable basis the information discussed in this material, there may be regulatory, compliance, or other reasons that prevent us from doing so.

This document is being supplied to you solely for your information, and its contents, information or data may not be reproduced, redistributed or passed on, directly or indirectly.

Neither Angel Broking Pvt. Limited, nor its directors, employees or affiliates shall be liable for any loss or damage that may arise from or in connection with the use of this information.

### Disclosure of Interest Statement

### KNR Constructions

1. Financial interest of research analyst or Angel or his Associate or his relative	No
2. Ownership of 1% or more of the stock by research analyst or Angel or associates or relatives	No
3. Served as an officer, director or employee of the company covered under Research	No
4. Broking relationship with company covered under Research	No

**Ratings (Based on expected returns over 12 months investment period):**

Buy (> 15%)

Accumulate (5% to 15%)  
Reduce (-5% to -15%)

Neutral (-5 to 5%)  
Sell (< -15)