

KNR Constructions

Road laid for a sustainable drive....

Recent order inflows provide revenue growth visibility: KNR Constructions (KNR) is a specialist Roads & Highways EPC player. Over the last 4 months, KNR has reported ₹2,591cr of order wins (excludes ₹555cr of Chittagong order win), which is significantly higher than ₹950cr of order inflows in FY2015. Management has guided for another ₹750cr of order wins for remaining part of FY2016E. These order wins from the road vertical, take the 1QFY2016 unexecuted order book to ₹3,356cr. This would result in order book / last twelve month (LTM) sales ratio at 1QFY2016 to be at 3.8x, which is higher than order book / LTM ratio of 1.2x at 4QFY2015-end. With award momentum in road vertical to continue, we expect KNR to report 5.4x growth in its order book to ₹5,450cr by FY2017E. Taking into account its past execution track record and average execution cycle of 24-36 months, we expect KNR to report strong top-line growth over FY2015-17E.

New orders won amidst low competition: KNR has impressed us by prudently selecting projects, mainly in southern India, where it has strong foothold. Notably, recent order wins by KNR have come amidst low competition (2-3 bidders for each project), when compared to higher competition witnessed across other NHAI bids (5 to 8 bidders for each project). Recent order wins have been entirely from southern India (except the M.P. order which was won in Jul-2015), where KNR has aggregate mines as well as majority of its idly lying construction equipments. This in our view would enable KNR to attain synergy in its operations and continue to post higher EBITDA margins.

Comfortable Balance Sheet: KNR is one of the few Road EPC players with low D/E ratio of 0.2x (FY2015), whereas peers are having D/E ratio of over 1.0x.

Valuation: Improved order book outlook, strong earnings growth potential, and comfortable Balance Sheet, strengthen our view that KNR would continue to trade at rich valuations. Announcement of recent order wins, have supported the KNR's stock price run up, which is up 30% in last 3 months. On valuing the standalone entity at 14.0x our FY2017E EPS of ₹37, and adding up free cash flow to equity shareholders value for its Kerala based BOT project, we arrive at FY2017E sum-of-the-parts (SoTP) based price target of ₹582/share, implying that the KNR stock is close to its fair value. **We initiate coverage on KNR Constructions with a Neutral rating, given that all the positives have been captured in the stock price.**

Key Financials (Standalone)

Y/E March (₹ cr)	FY2013	FY2014	FY2015E	FY2016E	FY2017E
Net Sales	689	837	876	915	1,479
% chg	(8.1)	21.5	4.7	4.5	61.6
Net Profit	52	61	73	57	105
% chg	(1.2)	17.0	19.7	(21.7)	82.9
EBITDA (%)	16.4	15.3	14.4	14.3	13.9
EPS (₹)	18.5	21.7	26.0	20.3	37.2
P/E (x)	32.0	27.4	22.8	29.2	15.9
P/BV (x)	3.7	3.2	2.9	2.7	2.3
RoE (%)	12.1	12.6	13.5	9.6	15.6
RoCE (%)	16.0	15.4	13.8	12.2	19.3
EV/Sales (x)	2.5	2.1	2.0	1.9	1.2
EV/EBITDA (x)	14.8	13.6	13.8	13.5	8.8

Source: Company, Angel Research; Note: CMP as of July 9, 2015

NEUTRAL

CMP	₹593
Target Price	₹582

Investment Period	12 Months
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Stock Info

Sector	Infrastructure
Market Cap (₹ cr)	1,668
Net debt (₹ cr)	72
Beta	1.3
52 Week High / Low	618/200
Avg. Daily Volume	8,722
Face Value (₹)	10
BSE Sensex	27,574
Nifty	8,329
Reuters Code	KNRL.BO
Bloomberg Code	KNRC@IN

Shareholding Pattern (%)

Promoters	65.5
MF / Banks / Indian Fls	20.8
FII / NRIs / OCBs	0.9
Indian Public / Others	12.9

Abs. (%)	3m	1yr	3yr
Sensex	(4.5)	8.7	58.5
KNR	30.3	152.1	380.7

3 year price chart



Source: Company, Angel Research

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Investment Argument

Government's increased focus on Infra sector

In order to revive the economy, the government has been increasingly focusing on the infrastructure sector, in recent times. Sub-sectors like Roads & Highways, Water & Water Treatment, and Urban Infrastructure, have caught the government's attention as well.

The National Highways Authority of India (NHAI) spent ~₹21,000cr in FY2015. NHAI has set an ambitious target of spending ~₹75,000cr in FY2016 (a 3-fold increase). Of the incremental NHAI spending, ~₹55,000cr would be funded through higher budgetary allocation (~₹15,000cr) and borrowings (~₹40,000cr). Also, Ministry of Road Transport & Highways (MoRTH) has set an ambitious target to award ~12,000km (including NHAI's target of ~9,000km) of road projects in FY2016 itself. Again, three-fourths of these projects, expected to be awarded in FY2016, are engineering, procurement & construction (EPC) projects. On the back of sharp revival in EPC Road award activity, we expect Road EPC players, including KNR, to benefit. Recent order wins by KNR further strengthen our view that the company is well positioned to continue reporting order inflows, going forward.

Order Book grows 3.3x, gives better revenue visibility....

KNR, in the last 4 months, has announced large ticket project wins mainly from the Roads & Highways EPC space. To-date in FY2016, KNR reported ₹2,591cr worth of project wins (excludes ₹515cr Chittagong Ring Road project), thereby taking the order backlog at 1QFY2015E to ₹3,356cr (vs ₹1,010cr in 4QFY2015), which gives better revenue visibility for FY2016-17E. The order book of the company in the last 1 quarter has grown by 3.3x, which is impressive.

Exhibit 1: Details of recently won EPC Road projects

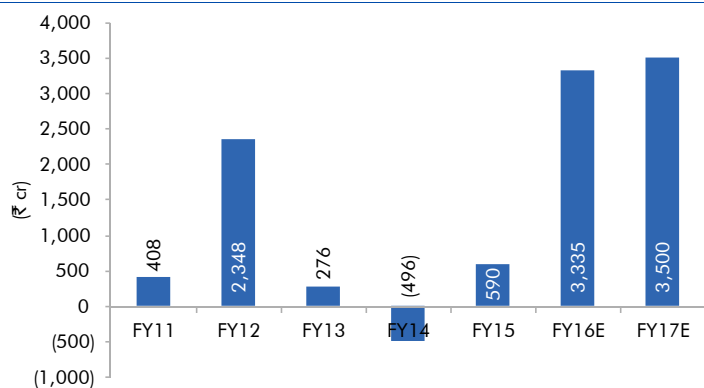
Announced On	Project Details	Stake (%)	Project Value (₹ cr)
13-Apr-15	Upgradation of 3 road stretches across Tamil Nadu	100%	729
17-Apr-15	2/4 laning of the Madurai- Ramanathapuram section (115 kms, NH-49)	100%	937
14-May-15	4-laning of Kazhakkottam-Mukkola (NH-47)	100%	669
8-Jul-15	Widen/ Reconstruct 3 road stretches across different locations within Madhya Pradesh	100%	256
Total			2,591

Source: Company, Angel Research

NHAI is expected to award ~20,000km of road projects during FY2016-18E. Of this, the target for FY2016E is of ~9,000km (~3,000km of EPC+~2,000km of BOT+~4,000km of Hybrid). KNR's Management has highlighted that it intends to bid only for Road EPC projects. Also, the Management has set its sight on 25-30 EPC Road tenders worth ₹14,000-16,000cr, which are likely to be up for bids, in few months time from now. In line with the Management's expectation, we are optimistic that KNR would report order wins of ~₹750cr in the remaining part of FY2016E. We expect KNR's order inflow growth momentum to continue going forward. In FY2017E, we expect KNR to report ₹3,500cr worth of project wins across verticals.

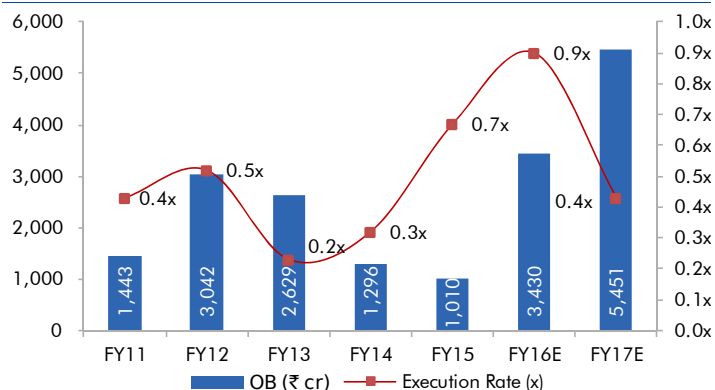
Accordingly we expect the order book to report 132.3% CAGR during FY2015-17E. KNR's unexecuted order book stands at ₹3,356cr, which gives revenue visibility for 24+ months.

Exhibit 2: Order Inflow to gain pace...



Source: Company, Angel Research

Exhibit 3: Execution to pick-up, as order book grows...

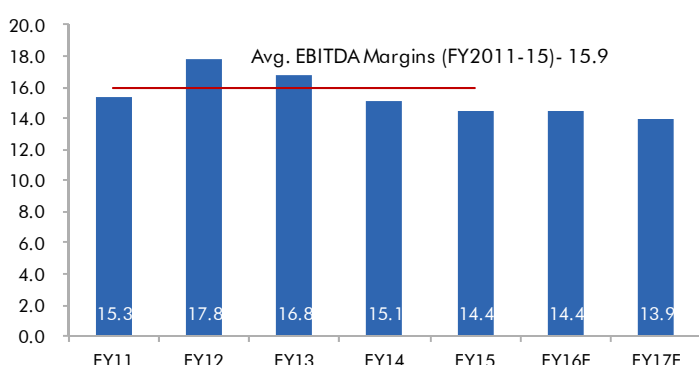


Source: Company, Angel Research

KNR to report good set of EBITDA margins...

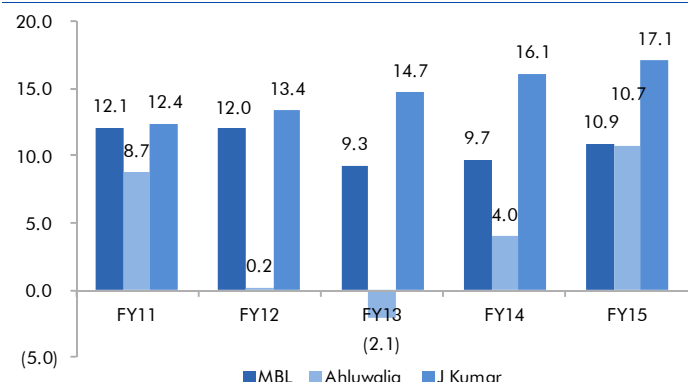
We remain impressed by KNR, given its strategy to prudently select projects, mainly in southern India, where it has strong foothold. Notably, recent order wins by KNR have come amidst low competition (2-3 bidders for each project), when compared to higher competition witnessed across other NHAI bids (5 to 8 bidders seen across projects). Recent order wins have been entirely from southern India (except the M.P. order which was won in Jul-2015), where KNR has aggregate mines as well as majority of its idly lying construction equipments. This would enable KNR to attain synergy in its operations and continue to post higher EBITDA margins.

Exhibit 4: 15.9% Avg. EBITDA % during FY2011-15



Source: Company, Angel Research

Exhibit 5: Peers' margins below KNR's...



Source: Company, Angel Research

KNR, during FY2011-15, reported EBITDA margin in the range of 14.4-17.8% (average of 15.9%). Except for J Kumar's FY2014 and FY2015 EBITDA margins, KNR's margins during FY2011-15 have been ahead of the industry peers (MBL Infrastructures, Ahluwalia Contracts and J Kumar). In our view, (1) higher asset turnover ratio (vs. industry peers), (2) acquisition of aggregate mines closer to projects under execution, (3) receipt of early completion bonus for some of the projects, and (4) minimal dependency on sub-contracting, helped the company report over 14% EBITDA margins during FY2011-15.

Exhibit 6: Construction & Mining Equip. Portfolio...

(As of 4QFY2015)	Qty.
Tipplers	531
Excavators	125
Compactors	60
Concrete Mixers & Pumps	45
Loaders	38
Pavers	33
Crushers	14
Graders	31
Tractors	31
Cranes	31
Tankers	28
Transit Mixers	24
Rollers	18
Batching & Mixing	21
Breakers	13
Hot Mix Plant	11
Drillers	12
Dozers	9
Wet Mix Plant	9
Drum Mix Plant	7

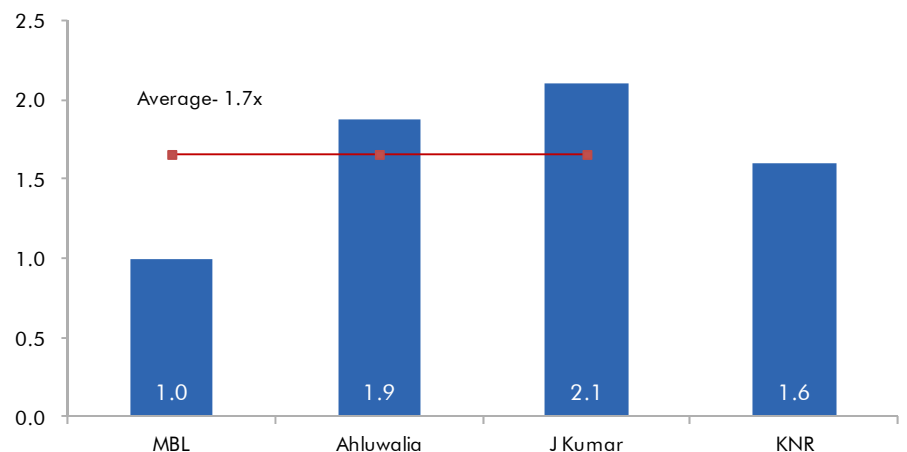
Source: Company, Angel Research

Exhibit 7: Projects completed ahead of schedule...

	Sch. Time	Act. Comp
Bijapur-Hungund	910	582
Hyderabad-Ramagundam	1,440	1,219
Karimnagar-Kamareddy	450	343
Hyderabad-Chanda	365	364
Siricilla-Siddipet	365	364
Narsapur-Aswaraopet	365	364

Source: Company, Angel Research

During FY2014-15, KNR invested in various types of construction equipments (P&M gross block at FY2015-end stood at ₹448cr), this coupled with decline in yoy order book, resulted in decline in equipment utilization to ~50% as of FY2015-end. Despite such lower utilization, KNR's asset turnover was at 1.6x, slightly below the peers' average of 1.7x.

Exhibit 8: Industry Peers' Asset Turnover Ratio (x)


Source: Company, Angel Research

These investments towards construction and mining equipments have helped KNR become self sufficient, and build cushion against rising operating costs.

KNR has always focused on backward integration by sourcing aggregates from its mines, for road projects under execution. Currently, KNR has 4 captive quarrying mines, 14 crusher units (with daily crushing capacity of 15-20 lakh metric tonne) and 21 Batching & Mixing plants, in close proximity to its projects under execution. This helps KNR control its costs as sourcing of raw materials from captive quarrying mines are 30-40% cheaper than those procured from open market. Also, KNR has tie-ups with BPCL, HPCL, IOC, and MRPL to source bitumen, which is a core consumable in a Road project.

KNR currently prefers to use more of its resources and depend lesser on sub-contracting for getting a given project executed. Management indicated that given the recent large ticket project wins, it would be left with no option but to increase its dependency on sub-contracting works. For the outstanding order book, KNR would incur ~₹500cr worth of sub-contracting expenses (excluding the recently won MP order, where KNR intends to depend majorly on sub-contracting).

Also, over the years, KNR has built a strong execution track record. The above table (Exhibit 7) clearly highlights that a few of the projects have been completed ahead of schedule, thereby making KNR eligible for early completion bonus.

Considering all the above mentioned levers, shift in strategies, when coupled with our assumption that KNR may not receive any early completion bonus for projects, we estimate 14.4% and 13.9% EBITDA margins for FY2016E and FY2017E, respectively.

30% & 20% Revenue & PAT CAGR, respectively, during FY15-17E

KNR reported 2.3% top-line CAGR during FY2011-14, owing to weak order inflow scenario. However, with uptick in award activity and recent order wins, coupled with average execution cycle of ~24-36 months, we expect KNR to report a strong 30% revenue CAGR during FY2015-17E to ₹1,479cr.

During FY2011-15, KNR reported EBITDA margins in the range of 14.4%-17.8% and PAT margins in the range of 7.0%-8.3%. Assuming (1) KNR would not get any early completion bonus for its ongoing projects and (2) increase its dependency on sub-contracting, we model 52bp EBITDA margin decline from 14.4% in FY2015 to 13.9% in FY2017E. Higher interest expenses (owing to stretch in working capital cycle) and higher tax rate assumption (in FY2016-17E) would restrict the entire benefits of EBITDA growth from flowing down to PAT level. Management clarified that it is availing tax benefits u/s 80IA. We have assumed 15.0% and 21.0% tax rate for FY2016E and FY2017E, respectively. As a result, we have estimated restricted PAT CAGR of 20% over FY2015-17E to ₹105cr. PAT margins would decline by 126bp to 7.1% in FY2017E.

Comfortable Gearing ratio

KNR over the years has been prudently managing its overall capital requirements. It has maintained lower D/E ratio (in the range of 0.1x-0.2x during FY2011-14E), owing to (1) positive cash flow generation from operations (reported average cash flows of ₹87cr during FY2011-14), and (2) shorter working capital cycle.

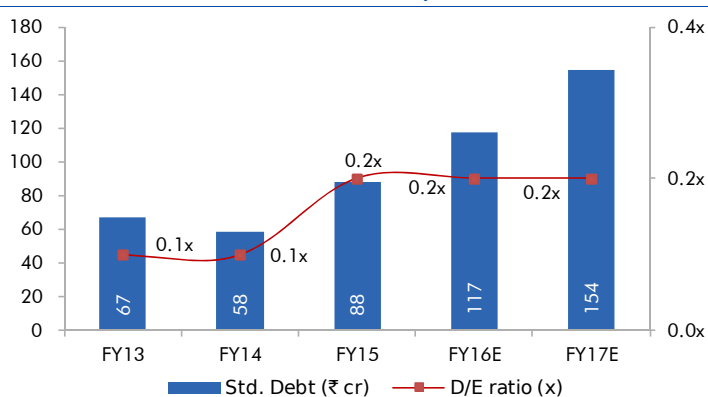
We sense that the company has been disciplined in maintaining attractive payment terms with its suppliers, and has been prompt in collections from its clients. Picking

up large ticket projects from bigger players, which have all clearances in place, at attractive margins, has helped the company report positive cash flows and shorter working capital.

KNR is vying to enter the bigger league, where it intends to bid directly for State PWDs and NHAI based road projects as against its earlier bidding for larger ticket EPC road projects from larger construction players. This would result in the order book mix shifting towards State PWDs and NHAI based road projects. On this account, we now expect stretch in Receivables cycle (to increase from 74 days in FY2015 to 99 days in FY2017E), which in turn should lead to stretch in the working capital cycle. Accordingly, we expect the working capital days to increase from 59 days in FY2015 to 80 days in FY2017E.

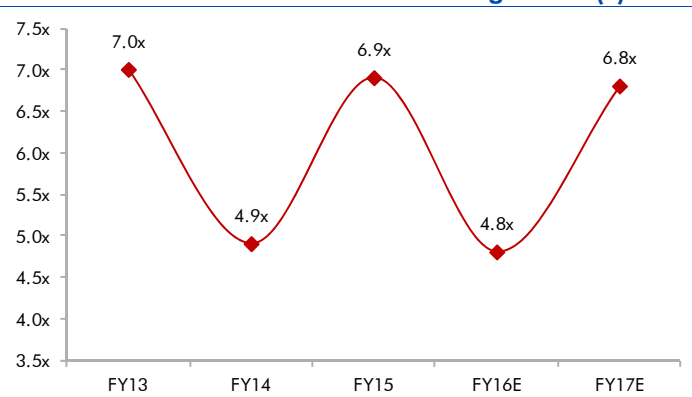
Considering strong profitability growth, despite stretch in the WC cycle, we expect KNR to report positive cash flow from operations to the tune of ₹118cr during FY2015-17E and maintain its D/E ratio at 0.2x by FY2017E.

Exhibit 9: Standalone Debt and D/E ratio



Source: Company, Angel Research

Exhibit 10: Standalone Interest Coverage ratio (x)



Source: Company, Angel Research

Prudent BOT bidding, Kerala BOT to commence in FY2016E

KNR is one of the few listed players in the infra space, which has stayed away from the BOT space. It started a few years ago with 2 BOT Annuity projects as minority partner (40% stake) in a JV (partnering Patel Engineering). On commencement of Annuity receipts, KNR, along with its JV partner, went ahead and raised ₹900cr as securitization proceeds, thereby almost freeing its equity from these 2 projects. KNR, during the down-cycle, pursued 1 BOT project in order to maintain its business. In FY2013, KNR won its first 100% BOT-Toll project across the 54km Walayar-Vadakkanchery stretch (in Kerala). KNR is expected to finish EPC works by Sep-2015 (vs scheduled completion date in Dec-2015). This project is already partially operational, with tolling across entire stretch to start in 2HFY2016E.

At the backdrop of recent order wins, Management indicated that the company is not interested in adding any further BOT projects to its portfolio, unless the BOT project conservatively generates internal threshold IRR of 18-20%.

Update on BOT Projects

KNR has a portfolio of 3 BOT Road projects, with 2 of them operational and the 3rd being partially operational (to be fully operational by Sep-15).

Exhibit 11: Details of the 3 BOT Projects

Particulars	PKIL	PKHIL	KNRWTPL
Stretch	AP/Karnataka border-Avathi	Islamnagar-Nagpur-Hyderabad section	Walayar-Vadakkanchery
Project Type	BOT- Annuity	BOT- Annuity	BOT- Toll
State	Karnataka	Telangana	Kerala
Length (kms)	60	53	54
Status	Operational	Operational	Partly Operational
Concession Period	20 years	20 years	20 years
KNR's stake	40%	40%	100%
Concession Agreement Date	Apr-06	Mar-07	May-13
TPC (₹ in cr)	442	592	900
EPC (₹ in cr)	350	518	790
Debt (₹ in cr)	334	484	500
Equity (₹ in cr)	37	49	135
Grant (₹ in cr)	0	0	265
Traffic Growth Assumption:			
1-5 years	NA	NA	7%
6-10 years	NA	NA	5%
10 years and there-after	NA	NA	0%

Source: Company, Angel Research; Note: NA- Not Applicable

Patel Infra led JV has securitized both the Annuity projects. As a result, we sense that value for equity shareholders post securitization from these BOT projects is not material, hence, we excluded these 2 BOT projects from our valuation exercise.

The 3rd BOT-Toll project across Walayar-Vadakkanchery is partly operational (93% of EPC work is complete). The Management expects the remaining 7% of the stretch to be complete by Sep-2015. KNR is currently doing ₹11lakh/day of tolling vs the Management's expectation of ₹14lakh/day (for the partly operating stretch). Protests by locals, to address local infrastructure surrounding the road stretch, disrupted operations for a few days and thereafter rains contributed to lower toll. Post the rainy season, once the entire stretch gets operational, the Management expects daily toll collection to catch-up and reach expected levels of ~₹14lakh/day (for already operational stretch). On a whole, once the entire road stretch gets fully operational, we model ₹75cr of toll vs the Management's guidance of ₹78cr for FY2017E.

Outlook & Valuation

Outlook

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 its peers), (3) shorter working capital cycle, (4) low leverage (since FY2011, D/E ratio has been ~0.2x), (5) ability to generate positive cash flow from operations (generated avg. cash flow from operations to the tune of ₹87cr during FY2011-14), and (6) superior RoEs (12.1-17.1% range during FY2011-14). All these indicators point at KNR's superior earnings quality and strengthen our view that KNR would continue to trade at rich valuations.

For valuation purposes, we have valued KNR using Sum-Of-The-Parts method. KNR's EPC business (standalone entity) is valued at FY2017E P/E multiple, whereas only 1 of the 3 BOT projects has been valued using "Free Cash flow to Equity holders" method. 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) 3.3x order backlog of ₹3,356cr (at 1QFY2016-end), which gives revenue visibility for 24+ months, (2) strong balance sheet (FY2015 D/E at 0.2x), (3) strong 20% earnings CAGR during FY2015-17E, and (4) RoE expansion scenario (from 13.5% in FY2015 to 15.6% by FY2017E), we assign 14.0x P/E multiple to our FY2017E EPS estimate of ₹37/share, arrive at standalone business value of ₹521/share.

Exhibit 12: Sum-of-the-Parts based Valuation Table

Particulars	Segment	FY17E Std. PAT (₹ cr)	Target Multiple	Target Value (₹ cr)	Value/ share (₹)	% of SoTP	Basis
KNR's EPC business	Construction	105	14.0	1,464	521	90	P/E of 14x
Total		105		1,464	521	90	
Particulars	Proj. Type	Discounted FCFE (₹ cr)	Project Stake	Adj. FCFE Value (₹ cr)	Value/ share (₹)	% of SoTP	Basis
Road BOT projects							
Walayar-Vadakkanchery BOT Proj.	Toll	171	100%	171	61	10	K _e of 16%
Total		171		171	61	10	
Grand Total				1,800	582	100	
Upside/ (Downside)					(2%)		
CMP					593		

Source: Company, Angel Research

Value of BOT projects

BOT projects have been valued using “Free Cash flow to Equity holders” method. The Walayar-Vadakkanchery BOT Project is partly operational and expected to be fully operational by Sep-2015. We have valued this BOT projects using 16% discounting rate to arrive at FCFE per share value of ₹61/share (10% of SOTP value of the company).

Business Value

On combining the value of EPC business and BOT projects, we arrive at a combined business value of ₹582/share, reflecting all positives being captured in the stock price. **We initiate coverage on KNR Constructions with a Neutral rating and price target of ₹582/share.**

Risks to our Estimates

Any change in KNR’s taxation policy or adverse ruling by Tax department could act as risk to our TP and rating.

KNR is highly dependent on roads vertical (accounts for ~95% of the order book). Delays in award activity, unfavorable changes in the policy framework, could affect our outlook on KNR.

Delays in execution (vs our estimates) could be a risk to our rating.

Company Overview

About the company

KNR is a Hyderabad based 20+ year old company having executed ~5,888kms 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 3 Build Operate Transfer (BOT) projects in its kitty, with 2 of them operational and the 3rd one partly operational (to be fully operational by Sep-15).

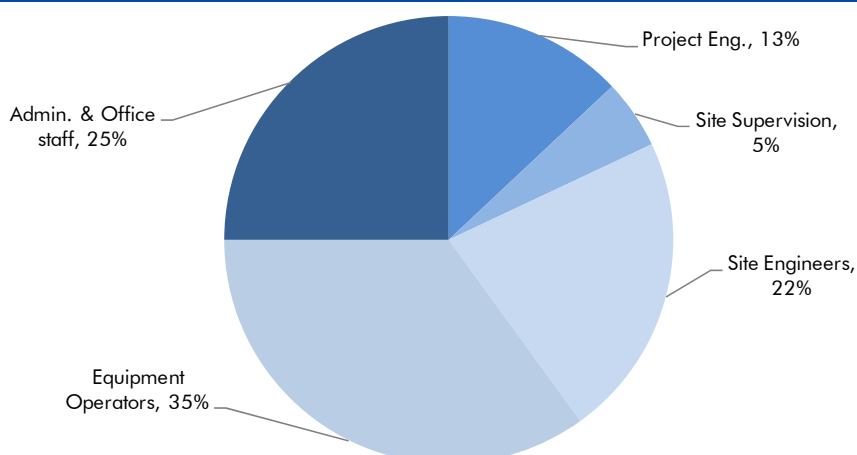
As of 1QFY2015-end, KNR had an order book of ~₹3,356cr, which gives revenue visibility for 24+ months. The Roads & Highways vertical accounts for ~95% of the order book. The order book is currently being executed across 7 states.

Employees

KNR has strength of 700+ employees, led by proven Management team. Majorly, 150+ of them are experienced engineers; ~250 are equipment operators and ~175 Admin and Office staff.

The company follows a lean team structure while executing its projects across different locations, thereby leading to quicker decision making and execution. This can be seen from their better margin profile.

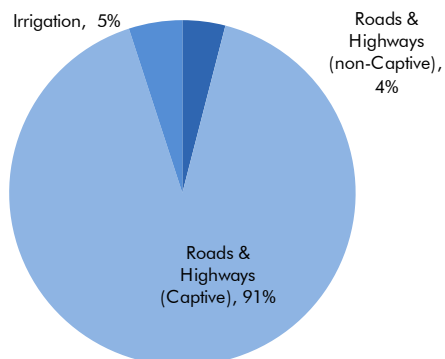
Exhibit 13: Employee Split (functionality-wise)



Source: Company, Angel Research

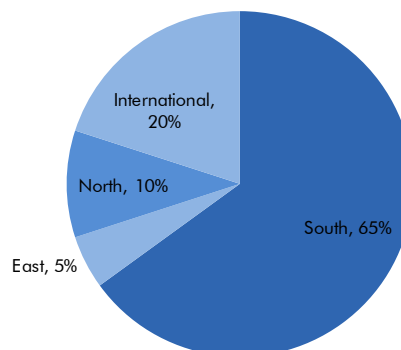
Exhibits

Exhibit 14: Order Book split- Vertical-wise



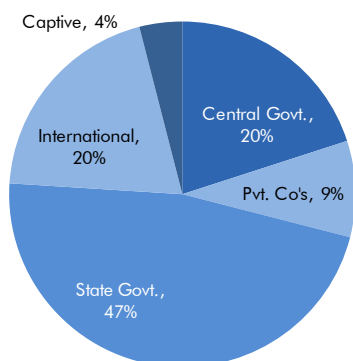
Source: Company, Angel Research

Exhibit 15: Order Book split- Region-wise



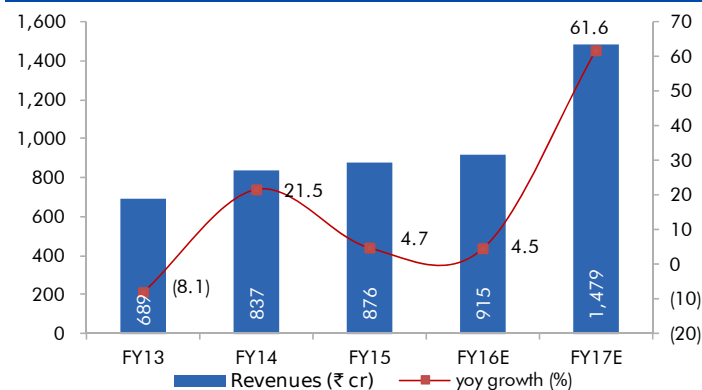
Source: Company, Angel Research

Exhibit 16: Order Book split- Client-wise



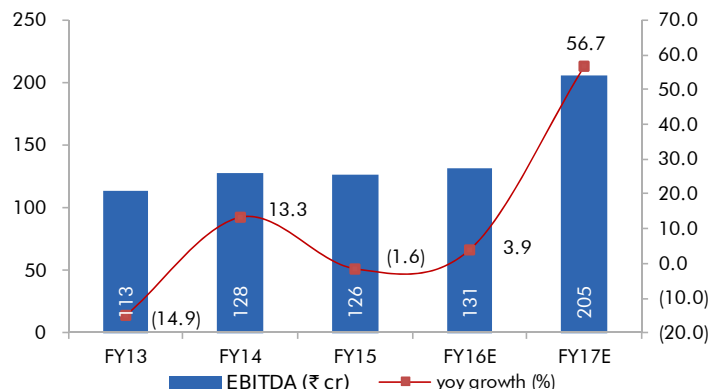
Source: Company, Angel Research

Exhibit 17: 30% Revenue CAGR during FY2015-17E



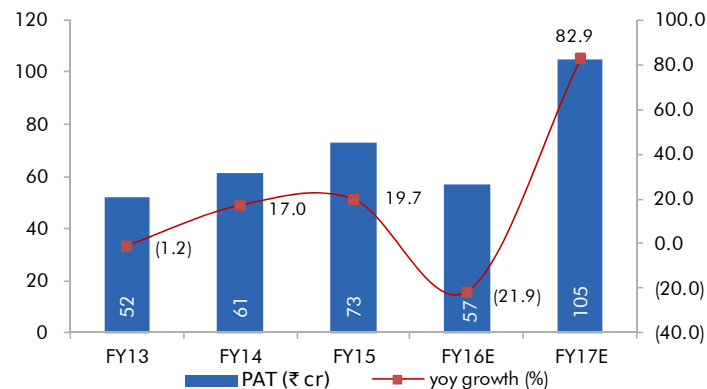
Source: Company, Angel Research

Exhibit 18: 28% EBITDA CAGR during FY2015-17E

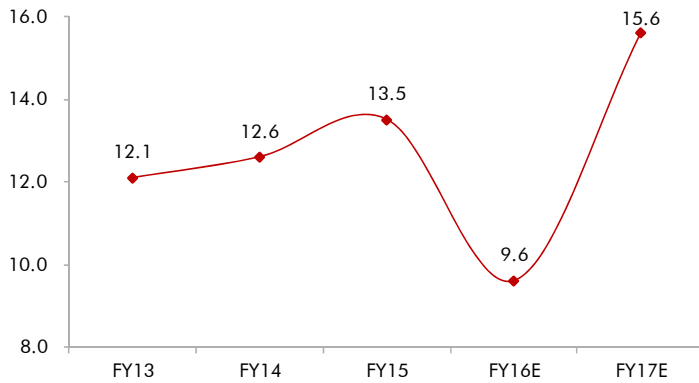


Source: Company, Angel Research

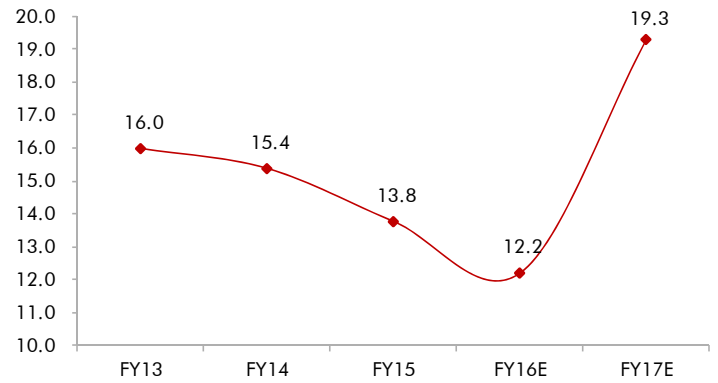
Exhibit 19: 20% PAT CAGR during FY2015-17E



Source: Company, Angel Research

Exhibit 20: Return on Equity (%)


Source: Company, Angel Research

Exhibit 21: Return on Capital Employed (%)


Source: Company, Angel Research

Exhibit 22: List of Ongoing projects

Project details	KNR share-Contract Val. (₹ in cr)	Unexecuted Val. (₹ in cr)
3 road stretches across M.P.	256	256
4-laning of Kazhakkottam-Mukkola (NH-47)	669	669
2/4 laning of Madurai-Ramanathapuram (NH-49)	937	937
Upgrade Kanchipuram-Vandavasi Road & Upgrade Sdras-Chengalpattu-Kancheepuram-Arakonam-Thiruthani Road (SH-116)	185	185
Upgrade Arcot Villupuram (SH-4)	320	320
Upgrade Malliyakarai-Rasipuram-Thiruchengode-Erode Road (SH-79)	224	224
Chittagong Outer Ring Road	0	0
RoB at Davanagere-Channagiri Road	40	40
2 Flyovers at Dr. Nanjappa Road & Chinnaswamy Road, along with pedestrian subway at Gandhipuram Area	146	106
2-laning of Penchalakona-Yerpedu section (NH-565)	201	173
4-laning of Walayar-Vadakkancheery (NH-47)	848	83
2-laning of Gobuk-Mariyang-Sijhon Nallah	99	64
Upgrade Magadi-Koratgere (NH-48/SH-3)	126	66
RoB at Gadag bypass between Benkanakatti-Gadag stations on Hubli-Gadag section	23	22
Upgrade Shelvadi-Mundargi (Dharwad & Gadag Districts)	136	39
Construct bridge across Tungabhadra River between Kadebagilu Bukkasagar, Koppal District	35	18
RoB at Ramdurga-Badami Road	29	29
Construct bridge between Bhagyanagar-Yatnatti Road, Koppal District	84	32
Shankarasamudaram Balancing Reservoir	156	62
Construct ROB at Battala Bazaar, Warangal	28	21
DLRB construction across Manjeera River, Medak District	21	8
2 to 4 laning of East Coast Road, in Chennai	46	41
Total Order Book	5,339	3,512

Source: Company, Angel Research; Note: OB numbers are unadjusted for works executed during 1QFY2016

Profit and Loss Statement (Standalone)

Y/E March (₹ cr)	FY13	FY14	FY15	FY16E	FY17E
Net Sales	689	837	876	915	1,479
% Chg	(8.1)	21.5	4.7	4.5	61.6
Total Expenditure	576	709	750	784	1,274
Cost of Raw Materials Consumed	202	291	337	353	564
Sub-Contracting Expenses	274	282	260	290	489
Employee benefits Expense	30	35	38	38	55
Other Expenses	70	101	115	104	167
EBITDA	113	128	126	131	205
% Chg	(14.9)	13.3	(1.6)	3.9	56.7
EBIDTA %	16.4	15.3	14.4	14.4	13.9
Depreciation	56	57	54	57	62
EBIT	57	71	72	74	143
% Chg	(29.6)	23.5	1.7	2.2	94.6
Interest and Financial Charges	11	17	12	18	23
Other Income	21	13	13	12	12
PBT	67	67	72	67	132
Tax	15	6	(1)	10	28
% of PBT	22.2	8.8	(1.0)	15.0	21.0
PAT before Exceptional item	52	61	73	57	105
Exceptional item	0	0	0	0	0
PAT	52	61	73	57	105
% Chg	(1.2)	17.0	19.7	(21.7)	82.9
PAT %	7.6	7.3	8.3	6.2	7.1
Basic EPS	18.5	21.7	26.0	20.3	37.2
Diluted EPS	18.5	21.7	26.0	20.3	37.2
% Chg	(1.2)	16.9	19.8	(21.7)	82.9

Balance Sheet (Standalone)

Y/E March (₹ cr)	FY13	FY14	FY15	FY16E	FY17E
Sources of Funds					
Equity Capital	28	28	28	28	28
Reserves Total	428	485	541	594	691
Networth	456	513	569	622	719
Total Debt	67	58	88	117	154
Other Long-term Liabilities	138	100	69	85	95
Deferred Tax Liability	0	0	0	0	0
Total Liabilities	661	671	726	823	968
Application of Funds					
Gross Block	508	525	543	577	616
Accumulated Depreciation	218	262	316	373	435
Net Block	290	264	227	204	181
Capital WIP	4	0	0	0	0
Investments	48	40	32	85	89
Current Assets					
Inventories	30	34	36	36	60
Sundry Debtors	121	117	177	221	401
Cash and Bank Balance	7	11	16	6	9
Loans & Advances	328	229	241	334	527
Current Liabilities	293	283	277	349	588
Net Current Assets	194	108	192	248	410
Other Assets	125	259	276	285	287
Total Assets	661	671	726	823	968

Cash Flow Statement (Standalone)

Y/E March (₹ cr)	FY13	FY14	FY15P	FY16E	FY17E
Profit before tax	67	67	72	67	132
Depreciation	56	57	54	57	62
Change in Working Capital	(106)	16	(98)	(58)	(149)
Interest & Financial Charges	11	16	12	22	36
Direct taxes paid	(27)	(24)	(22)	(24)	(46)
Cash Flow from Operations	1	133	18	65	35
(Inc)/ Dec in Fixed Assets	(38)	(25)	(16)	(28)	(37)
(Inc)/ Dec in Investments & Int. recd.	(20)	(55)	(9)	(55)	(4)
Cash Flow from Investing	(58)	(80)	(25)	(82)	(42)
Issue/ (Buy Back) of Equity	0	0	0	0	0
Inc./ (Dec.) in Loans	71	(32)	36	30	41
Dividend Paid (Incl. Tax)	(3)	(3)	(6)	(4)	(8)
Interest Expenses	(11)	(17)	(12)	(18)	(23)
Cash Flow from Financing	57	(52)	18	8	10
Inc./ (Dec.) in Cash	(0)	1	12	(10)	3
Opening Cash balances	4	3	4	16	6
Closing Cash balances	3	4	16	6	9

Key Ratios

Y/E March	FY13	FY14	FY15	FY16E	FY17E
Valuation Ratio (x)					
P/E (on FDEPS)	32.0	27.4	22.8	29.2	15.9
P/CEPS	15.5	14.1	13.1	14.6	10.0
Dividend yield (%)	0.0	0.0	0.0	0.0	0.0
EV/Sales	2.5	2.1	2.0	1.9	1.2
EV/EBITDA	14.8	13.6	13.8	13.5	8.8
EV / Total Assets	3.3	2.6	2.6	2.4	2.2
Per Share Data (₹)					
EPS (Basic)	18.5	21.7	26.0	20.3	37.2
EPS (fully diluted)	18.5	21.7	26.0	20.3	37.2
Cash EPS	38.3	42.0	45.2	40.7	59.2
DPS	1.0	1.0	1.7	1.3	2.4
Book Value	162	183	202	221	256
Returns (%)					
RoCE (Pre-tax)	16.0	15.4	13.8	12.2	19.3
Angel RoIC (Pre-tax)	15.0	14.7	12.9	11.5	17.8
RoE	12.1	12.6	13.5	9.6	15.6
Turnover ratios (x)					
Asset Turnover (Gross Block) (x)	1.4	1.6	1.6	1.6	2.5
Inventory / Sales (days)	16	15	15	15	15
Receivables (days)	64	51	74	88	99
Payables (days)	56	34	29	31	34
WC days	24	32	59	72	80
Leverage Ratios (x)					
D/E ratio (x)	0.1	0.1	0.2	0.2	0.2
Interest Coverage Ratio (x)	7.0	4.9	6.9	4.8	6.8

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Disclosure of Interest Statement	KNR Constructions
1. Analyst ownership of the stock	No
2. Angel and its Group companies ownership of the stock	No
3. Angel and its Group companies' Directors ownership of the stock	No
4. Broking relationship with company covered	No

Note: We have not considered any Exposure below ₹1 lakh for Angel, its Group companies and Directors

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)