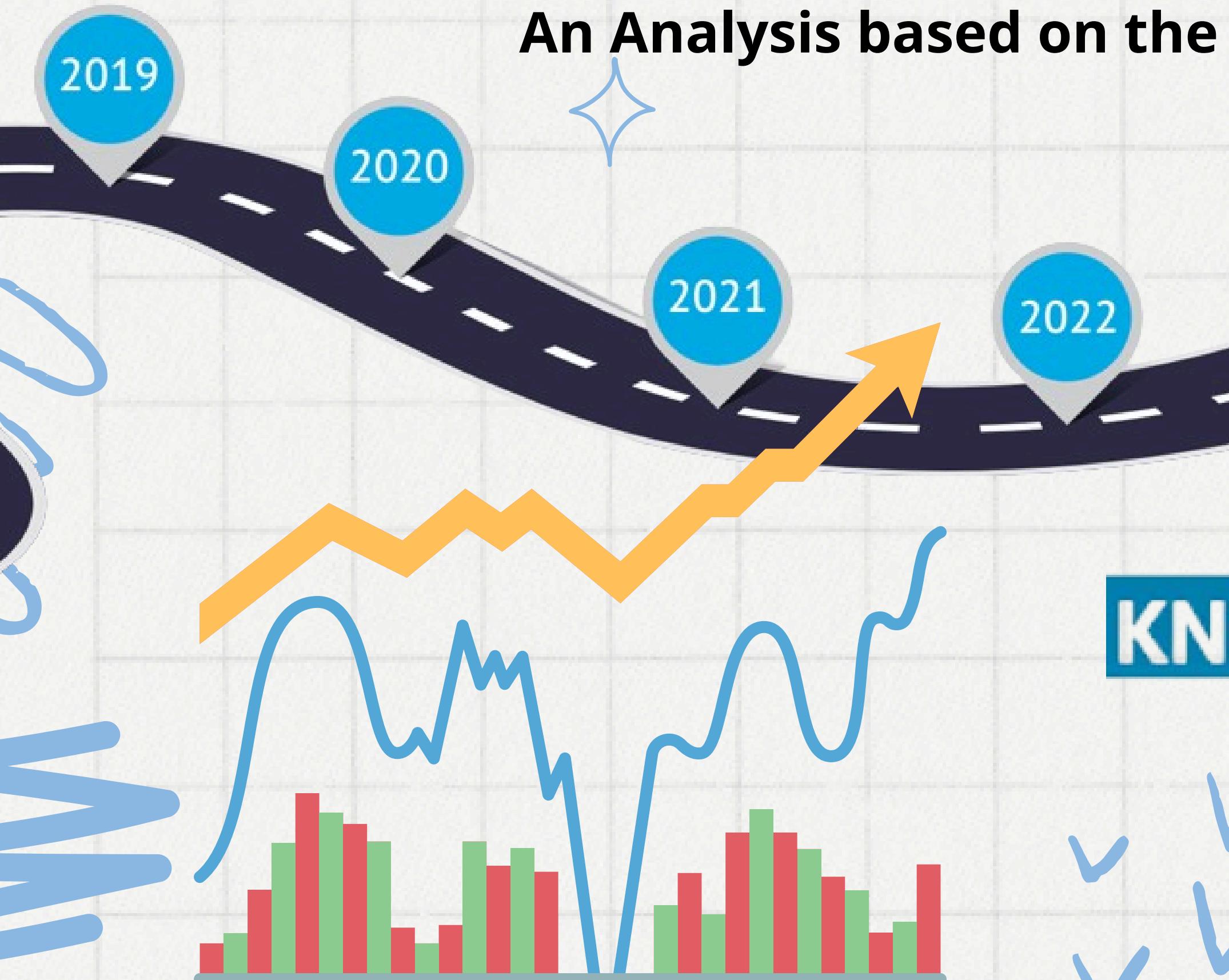


# MID-CAP STOCK: KNR CONSTRUCTIONS LTD

An Analysis based on the Union Budget

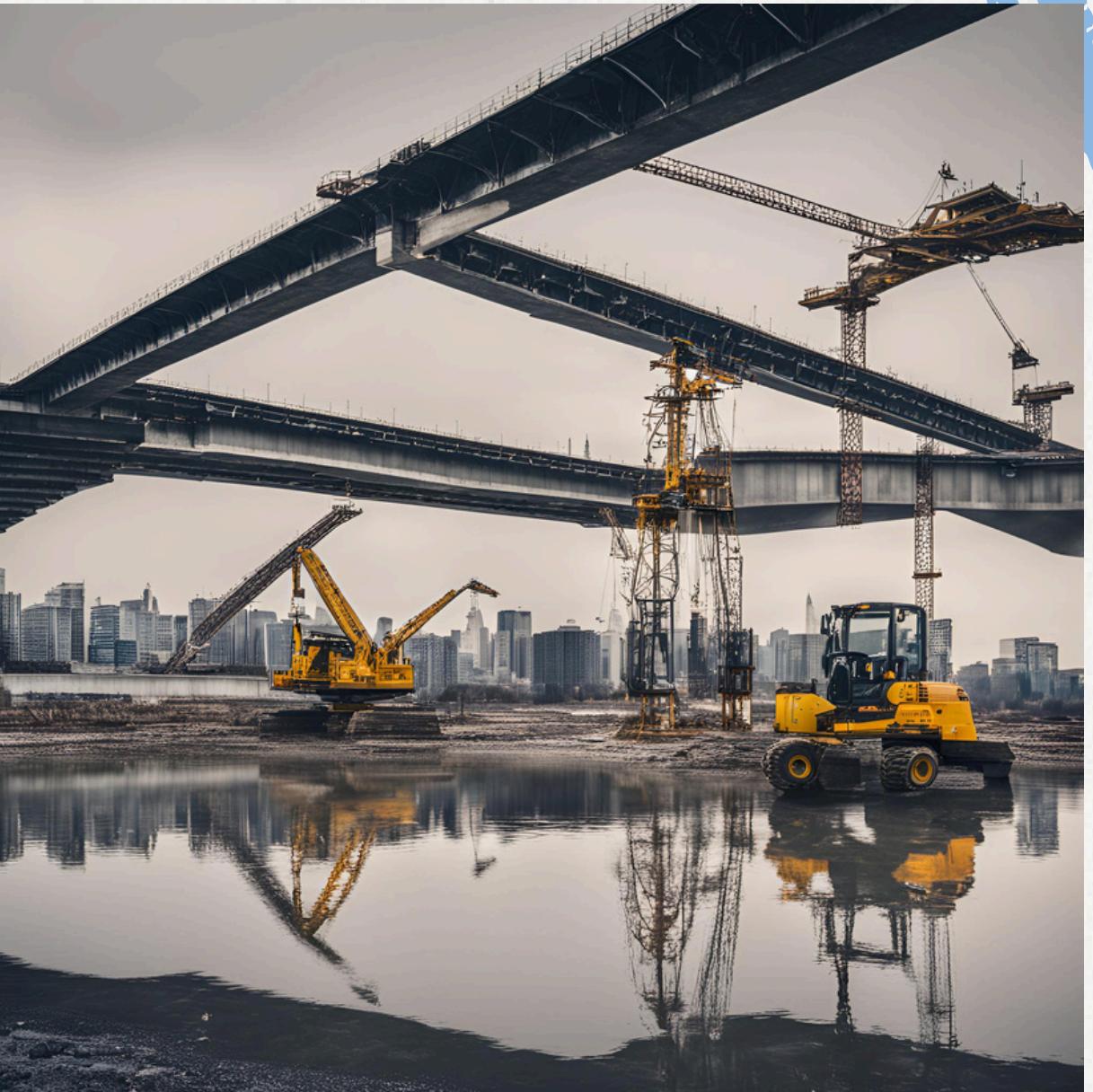


**KNR Constructions Limited**

# Sector Selection

## Infrastructure and Construction

- **Union Budget Impact:**
  - ₹ 5.76 lakh Cr allocated for infrastructure development under the Bharatmala Pariyojana.
  - ₹1.05 lakh Cr allocated for irrigation projects under the PMKSY scheme.
  - Focus on roads, highways and urban development.
- **Why Infrastructure Sector Over Others:**
  - Strong government policy support.
  - High multiplier effect on the economy.
  - Essential services with stable long-term visibility.
  - Resilience during economic downturns due to prioritization of spending.
- **Relevance to KNR Constructions Ltd:**
  - Major player in roads and highway construction.
  - Significant exposure to irrigation projects.



KNR Constructions Ltd is well-positioned to benefit from the Union Budget's focus on infrastructure, making it a promising investment choice.

# COMPANY INTRODUCTION

- Established in 1995, KNR Constructions Ltd. specializes in large-scale infrastructure projects including roads, highways, bridges, and irrigation.

## Market Position:

- Leading mid-cap stock with a market cap of ₹ 7,471 Cr.
- Strong presence across various states in India.

## Project Portfolio:

- Extensive experience in road and highway construction.
- Significant involvement in large-scale irrigation projects.

## Key Strengths:

- Strong order book of ₹ 81 billion as of Q3FY23.
- Lean balance sheet with a low debt-to-equity ratio.
- Proven track record of on-time, on-budget project completion.

## Awards and Recognitions:

- Recipient of multiple awards for excellence in project execution and safety standards.
- KNR Constructions Ltd's strong financials, robust order book, and operational efficiency make it a promising investment in the mid-cap segment.

# Competitor Analysis

Companies	KNR	Ahluwalia	Ashoka	IRB Infra Dev	PNC Infra
<b>P/E Ratio</b>	13.53	34.77	16.33	73.40	20.94
<b>Net Margin %</b>	12.78	6.91	3.68	11.23	7.82
<b>ROE(%)</b>	19.58	19.32	18.63	5.55	14.83
<b>ROA(%)</b>	10.85	10.09	2.01	1.67	5.21
<b>Net Profit Growth %</b>	25.21	50.90	-38.40	99.23	-14.37

● Price to Earnings ● 1 Year Median P/E

YTD 1M 3M 1Y 3Y 5Y 10Y All Custom



# P/E RATIO

- (P/E) ratio is the proportion of a company's share price to its earnings per share.
- The trailing P/E ratio of KNR Constructions Ltd. is 13.52 times as on 23-May-2024, a 0.57% discount to its peers' median range of 30.90 times. The EPS(TTM) was Rs 20.31.
- The P/E ratio being lower than the sector PE and the S&P 500 Index indicates that the company is undervalued and thus probably a good buy for the investor, as less cost per dollar of the company's earnings from the share.

# UNDERSTANDING ROCE, ROE AND ROA

	March -23	March -22	March -21	March -20	March -19
ROE	18.24	17.02	13.07	13.86	18.61
ROA	13.48	11.46	8.36	8.28	11.59

Values of ROA and ROE over the years

$$\text{ROA} = \frac{\text{Net Profit}}{\text{Average Assets}}$$

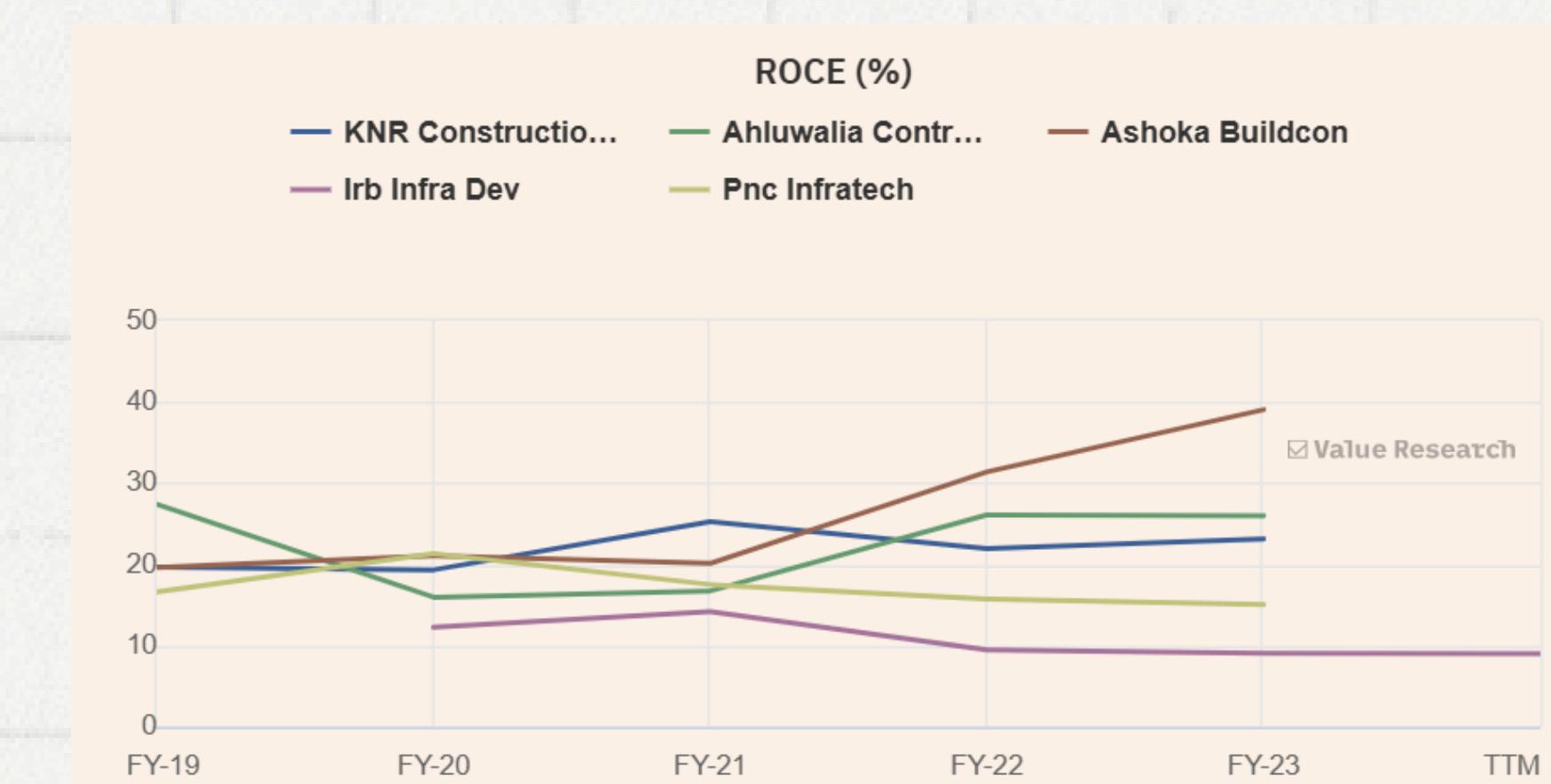
(Return on Assets)  
www.TopStockResearch.com

$$\text{ROE} = \frac{\text{Net Income}}{\text{Shareholder's Equity}}$$

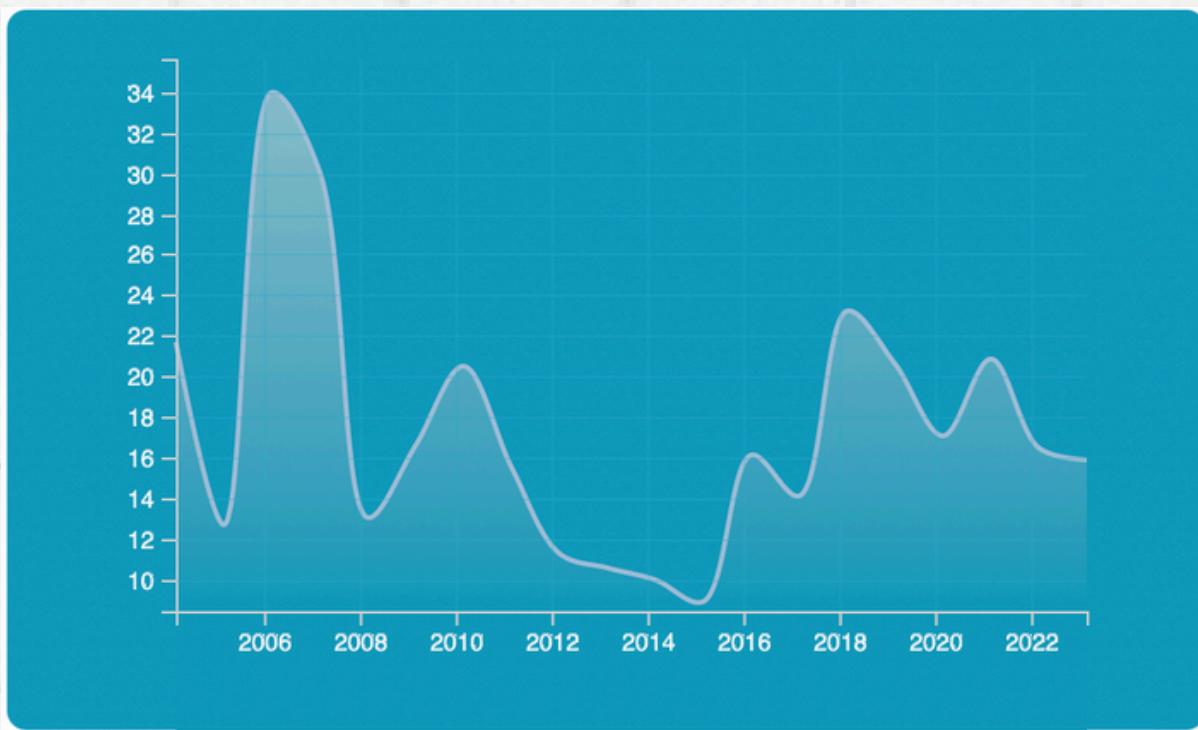
(Return on Equity)  
www.TopStockResearch.com

**ROCE: Return on Capital Employed**  
In FY23, it was 21.94%, and the average over the last 5 years is 21.97%

As the graph below shows, KNR Con has a good ROCE relative to its competitors.

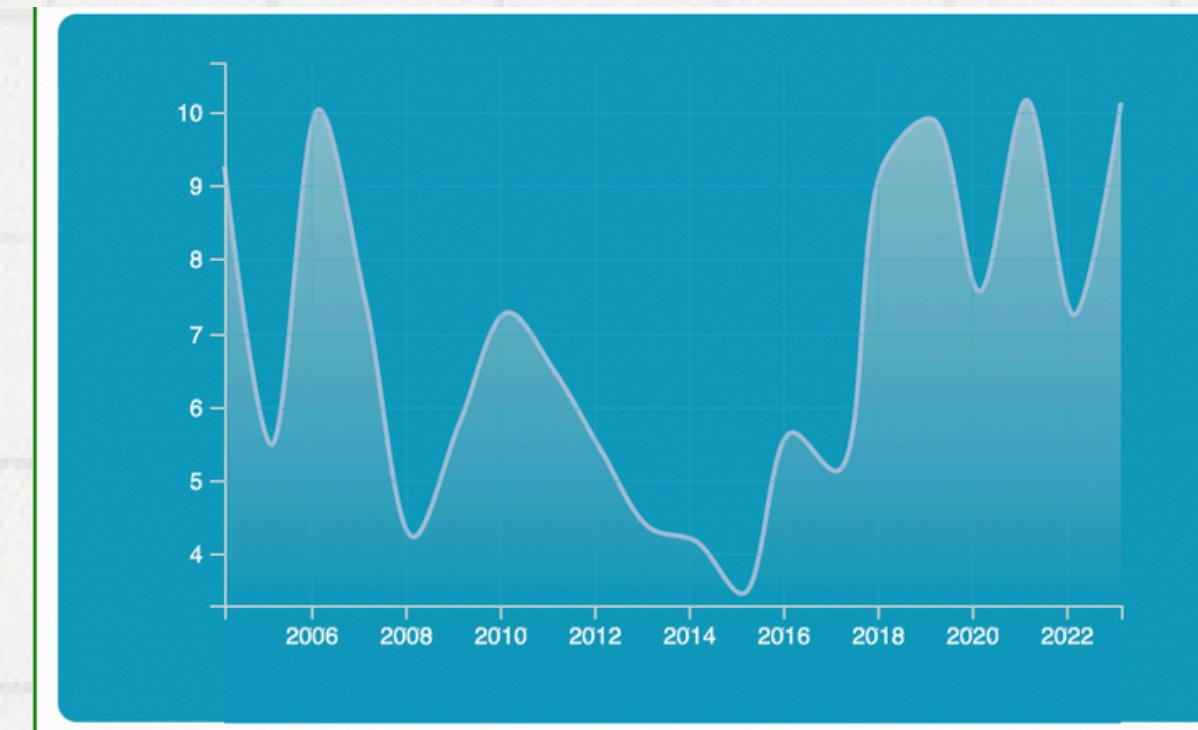


## FY chart of ROE ratio of KNR const. Ltd.



Latest ROE Ratio with value of 18.24 is Greater than Average ROE in last five years.

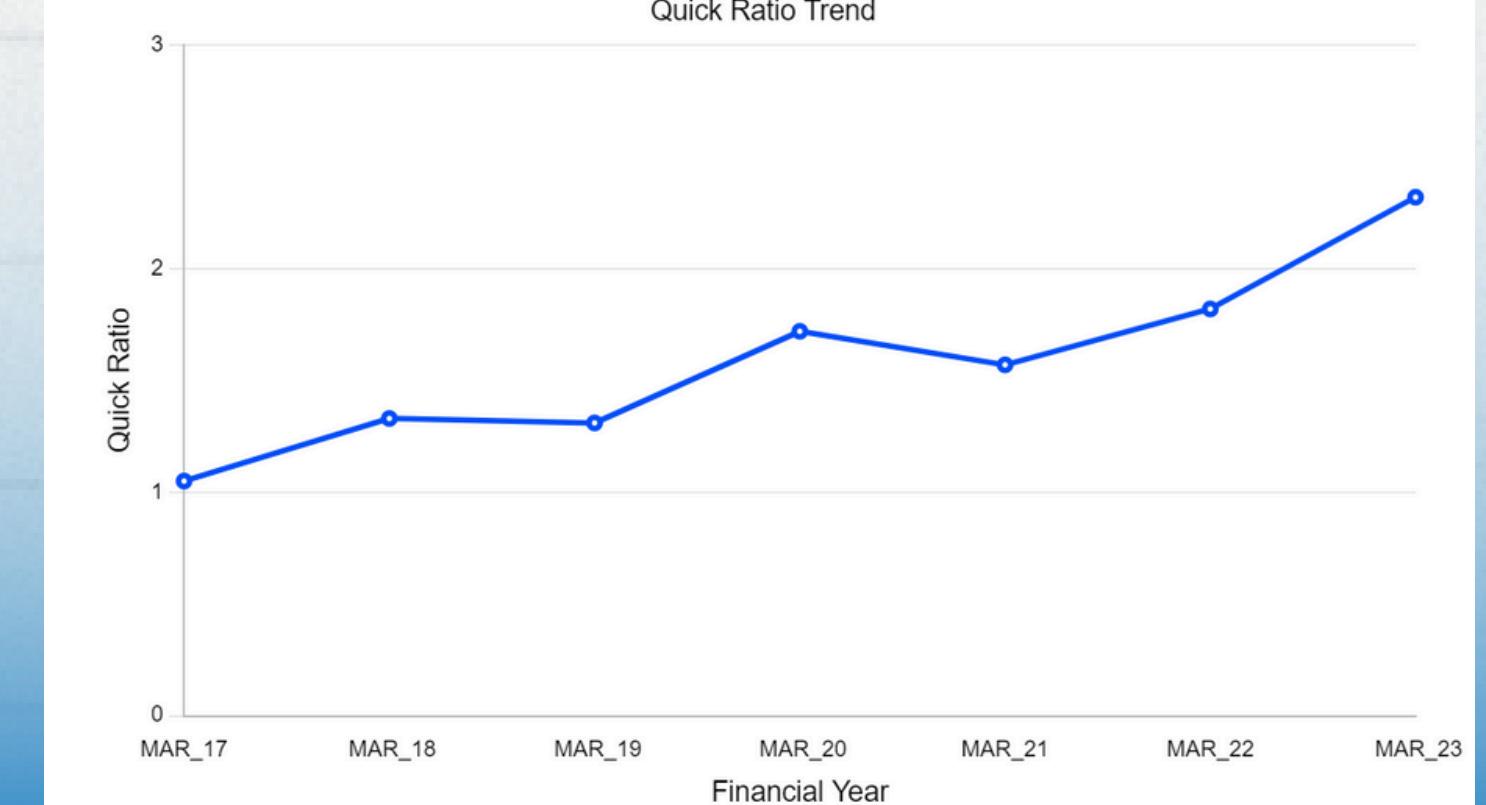
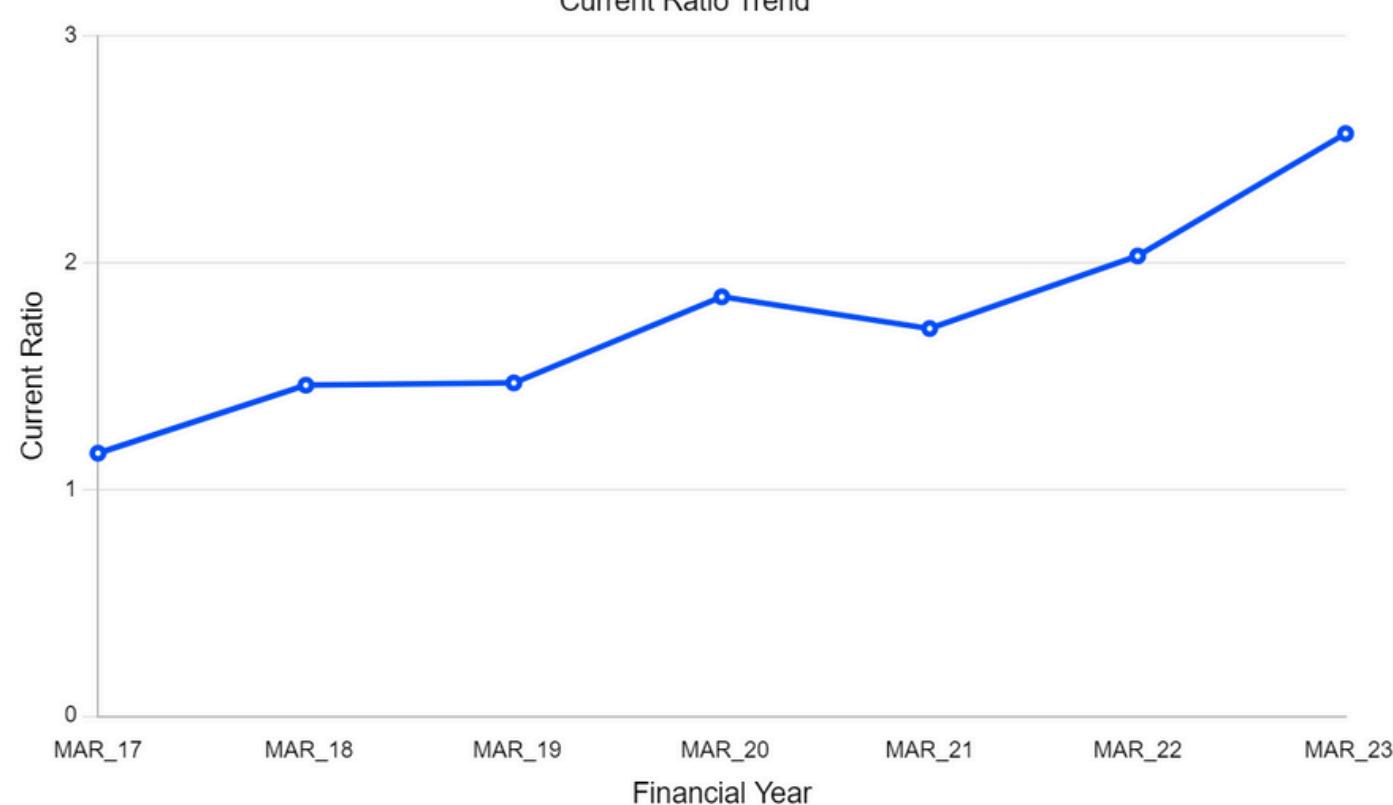
## FY chart of ROA ratio of KNR Const. Ltd



ROE Ratio of KNR Constructions with value of 18.24 means its generates profits efficiently by using its Shareholders funds.

With such ROA and ROE ratio, KNR const. Ltd. demonstrates efficient resource utilization, financial health, competitive advantage, investor confidence, long-term growth potential, and effective risk management. This suggests strong past performance and promising future prospects.

# ANALYSIS OF CURRENT AND QUICK RATIO



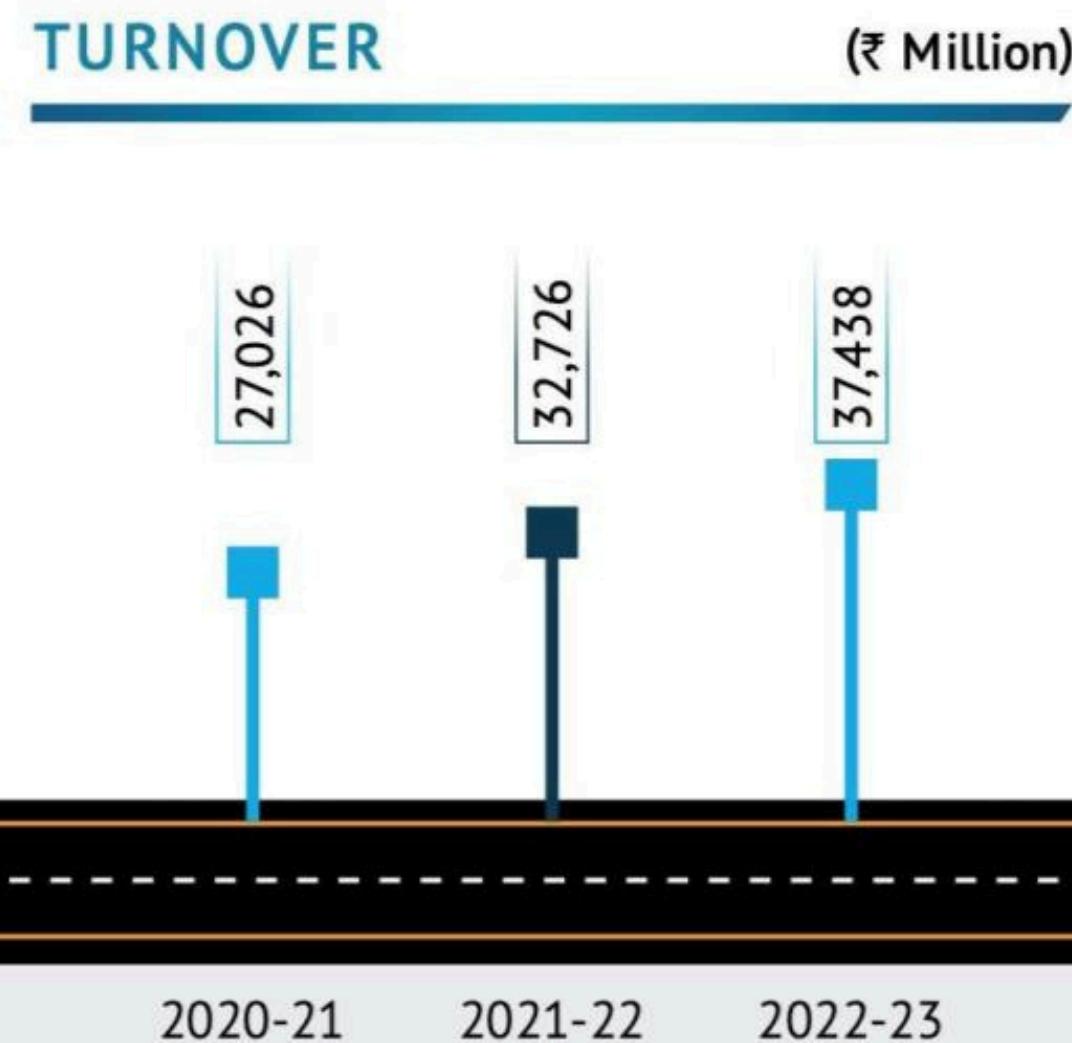
- The company is financially strong,
- Has backup resources to handle problems
- Plenty of resources to stay financially healthy and stable



- Company possesses ample liquidity to swiftly generate cash
- Quick ratio has been steadily increasing consistently maintaining a level above 1.
- Latest quick ratio exceeds five-year average, indicating improving liquidity.

**WE CAN CONCLUDE THAT THE FINANCIAL HEALTH OF THE COMPANY IS VERY STABLE HENCE HAVING GOOD POTENTIAL FOR GROWING AND BEING SECURE THE FUTURE THEREBY BEING A GOOD OPTION FOR INVESTMENT**

# ASSET TURNOVER RATIO



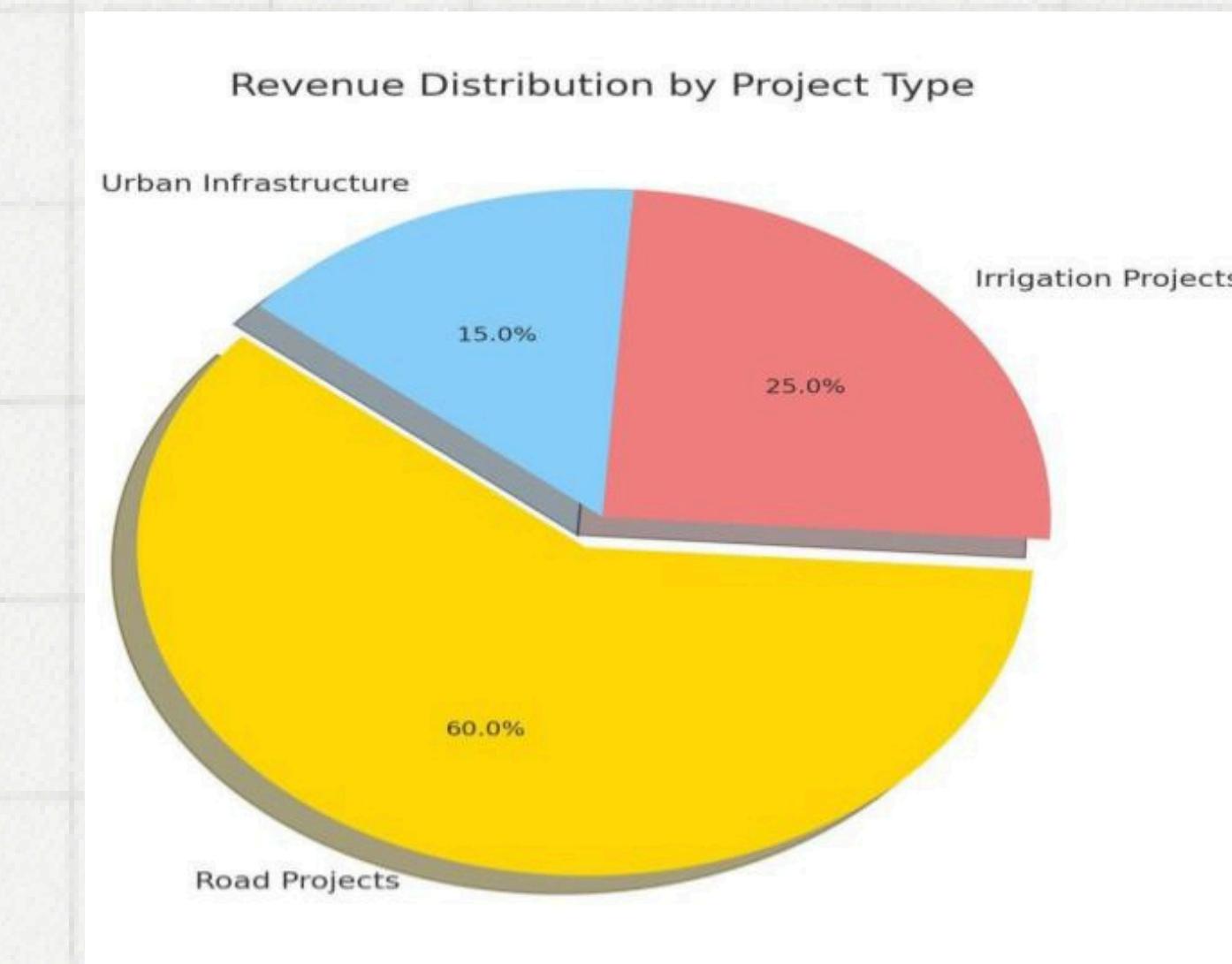
KNR Constructions' high asset turnover ratio suggests strong management efficiency in asset utilization, which is attractive to investors.

Asset Turnover Ratio = Net Sales / Average Total Asset

From the financials:

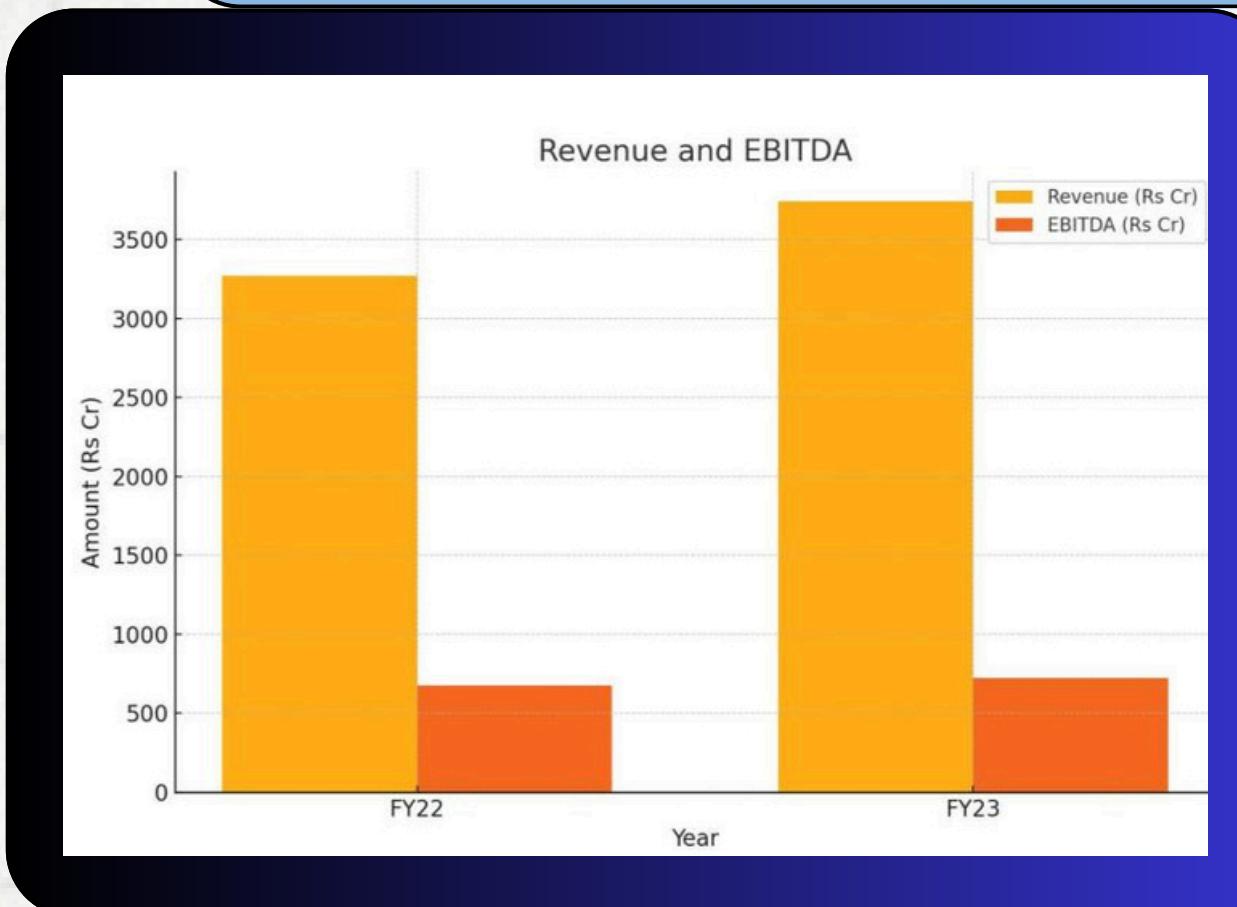
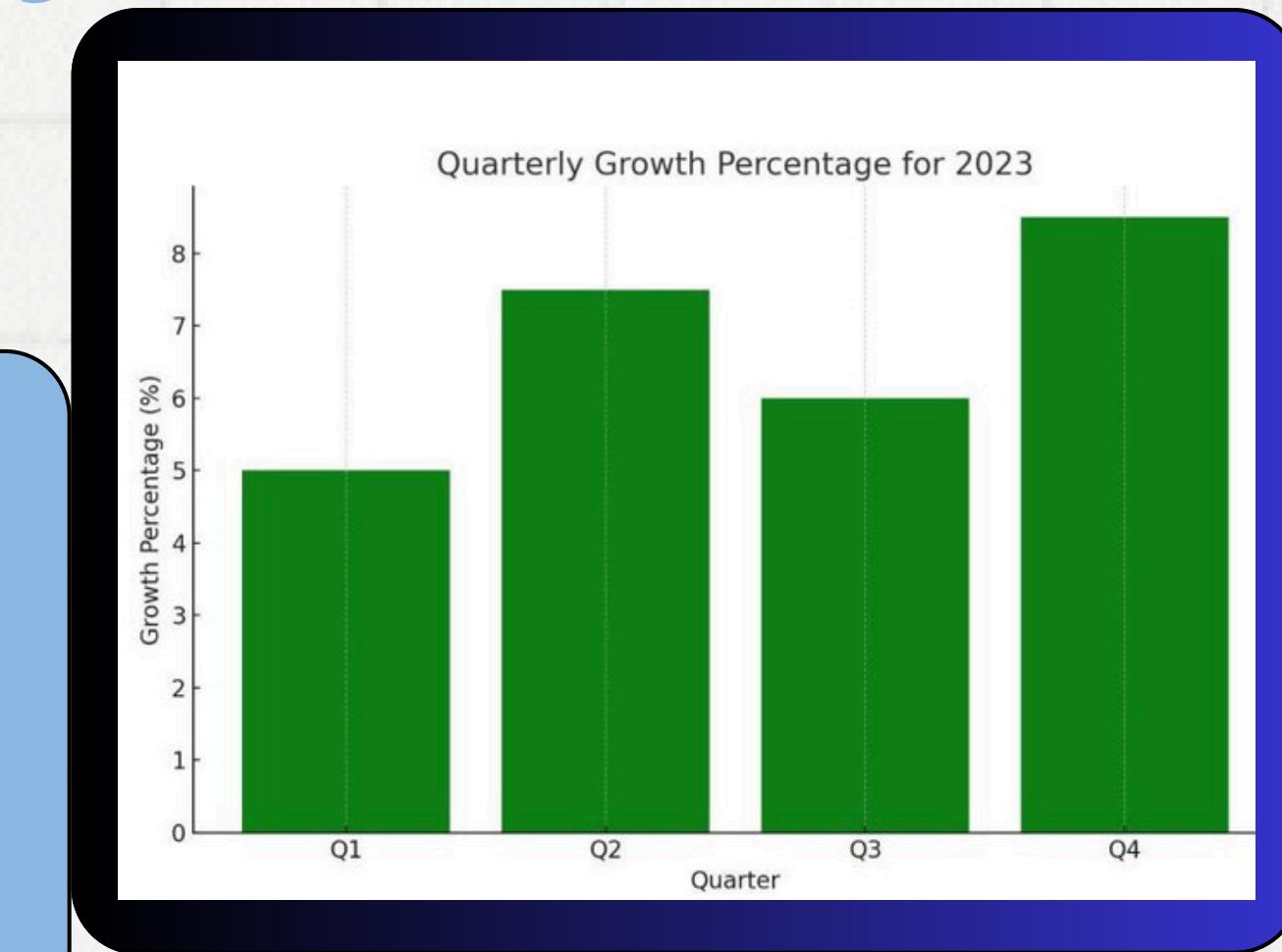
- Net Sales (FY23) : Rs 3744 Cr
- Total Assets (FY23) : Rs 3700 Cr

Calculation: Asset Turnover Ratio. =  $3744/3700 \approx 1.01$



# GROWTH PERCENTAGE

- Revenue: ₹37,438 Million (14% growth)
- EBITDA: ₹7,217 Million (6% growth)
- PAT: ₹4,988 Million (31% growth)
- Net Worth: ₹27,343 Million (22% growth)



- High growth percentages reflect strong performance and potential for future expansion.
- Investors are attracted to companies with consistent and high growth rates as it suggests profitability and market strength.



# Investment Recommendation



- Target Price : ₹ 308.71 (18.99% upside potential)
- Current Price: ₹ 272.30
- Rating : BUY
- Rationale : Strong financial health, favourable government policies, good growth potential, and attractive valuation.



# CONCLUSION

- **Summary:**

KNR Constructions Ltd is well-positioned to benefit from the Union Budget's focus on infrastructure.

- **Actionable Recommendation:**

Invest in KNR Constructions Ltd for potential long-term gains driven by government spending and strong financial performance.

# THANK YOU!

-TEAM NIRVANA



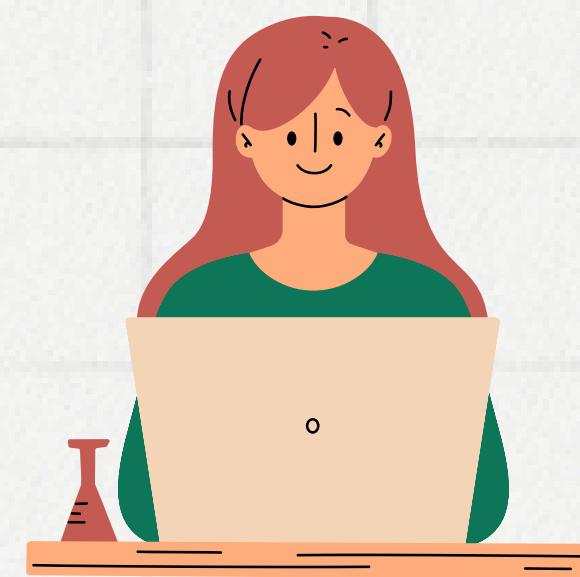
Bhavya Negi



Garima Kalra



Lakshmi



Srishti