

KNR Constructions (KNR) – ADD

Company Update

Current Market Price (CMP)

Rs.213

Target Price

Rs.240

Our fair value of Rs.240 is 12.7% higher than the current market price.

Rationale:

- Robust order book of Rs8,203 cr gives revenue growth visibility for next 2-3 years.
- KNR is positive on strong order inflows based on increased government capex.
- Upgraded order inflows guidance for FY21 to ~Rs8,000 cr (from ~Rs6,500 cr).
- We expect EPS (earnings per share) to grow at 44.7% in FY22 and 26% in FY23.
- We value the stock on sum of the parts basis and arrive at fair value of Rs240.

Company update:

Positives:

- KNR has strong bid pipeline in the road sector.
- The company targets to add 3-4 projects of ~Rs4,000 cr based on recent bidding.
- KNR expects strong revenue growth of 15-20% & ~20% operating margin in FY22.
- The company has a track record of beating its revenue and margin guidance.
- KNR has net cash balance sheet at standalone level.

Negatives:

- Payments were delayed in Telangana irrigation project due to Covid issue.

[Click here](#) For detailed report dated 15th February 2021. Note: CMP & valuation may differ due to difference in dates



This is a synopsis of the Research report issued by Kotak Securities Limited. This is not a comprehensive report and before taking any investment decision we request you to refer the detailed report including disclaimers by clicking here: <https://www.kotaksecurities.com/ksweb/ResearchCall/Fundamental>. Further, the recipient of this material should take their own professional advice before investing.

Holding Period: 12 months / Disclaimer: <http://bit.ly/2n5AxIE>