

**BUY**

TP: Rs 340 | ▲ 39%

**KNR CONSTRUCTIONS**

Infrastructure

17 November 2019

## Strong quarter; revenue guidance cut on project delays

**KNR Constructions' (KNRC) Q2FY20 core revenue ex-arbitral awards grew 26% YoY and core EBITDA margin beat estimates at 20.6% (+60bps YoY). A higher tax rate saw core recurring PAT drop 24% YoY to Rs 342mn – still ahead of our Rs 300mn forecast. The Sep'19 order backlog stood at Rs 67bn or 3.1x TTM revenues (incl. L1 projects). We scale back FY20/FY21 EPS by 11%/22% given management has cut revenue guidance from ~Rs 25bn to Rs 23bn- 24bn; rolling valuations over, we have a new Mar'21 TP of Rs 340 (vs. Rs 360). BUY.**

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**Strong execution and better margins:** A healthy pace of execution on HAM projects and the irrigation contract from Mega Engineering aided core revenue growth of 25.6% YoY to Rs 5.2bn (Rs 4.6bn est). Led by favourable arbitration awards of Rs 232mn (net basis), reported revenue grew 31% YoY to Rs 5.5bn. Core EBITDA margin was up 60bps YoY to 20.6% vs. 17% estimated (+300bps YoY to 23% incl. arbitral awards), backed by a better revenue mix. Reported PAT surged 56% YoY to Rs 701mn after including the impact of favourable claims.

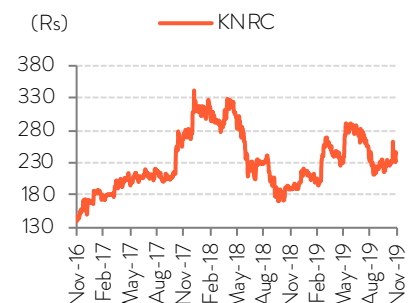
**Guidance cut:** Management has pared FY20 revenue guidance from ~Rs 25bn to Rs 23bn-24bn due to an execution slowdown in the Navayuga Engineering irrigation project (land issues), delayed award of appointed dates (AD) in the two remaining HAM projects and cancellation of a Rs 3.5bn HAM contract.

**Receivables stretched; leverage under control:** Debtor days remained high at 53 days vs. 40 as on Mar'19. As per management, the debtor cycle is likely to remain stretched due to execution of fast-pace irrigation projects. Gross standalone debt declined by Rs 256mn QoQ to Rs 3.2bn and net D/E remained in check at 0.2x as on Sep'19 (unchanged QoQ).

Ticker/Price	KNRC IN/Rs 245
Market cap	US\$ 479.7mn
Shares o/s	141mn
3M ADV	US\$ 0.4mn
52wk high/low	Rs 303/Rs 181
Promoter/FPI/DII	55%/3%/31%

Source: NSE

## STOCK PERFORMANCE



Source: NSE

## KEY FINANCIALS (STANDALONE)

Y/E 31 Mar	FY18A	FY19A	FY20E	FY21E	FY22E
Total revenue (Rs mn)	19,317	21,373	23,705	29,173	33,145
EBITDA (Rs mn)	3,861	4,270	4,160	5,102	5,787
Adj. net profit (Rs mn)	2,721	2,468	1,818	2,215	2,579
Adj. EPS (Rs)	19.3	17.6	12.9	15.8	18.3
Adj. EPS growth (%)	61.8	(9.3)	(26.4)	21.9	16.4
Adj. ROAE (%)	26.5	19.2	12.0	12.8	13.1
Adj. P/E (x)	12.7	14.0	18.9	15.6	13.4
EV/EBITDA (x)	9.2	8.5	8.9	7.4	6.6

Source: Company, BOBCAPS Research

**BOB Capital Markets Ltd is a wholly owned subsidiary of Bank of Baroda**

Important disclosures, including any required research certifications, are provided at the end of this report.



FIG 1 – STANDALONE QUARTERLY AND HALF-YEARLY PERFORMANCE

Particulars (Rs mn)	Q2FY20 (Reported)	Q2FY20 (Adjusted – Core business)	Adjustment	Q2FY19	Adj. Growth YoY (%)	Q1FY20	Adj. Growth QoQ (%)	H1FY20	H1FY19	Adj. Growth YoY (%)
<b>Revenue</b>	<b>5,462**</b>	<b>5,230*</b>	<b>232</b>	<b>4,163</b>	<b>25.6</b>	<b>4,646</b>	<b>12.6</b>	<b>9,876</b>	<b>9,726</b>	<b>1.5</b>
Cost of material consumed	1,721	1,721	-	1,652	4.2	1,860	(7.5)	3,581	3,022	18.5
Construction expenses	1,436	1,436	-	978	46.9	1,193	20.3	2,629	3,193	(17.7)
Employee expenses	363	363	-	249	45.6	271	33.7	634	445	42.5
Other expenses	684	633*	51	452	40.0	421	50.3	1,054	1,136	(7.2)
<b>Total Expenditure</b>	<b>4,204</b>	<b>4,153</b>	<b>51</b>	<b>3,331</b>	<b>24.7</b>	<b>3,746</b>	<b>10.9</b>	<b>7,899</b>	<b>7,796</b>	<b>1.3</b>
<b>EBITDA</b>	<b>1,258</b>	<b>1,077</b>	<b>181</b>	<b>831</b>	<b>29.5</b>	<b>900</b>	<b>19.6</b>	<b>1,977</b>	<b>1,930</b>	<b>2.4</b>
EBITDA margins (%)	23.0	20.6	-	20.0	61bps	19.4	121bps	20.0	19.8	17bps
Other income	256	38*	218	88	(56.8)	168	(77.3)	206	266	(22.5)
Interest	98	98	-	74	31.5	90	8.0	188	146	28.6
Depreciation	475	475	-	393	21.0	389	22.2	864	753	14.8
<b>PBT</b>	<b>941</b>	<b>542</b>	<b>399</b>	<b>453</b>	<b>19.7</b>	<b>589</b>	<b>(8.0)</b>	<b>1,131</b>	<b>1,297</b>	<b>(12.8)</b>
PBT margin (%)	17.2	10.4	-	10.9	(51bps)	12.7	(231bps)	11.4	13.3	(188bps)
Current tax	249	249	-	89	178.1	140	77.4	389	247	57.2
Deferred tax	(49)	(49)	-	(87)	(43.6)	(28)	na	(77)	(140)	(44.9)
Total tax provision	200	200	-	3	7,454.2	112	78.7	311	107	191.0
Effective tax rate (%)	21.2	36.8	-	0.6	3,625bps	19.0	1,787bps	27.5	8.2	1,928bps
<b>Adjusted PAT</b>	<b>741</b>	<b>342</b>	<b>399</b>	<b>450</b>	<b>(24.0)</b>	<b>477</b>	<b>(28.3)</b>	<b>819</b>	<b>1,190</b>	<b>(31.1)</b>
Extraordinary items/Exceptions	(40)	359*	(399)	-	-	-	na	359	-	na
<b>Reported PAT</b>	<b>701</b>	<b>701</b>	<b>-</b>	<b>450</b>	<b>55.8</b>	<b>477</b>	<b>46.9</b>	<b>1,178</b>	<b>1,190</b>	<b>(1.0)</b>
Adjusted PAT margin (%)	13.6	6.5	-	10.8	(427bps)	10.3	(373bps)	8.3	12.2	(394bps)
<b>EPS (Rs)</b>	<b>5.3</b>	<b>2.4</b>	<b>2.8</b>	<b>3.2</b>	<b>(24.0)</b>	<b>3.4</b>	<b>(28.3)</b>	<b>5.8</b>	<b>8.5</b>	<b>(31.1)</b>

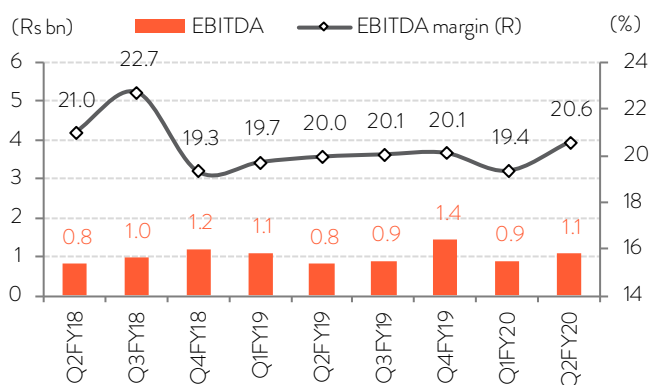
Source: Company, BOBCAPS Research | \*Revenue and other income are adjusted for revenue from claims net of expenses and receivables, and restated as an exception, \*\*Revenue contribution from irrigation segment at Rs 950mn and balance from roads segment

## Earnings call highlights

- Order inflows:** Order inflows remained healthy at ~Rs 17bn in FY20 YTD. So far, KNRC has won two irrigation subcontracting projects, from Navayuga Engineering and Mega Engineering in the state of Telangana (the latter is running as per schedule). Execution at the Navayuga site is moving slowly due to land acquisition issues. Management expects the matter to be resolved in a couple of months.
- FY20 guidance:** Management expects revenue at Rs 23bn-24bn, order inflows at Rs 10bn-15bn (for the remainder of FY20), and EBITDA margin at 17-18%. Quarterly depreciation run-rate is guided at Rs 450mn-500mn, effective tax rate at 20%, capex at Rs 2bn-2.25bn (factoring in order inflows from irrigation segment; H1 capex at Rs 1.4bn), and Mar'20 net D/E at 0.2x.

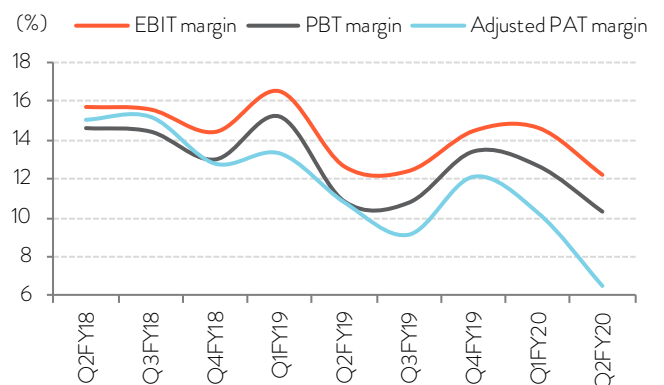
- FY21 guidance:** Management expects FY21 revenue at Rs 26bn-27bn, order inflows at ~Rs 30bn, EBITDA margin at 17-18%, effective tax rate at 25%, and capex at Rs 1bn-1.2bn.
- Arbitration awards:** KNRC received a claim of Rs 572mn during the quarter, of which Rs 232mn was booked in revenues, the interest component of Rs 218mn was booked in other income and the balance Rs 122mn adjusted against receivables (booked in revenue in the previous year). Further, an expense of Rs 51mn was also booked in relation to the arbitration awards. Hence, the net impact of Rs 399mn has been restated under exceptions. According to management, there were no tax implication on the claims.
- Toll collection:** Gross toll collection at the Muzaffarpur/Walayar BOT projects stood at Rs 1.7mn/Rs 1.8mn per day in Q2FY20. Muzaffarpur collections were affected by the heavy monsoons. The company plans to monetise the Walayar project (100% stake) by end-Mar'20 which will free up capital of ~Rs 4bn. However, the sale of its 51% stake in the Muzaffarpur BOT (toll) project is unlikely due to NHAI's interest in lane expansion on the stretch. At present, the daily toll collection run-rate at the Muzaffarpur/Walayar BOT stretches has risen to Rs 2.3mn/Rs 1.9mn.
- Leverage:** Of the standalone gross debt of Rs 3.2bn as on Sep'19 (Rs 2.6bn as on Mar'19), promoter debt stood at Rs 2.1bn. Net D/E remained under control at 0.2x (unchanged QoQ).
- Tax regime:** With outstanding MAT credit of Rs 660mn, management has decided to follow the old tax regime and is likely to shift to the new tax rate from FY22.
- Employee cost:** In Q2, employee cost increased 34% QoQ due to an increase in manpower and also one-time variable pay of Rs 52mn given to management for last year's performance.

**FIG 2 – EBITDA MARGIN TREND**



Source: Company, BOBCAPS Research

**FIG 3 – EBIT, PBT AND PAT MARGIN TRENDS**



Source: Company, BOBCAPS Research

**FIG 4 – STATUS OF HAM PROJECTS**

Project (Rs mn)	Length (km)	Lanes	BPC	EPC cost (ex- GST)	TPC	Equity	Grant	Debt	Equity invested till Sep'19	AD	Current status
Trichiraopalli - Kallagam*	38.7	4	10,206	7,464	9,100	962	4,318	3,820	481	01-Mar-19	Land: 85% available; 17.5% work completed up to Sep'19
Meensurutti - Chidambaram	31.5	2	4,820	3,518	4,316	455	2,041	1,820	84	NA	Terminated by NHAI on 11-Apr-19 due to land issues. The company has written off Rs 40mn (investment adj. against mobilisation advances) and reported it as exceptions in Q2
Ramsanpalle - Mangloor*	46.8	4	12,340	8,438	10,456	1,351	4,936	4,169	536	02-May-19	Land: 84% available; 21.4% work completed up to Sep,19
Chittor - Mallavaram*	61.1	6	17,301	11,607	14,555	1,433	7,393	5,730	725	04-Jan-19	Land: 95% available; 27.5% work completed up to Sep,19
Magadi - Somwarpeth	166	2	11,445	8,723	11,276	1,221	7,485	2,570	26	End of Dec'19	Land: 60% available. Financial closure documents submitted to the authority (KSHIP) for approval. KNRC will invest 50% upfront equity
Oddanchatram - Madathukulam (Pkg -2)	45.38	4	9,200	6,300	8,790	979	3,680	4,131	1	LOA received on 7-Mar-19	Land: 65% available. CA likely to be signed in a couple of months post 80% land acquisition
<b>Total</b>			<b>65,312</b>	<b>46,050</b>	<b>58,493</b>	<b>6,401</b>	<b>29,852</b>	<b>22,240</b>	<b>1,853</b>		

Source: Company, BOBCAPS Research | \*Monetised: 100% stake sale agreement entered into with Cube Highways; the company will transfer equity in a phased manner subject to achievement of certain conditions | Note: BPC – Bid Project Cost, CA – Concession Agreement, TPC – Total Project Cost

**FIG 5 – ORDER BACKLOG AT RS 66.8BN INCL. L1 OF RS 15.4BN; EXECUTABLE SHARE AT 77%**

Particulars (Rs mn)	Q2FY18	Q3FY18	Q4FY18	Q1FY19	Q2FY19	Q3FY19	Q4FY19	Q1FY20	Q2FY20
<b>Order inflows</b>	-	<b>5,607</b>	<b>39,830</b>	-	-	-	<b>10,198</b>	<b>8,473</b>	<b>8,500</b>
<b>Order backlog</b>	<b>35,872</b>	<b>33,326</b>	<b>23,266</b>	<b>19,800</b>	<b>18,315</b>	<b>15,408</b>	<b>40,156</b>	<b>46,338</b>	<b>51,468</b>
Book-to-bill (x)	2.1	1.9	1.2	1.0	0.9	0.8	1.9	2.3	2.4
<b>Order backlog break-up</b>									
Roads	27,283	24,328	16,519	15,446	13,685	12,194	38,421	36,596	32,956
Irrigation	8,562	8,998	6,747	4,337	4,613	3,199	1,721	9,728	18,505
Others	27	-	-	17	17	15	14	14	8
<b>Total order backlog</b>	<b>35,872</b>	<b>33,326</b>	<b>23,266</b>	<b>19,800</b>	<b>18,315</b>	<b>15,408</b>	<b>40,156</b>	<b>46,338</b>	<b>51,468</b>
<b>% share</b>									
Roads	76.1	73.0	71.0	78.0	74.7	79.1	95.7	79.0	64.0
Irrigation	23.9	27.0	29.0	21.9	25.2	20.8	4.3	21.0	36.0
Others	0.1	-	-	0.1	0.1	0.1	0.0	0.0	0.0
<b>Total order backlog</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>

Source: Company, BOBCAPS Research

## Valuation methodology

A strong Rs 67bn order backlog (incl. L1) substantially raises KNRC's EPC revenue visibility over the next two years. Additionally, the company's positive operating cash flows, lean working capital and low net D/E (0.2x as on Sep'19) will help it fund new HAM projects. Equity requirements for existing HAM contracts are unlikely to be a concern due to its recent deal with Cube (49% stake to be monetised during the construction period). We have not considered this stake sale in our valuation as Cube will begin investing only once 90% of right of way (ROW) is available (at ~85% currently) and ~50% execution stands completed.

The stock is trading at 12.5x/10.3x FY20E/FY21E standalone earnings, after adjusting Rs 83/sh for the value of its assets. These valuations are fairly attractive considering KNRC's impressive execution track record, strong balance sheet, superior margins and favourable return ratios. We scale back our FY20/FY21 EPS estimates by 11%/22% to incorporate the cut in management's revenue guidance as also higher interest cost assumptions; rolling valuations forward, we have a new Mar'21 TP of Rs 340 (vs. Rs 360). We now model for a revenue CAGR of 16% over FY19-FY22. Maintain BUY.

**FIG 6 – REVISED ESTIMATES**

(Rs mn)	FY20E			FY21E		
	Old	New	Change (%)	Old	New	Change (%)
Revenue	25,236	23,705	(6.1)	33,982	29,173	(14.2)
EBITDA	4,280	4,160	(2.8)	5,878	5,102	(13.2)
EBITDA margin (%)	17.0	17.5	59bps	17.3	17.5	19bps
Adjusted PAT	2,052	1,818	(11.4)	2,853	2,215	(22.4)
PAT margin (%)	8.1	7.7	(46bps)	8.4	7.6	(80bps)

Source: Company, BOBCAPS Research

For our SOTP model, we value:

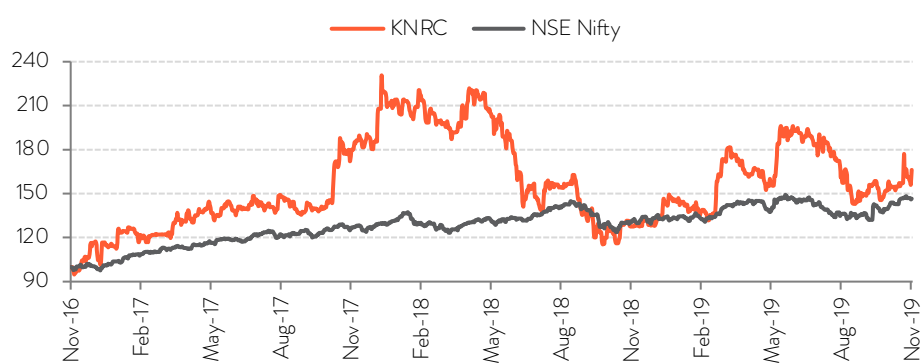
- (i) the EPC business at Rs 257/sh based on 14x Mar'22E earnings;
- (ii) BOT assets at Rs 35/sh on P/BV basis (P/BV of 1x for invested equity in the two assets as on Mar'21); and
- (iii) HAM projects at Rs 49/sh on P/BV basis (P/BV of 1-1.2x for equity investment in six projects as on Mar'21).

FIG 7 – MAR'21 SOTP-BASED TARGET PRICE OF RS 340

Business (Rs mn)	Basis of valuation	Value	Multiple (x)	Valuation	Value per share (Rs)
<b>Standalone business (EPC)</b>	<b>P/E (x) on Mar'22E earnings</b>	<b>2,579</b>	<b>14.0</b>	<b>36,102</b>	<b>257</b>
<b>Equity investment in BOT and HAM road assets and real estate</b>	<b>Equity investment as on Mar'21E</b>	<b>10,824</b>	<b>-</b>	<b>11,723</b>	<b>83</b>
Equity investment in BOT projects	P/BV	4,878		4,878	35
-Walayar		3,974	1.0	3,974	28
-Muzaffarpur		903	1.0	903	6
Equity investment in HAM projects	P/BV	5,946		6,845	49
-Trichiraopalli-Kallagam		962	1.2	1,193	8
-Ramsanpalle-Mangloor		1,351	1.2	1,675	12
-Chittor-Mallavaram		1,433	1.2	1,776	13
-Magadi-Somwarpeth		1,221	1.0	1,221	9
-Oddanchatram-Madathukulam		979	1.0	979	7
<b>Target price (Rs)</b>				<b>47,824</b>	<b>340</b>
O/s shares (in mn)					141

Source: Company, BOBCAPS Research

FIG 8 – RELATIVE STOCK PERFORMANCE



Source: NSE

## Key risks

- **Slowdown in road sector capex:** Capex in the road sector has witnessed some revival over the last two years. Any slowdown in project awarding would impact the company's growth and our estimates.
- **Delay in execution of projects in hand:** Execution delays due to land acquisition hurdles or delay in appointed dates or other regulatory bottlenecks could adversely affect KNRC's revenue prospects.
- **Execution risk:** While KNRC has excellent execution skills, a potential entry into new segments and geographies exposes it to execution risks. Also, with the average size and complexity of projects increasing, the company faces the challenge of completing large projects within the stipulated time and cost.

## FINANCIALS (STANDALONE)

### Income Statement

Y/E 31 Mar (Rs mn)	FY18A	FY19A	FY20E	FY21E	FY22E
<b>Total revenue</b>	<b>19,317</b>	<b>21,373</b>	<b>23,705</b>	<b>29,173</b>	<b>33,145</b>
EBITDA	3,861	4,270	4,160	5,102	5,787
Depreciation	(1,341)	(1,681)	(1,825)	(2,071)	(2,255)
EBIT	2,520	2,589	2,335	3,032	3,532
Net interest income/(expenses)	(231)	(291)	(393)	(468)	(461)
Other income/(expenses)	393	444	383	389	395
Exceptional items	0	0	0	0	0
EBT	2,682	2,741	2,325	2,953	3,466
Income taxes	39	(273)	(507)	(738)	(887)
Extraordinary items	0	165	359	0	0
Min. int./Inc. from associates	0	0	0	0	0
<b>Reported net profit</b>	<b>2,721</b>	<b>2,633</b>	<b>2,176</b>	<b>2,215</b>	<b>2,579</b>
Adjustments	0	0	0	0	0
<b>Adjusted net profit</b>	<b>2,721</b>	<b>2,468</b>	<b>1,818</b>	<b>2,215</b>	<b>2,579</b>

### Balance Sheet

Y/E 31 Mar (Rs mn)	FY18A	FY19A	FY20E	FY21E	FY22E
Accounts payables	2,184	2,236	2,338	2,877	3,178
Other current liabilities	0	0	0	0	0
Provisions	184	164	162	240	227
Debt funds	2,204	2,641	3,230	3,880	1,800
Other liabilities	3,508	3,518	5,183	6,234	7,192
Equity capital	281	281	281	281	281
Reserves & surplus	11,297	13,862	15,971	18,118	20,629
Shareholders' fund	11,578	14,143	16,252	18,399	20,910
<b>Total liabilities and equities</b>	<b>19,658</b>	<b>22,703</b>	<b>27,165</b>	<b>31,630</b>	<b>33,307</b>
Cash and cash eq.	438	130	149	159	687
Accounts receivables	3,560	3,794	5,262	6,219	6,973
Inventories	2,124	3,162	3,442	4,236	4,854
Other current assets	0	0	0	0	0
Investments	5,976	7,078	9,695	12,796	12,796
Net fixed assets	3,315	3,710	3,886	2,815	2,061
CWIP	0	0	56	56	56
Intangible assets	0	0	0	0	0
Deferred tax assets, net	1,408	1,739	1,687	1,687	1,687
Other assets	2,836	3,090	2,988	3,662	4,193
<b>Total assets</b>	<b>19,658</b>	<b>22,703</b>	<b>27,165</b>	<b>31,630</b>	<b>33,307</b>

Source: Company, BOBCAPS Research

**Cash Flows**

Y/E 31 Mar (Rs mn)	FY18A	FY19A	FY20E	FY21E	FY22E
Net income + Depreciation	4,062	4,314	4,001	4,285	4,833
Interest expenses	231	291	393	468	461
Non-cash adjustments	0	0	0	0	0
Changes in working capital	(2,490)	(1,820)	41	(756)	(658)
Other operating cash flows	0	0	0	0	0
<b>Cash flow from operations</b>	<b>1,804</b>	<b>2,785</b>	<b>4,435</b>	<b>3,997</b>	<b>4,636</b>
Capital expenditures	(2,035)	(2,076)	(2,056)	(1,000)	(1,500)
Change in investments	(11)	(1,101)	(2,617)	(3,101)	0
Other investing cash flows	0	0	0	0	0
<b>Cash flow from investing</b>	<b>(2,045)</b>	<b>(3,177)</b>	<b>(4,673)</b>	<b>(4,101)</b>	<b>(1,500)</b>
Equities issued/Others	0	0	0	0	0
Debt raised/repaid	763	438	589	650	(2,080)
Interest expenses	(231)	(291)	(393)	(468)	(461)
Dividends paid	(66)	(68)	(68)	(68)	(68)
Other financing cash flows	(32)	5	129	0	0
<b>Cash flow from financing</b>	<b>434</b>	<b>84</b>	<b>257</b>	<b>115</b>	<b>(2,608)</b>
<b>Changes in cash and cash eq.</b>	<b>192</b>	<b>(308)</b>	<b>19</b>	<b>10</b>	<b>528</b>
<b>Closing cash and cash eq.</b>	<b>438</b>	<b>130</b>	<b>149</b>	<b>159</b>	<b>687</b>

**Per Share**

Y/E 31 Mar (Rs)	FY18A	FY19A	FY20E	FY21E	FY22E
Reported EPS	19.3	18.7	15.5	15.8	18.3
Adjusted EPS	19.3	17.6	12.9	15.8	18.3
Dividend per share	0.4	0.4	0.4	0.4	0.4
Book value per share	82.3	100.6	115.6	130.8	148.7

**Valuations Ratios**

Y/E 31 Mar (x)	FY18A	FY19A	FY20E	FY21E	FY22E
EV/Sales	1.8	1.7	1.6	1.3	1.2
EV/EBITDA	9.2	8.5	8.9	7.4	6.6
Adjusted P/E	12.7	14.0	18.9	15.6	13.4
P/BV	3.0	2.4	2.1	1.9	1.6

**DuPont Analysis**

Y/E 31 Mar (%)	FY18A	FY19A	FY20E	FY21E	FY22E
Tax burden (Net profit/PBT)	101.5	90.0	78.2	75.0	74.4
Interest burden (PBT/EBIT)	106.4	105.9	99.6	97.4	98.1
EBIT margin (EBIT/Revenue)	13.0	12.1	9.9	10.4	10.7
Asset turnover (Revenue/Avg TA)	107.8	100.9	95.1	99.2	102.1
Leverage (Avg TA/Avg Equity)	1.7	1.6	1.6	1.7	1.7
Adjusted ROAE	26.5	19.2	12.0	12.8	13.1

Source: Company, BOBCAPS Research | Note: TA = Total Assets



**Ratio Analysis**

Y/E 31 Mar	FY18A	FY19A	FY20E	FY21E	FY22E
<b>YoY growth (%)</b>					
Revenue	25.3	10.6	10.9	23.1	13.6
EBITDA	68.2	10.6	(2.6)	22.7	13.4
Adjusted EPS	61.8	(9.3)	(26.4)	21.9	16.4
<b>Profitability &amp; Return ratios (%)</b>					
EBITDA margin	20.0	20.0	17.5	17.5	17.5
EBIT margin	13.0	12.1	9.9	10.4	10.7
Adjusted profit margin	14.1	11.5	7.7	7.6	7.8
Adjusted ROAE	26.5	19.2	12.0	12.8	13.1
ROCE	23.0	18.9	14.2	15.8	17.0
<b>Working capital days (days)</b>					
Receivables	67	65	81	78	77
Inventory	40	54	53	53	53
Payables	41	38	36	36	35
<b>Ratios (x)</b>					
Gross asset turnover	2.6	2.3	2.1	2.3	2.4
Current ratio	1.5	1.7	1.5	1.5	1.6
Net interest coverage ratio	10.9	8.9	5.9	6.5	7.7
Adjusted debt/equity	0.2	0.2	0.2	0.2	0.1

Source: Company, BOBCAPS Research

## Disclaimer

### Recommendations and Absolute returns (%) over 12 months

**BUY** – Expected return >+15%

**ADD** – Expected return from >+5% to +15%

**REDUCE** – Expected return from -5% to +5%

**SELL** – Expected return <-5%

**Note:** Recommendation structure changed with effect from 1 January 2018 (Hold rating discontinued and replaced by Add / Reduce)

### HISTORICAL RATINGS AND TARGET PRICE: KNR CONSTRUCTIONS (KNRC IN)



B – Buy, A – Add, R – Reduce, S – Sell

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