

HSIE Results Daily

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Results Reviews

- KNR Constructions:** KNR reported in-line revenue/EBITDA/APAT at INR 9.4/1.7/1bn, beating our estimates by 9.9/4.8/1.0%. EBITDA margin came in at 17.7%, down 158/98bps YoY/QoQ, owing to volatility in input and raw material prices and higher fixed and other overhead expenses. KNR maintained its FY24 revenue at INR 40bn+, with the EBITDA margin decreasing by 200-300bps from the FY23 margin (which was 18.6%). The executable OB as of Sep'23 stood at INR 56.7bn. With no new orders recorded in H1FY24, KNR has slashed its FY24 order inflow target to INR 30-40bn from INR 40-50bn earlier. The total project pipeline is INR 1trn+, of which INR 900//120/30bn is from NHAI/mining/railways projects. Given the aggressive competition, the company is looking at projects from different segments like irrigation projects from states other than Telangana, railways, mining development, tunnelling, and metro. The balance equity requirement in eight NHAI HAM projects is INR 5.4bn as of Sep'23, of which INR 1/3.1/0.7/0.6bn will be infused in H2FY24/FY25/26/27. At the standalone level, KNR's net debt stood at INR 0.5bn. Given a strong balance sheet, robust execution and likely new order wins in H2FY24, we maintain BUY with an unchanged TP of INR 341/sh (18x Sep-25E EPS).
- Ahluwalia Contracts:** Ahluwalia Contracts (AHLU) reported a strong quarter with revenue/EBITDA/APAT beating our estimates by 16.7/5.7/10.2%. EBITDA margin at 10.0% was up 2bps YoY but down 87bps QoQ due to higher volatility in raw material and input prices and higher employee expenses. AHLU maintained its top-line growth of 20% YoY in FY24, with EBITDA margin (incl. other income) expected upwards of 11%. The order book (OB) as of Sep'23 stood at INR 120.8bn (~4.3x FY23 revenue), excluding L1 in one private project worth INR 28.4bn (international jewellery park in Mumbai). The OB is well-diversified, with government/private orders comprising 70/30% of OB and West/North/East/Overseas/South regions contributing 36/34/24/4/2% to it. Segment-wise, infrastructure/hospital and institutional are the major drivers, contributing 30/25/24%, followed by residential/commercial contributing 12/8%. 24% of the OB is fixed-price contracts. The total order inflow in FYTD24 has been INR 52.6bn. AHLU has a bid pipeline amounting to INR 25bn and it expects to win new orders worth INR 10bn, apart from L1. Given the recent rally in the stock price and a limited upside to our target price, we maintain our ADD rating on the stock, with an unchanged TP of INR 782 (14x Sep-25E EPS).

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KNR Constructions

Order booking awaited

KNR reported in-line revenue/EBITDA/APAT at INR 9.4/1.7/1bn, beating our estimates by 9.9/4.8/1.0%. EBITDA margin came in at 17.7%, down 158/98bps YoY/QoQ, owing to volatility in input and raw material prices and higher fixed and other overhead expenses. KNR maintained its FY24 revenue at INR 40bn+, with the EBITDA margin decreasing by 200-300bps from the FY23 margin (which was 18.6%). The executable OB as of Sep'23 stood at INR 56.7bn. With no new orders recorded in H1FY24, KNR has slashed its FY24 order inflow target to INR 30-40bn from INR 40-50bn earlier. The total project pipeline is INR 1trn+, of which INR 900//120/30bn is from NHAI/mining/railways projects. Given the aggressive competition, the company is looking at projects from different segments like irrigation projects from states other than Telangana, railways, mining development, tunnelling, and metro. The balance equity requirement in eight NHAI HAM projects is INR 5.4bn as of Sep'23, of which INR 1/3.1/0.7/0.6bn will be infused in H2FY24/FY25/26/27. At the standalone level, KNR's net debt stood at INR 0.5bn. Given a strong balance sheet, robust execution and likely new order wins in H2FY24, we maintain BUY with an unchanged TP of INR 341/sh (18x Sep-25E EPS).

- Q2FY24 financial performance:** Revenue: INR 9.4bn (+15.4/+1.3% YoY/QoQ, a 9.9% beat). EBITDA: INR 1.7bn (+6.0/-4.0% YoY/QoQ, a 4.8% beat). EBITDA margin: 17.7% (-158/-98bps YoY/QoQ); vs. our estimate of 18.5%, owing to volatility in input and raw material prices and higher fixed and other overhead expenses. Interest cost: INR 58mn (-31.2/+15.2% YoY/QoQ). Depreciation: INR 311mn (-15.2/+9.6% YoY/QoQ). Other Income: INR 50mn (-33.8/-29.1% YoY/QoQ). Taxes: INR 346mn (-3.6/-5.8% YoY/QoQ). APAT: INR 1bn (+10.0/-9.4% YoY/QoQ, a 1.0% beat). KNR maintained its FY24 revenue of INR 40bn+, with EBITDA margin lower by 200-300bps from FY23 (at 18.6%).
- Order booking awaited; diversification is the key:** No new orders were recorded in H1FY24; as a result, the executable OB as of Sep'23 stood at INR 56.7bn. Captive (HAM project) works constitute 45% of the OB whereas state/central government/other orders constitute 41/12/2%. Geographically, the OB is diversified in southern India with AP & Telangana/Kerala/Karnataka/TN contributing 41/31/16/12%. Business segment-wise, HAM/other roads/irrigation account for 45/27/28% of the OB. KNR is yet to achieve the appointed date for three projects worth INR 17.8bn. Including these three projects, the total OB as of Sep'23 stands at INR 74.5bn (~2.0x FY23 revenue). Given the aggressive competition, the company is looking at projects from different segments like irrigation projects from states other than Telangana, railways, mining development, tunnelling and metro. The total project pipeline is INR 1trn+, of which INR 900/120/30bn is from NHAI/mining/railways projects.
- Robust balance sheet:** At the standalone/consolidated level, the gross debt stood at INR 0.8/7.7bn as of Sep'23 and the net debt position stood at INR 0.5/6.9bn. KNR has a receivable balance of INR 6.5bn from Telangana irrigation projects and has received INR 1.8bn FYTD24.

Standalone Financial Summary (INR Mn)

Particulars	2QFY24	2QFY23	YoY (%)	1QFY24	QoQ (%)	FY23	FY24E	FY25E	FY26E
Net Sales	9,415	8,155	15.4	9,296	1.3	37,438	39,781	44,029	49,752
EBITDA	1,663	1,569	6.0	1,733	(4.0)	7,217	7,419	8,079	9,179
APAT	999	908	10.0	1,103	(9.4)	4,011	4,321	4,690	5,393
EPS (INR)	3.6	3.2	10.0	3.9	(9.4)	14.26	15.36	16.68	19.17
P/E (x)						18.5	17.1	15.8	13.7
EV/EBITDA (x)						10.0	9.7	8.9	7.8
RoE (%)						16.1	14.5	13.5	14.2

Source: Company, HSIE Research

BUY

CMP (as on 15 Nov 2023)	INR 263
Target Price	INR 341
NIFTY	19,675

KEY CHANGES	OLD	NEW	
Rating	BUY	BUY	
Price Target	INR 341	INR 341	
EPS Change %	FY24E	FY25E	FY26E
	-	-	-

KEY STOCK DATA

Bloomberg code	KNRC IN
No. of Shares (mn)	281
MCap (INR bn) / (\$ mn)	74/905
6m avg traded value (INR mn)	187
52 Week high / low	INR 291/226

STOCK PERFORMANCE (%)

	3M	6M	12M
Absolute (%)	4.6	6.2	10.3
Relative (%)	4.2	0.3	3.7

SHAREHOLDING PATTERN (%)

	Mar-23	Sep-23
Promoters	51.09	51.09
FIs & Local MFs	34.37	32.27
FPIs	5.93	6.61
Public & Others	8.61	10.03
Pledged Shares	-	-

Source: BSE

Pledged shares as % of total shares

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Ahluwalia Contracts

Execution picking up

Ahluwalia Contracts (AHLU) reported a strong quarter with revenue/EBITDA/APAT beating our estimates by 16.7/5.7/10.2%. EBITDA margin at 10.0% was up 2bps YoY but down 87bps QoQ due to higher volatility in raw material and input prices and higher employee expenses. AHLU maintained its top-line growth of 20% YoY in FY24, with EBITDA margin (incl. other income) expected upwards of 11%. The order book (OB) as of Sep'23 stood at INR 120.8bn (~4.3x FY23 revenue), excluding L1 in one private project worth INR 28.4bn (international jewellery park in Mumbai). The OB is well-diversified, with government/private orders comprising 70/30% of OB and West/North/East/Overseas/South regions contributing 36/34/24/4/2% to it. Segment-wise, infrastructure/hospital and institutional are the major drivers, contributing 30/25/24%, followed by residential/commercial contributing 12/8%. 24% of the OB is fixed-price contracts. The total order inflow in FYTD24 has been INR 52.6bn. AHLU has a bid pipeline amounting to INR 25bn and it expects to win new orders worth INR 10bn, apart from L1. Given the recent rally in the stock price and a limited upside to our target price, we maintain our ADD rating on the stock, with an unchanged TP of INR 782 (14x Sep-25E EPS).

- Q2FY24 financial highlights:** Revenue: INR 9bn (+44.7/+18.1% YoY/QoQ, a beat of 16.7%). EBITDA: INR 898mn (+45.1/+8.6% YoY/QoQ, a beat of 5.7%). EBITDA margin: 10.0% (+2/-87bps YoY/QoQ, vs. our estimate of 11.0%, due to higher volatility in raw material and input prices and higher employee expenses). Depreciation: INR 126mn (+41.7/+6.7% YoY/QoQ). Interest cost: INR 115mn (+61.8/+5.8% YoY/QoQ). Other income: INR 85mn (+28.7/+24.1% YoY/QoQ). RPAT/APAT: INR 553mn (+41.2/+11.2% YoY/QoQ, a beat of 10.2%). AHLU maintained its FY24 revenue guidance of 20% YoY growth, with EBITDA margin (incl. other income) upwards of 11%. The CSTM project worth INR 24.5bn has clocked in a monthly run rate of INR 0.8-1bn in the last quarter and is expected to clock more than INR 1bn in FY25. The Tata Memorial project (INR 7.5bn) shall clock in INR 200mn monthly from Q4FY24.
- Robust OB; not bidding aggressively:** The total order inflow in FYTD24 stands at INR 52.6bn. The OB as of Sep'23 stood at INR 120.8bn (~4.3x FY23 revenue), excluding L1 in one project of INR 28.4bn (international jewellery park in Mumbai). 24% of the OB is fixed-price contracts, exposing it to input price volatility. Client-wise, government orders form 70% of OB (48/22% central/state government orders) and segment-wise, infrastructure/hospital and institutional are the major drivers, contributing 30/25/24%, followed by residential/commercial contributing 12/8%. Geography-wise, the West/North/East/Overseas/South regions contribute 36/34/24/4/2%. AHLU has a bid pipeline of INR 25bn and expects to win new orders worth INR 10bn apart from L1.
- Robust net cash position:** AHLU is effectively debt-free, with a negligible gross debt of INR 319mn and a total cash and cash equivalents of over INR 5.2bn, as of Sep'23 end. Capex incurred in H1FY24 is INR 540mn and the yearly run rate is expected to be at INR 1.2bn for FY24.

Standalone Financial Summary (INR mn)

YE March	2QFY24	2QFY23	YoY (%)	1QFY24	QoQ (%)	FY23	FY24E	FY25E	FY26E
Net Sales	9,015	6,228	44.7	7,636	18.1	28,384	33,493	39,857	47,828
EBITDA	898	619	45.1	827	8.6	3,042	3,818	4,902	5,979
APAT	553	392	41.2	497	11.2	1,942	2,543	3,347	4,138
EPS (INR)	8.3	5.8	41.2	7.4	11.2	29.0	38.0	50.0	61.8
P/E (x)						27.0	20.6	15.7	12.7
EV/EBITDA (x)						15.4	12.9	9.8	7.9
RoE (%)						17.1	19.0	20.7	20.8

Source: Company, HSIE Research

ADD

CMP (as on 15 Nov 2023)	INR 783
Target Price	INR 782
NIFTY	19,675

KEY CHANGES	OLD	NEW	
Rating	ADD	ADD	
Price Target	INR 782	INR 782	
EPS Change %	FY24E	FY25E	FY26E
	-	-	-

KEY STOCK DATA

Bloomberg code	AHLU IN
No. of Shares (mn)	67
MCap (INR bn) / (\$ mn)	52/641
6m avg traded value (INR mn)	59
52 Week high / low	INR 811/398

STOCK PERFORMANCE (%)

	3M	6M	12M
Absolute (%)	6.9	36.5	93.1
Relative (%)	6.5	30.6	86.5

SHAREHOLDING PATTERN (%)

	Jun-23	Sep-23
Promoters	55.32	55.32
FIs & Local MFs	27.39	26.65
FPIs	11.75	12.61
Public & Others	5.54	5.42
Pledged Shares	2.99	2.99

Source: BSE

Pledged shares as % of total shares

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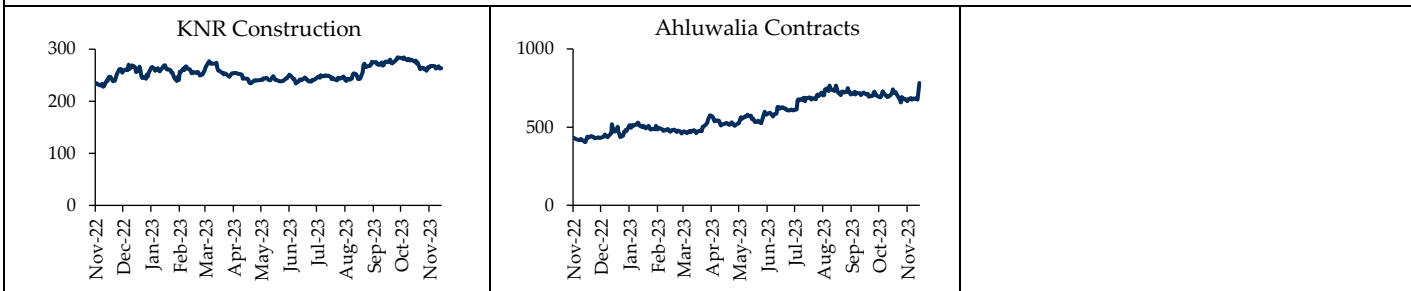
Rating Criteria

BUY: >+15% return potential
 ADD: +5% to +15% return potential
 REDUCE: -10% to +5% return potential
 SELL: > 10% Downside return potential

Disclosure:

Analyst	Company Covered	Qualification	Any holding in the stock
Parikshit Kandpal	KNR Constructions, Ahluwalia Contracts	CFA	NO
Nikhil Kanodia	KNR Constructions, Ahluwalia Contracts	MBA	NO
Manoj Rawat	KNR Constructions, Ahluwalia Contracts	MBA	NO

1 Yr Price movement



Disclosure:

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