Infrastructure Constructions

High execution intensity offset by subdued margins

The road sector is on the verge of turnaround as awarding gains momentum. Tangible progress is evident with ~₹1trn in live tenders (60% of the pipeline) nearing the final stages of land acquisition (75-100% Section 3G completion). This led to a strong 4Q surge in tendering activity during March, a trend we expect to persist through the next quarter. The landscape increasingly favors Tier-1 players, with BOT projects and high-value contracts (>₹25bn) comprising 30% and 74% of active tenders, respectively. Recent large-sized HAM awards to GRIL (₹24bn & Rs15bn) and KNR (₹17bn) confirm this shift toward larger ticket sizes, resulting in lower competitive intensity. Top picks: GRIL & PNC. Risks: Delays in awarding & continued higher competitive intensity.

Key Recommendations:

We maintain our **BUY** rating on **GRIL**, backed by a healthy existing orderbook, strong balance sheet, efficient working capital, and strategic diversification into Power T&D, Oil & Gas EPC, and BESS (recent ₹5bn win). The company is primed to benefit from NHAI's tendering pipeline, with FY26 inflows of ₹96bn, securing revenue visibility for 2-3 years. We project 10.6%/5.5% revenue/EBITDA CAGR over FY25-29, anticipating 12% YoY revenue growth in 4QFY26 driven by execution in roads and Oil & Gas segments. However, a growing mix of the lower-margin Oil & Gas segment (20% of 3QFY26 revenue) coupled with negative operating leverage will compress FY26/27 EBITDA margins to 10.8%/11.2%. 1-yr TP of Rs1,283 (Rs1,324 earlier) implies FY27 PE of 13.5x for EPC business.

We remain **BUY**ers on **PNC** due to its mid-term revenue visibility given receipts of AD for its large HAM projects in 2QFY26 and 3QFY26. We estimate 9.4%/9.2% revenue/EBITDA CAGR over FY25-29, anticipating 17% YoY revenue growth in 4QFY26 driven by execution in road segment. EBITDA margins to remain stable at 12% in FY26/27, with 12.4% achieved in 3QFY26. 1-yr TP of Rs285 (Rs309 earlier) implies FY27 PE of 11.2x for EPC business.

We maintain our **SELL** rating on **KNR** due to a depleted standalone orderbook (Rs88bn) and weak near-term visibility. While recent wins of HAM projects totalling Rs39bn provide a buffer, revenue contribution would begin only from FY28. Furthermore, management's avoidance of BOT bidding and a thin Rs43bn executable road portfolio heightens growth concerns. Profitability remains under pressure, with 4QFY26 EBITDA margins estimated at 6.2% due to penalty-linked rectification costs in its Ramanattukara-Valanchery HAM project. Beyond road projects, margins are being diluted by the Rs9bn subcontracted pipeline projects and persistent cash conversion issues in the Rs9bn irrigation segment. Consequently, we project a 30% YoY revenue decline in 4QFY26 and a stagnant 6%/-1% revenue/EBITDA CAGR through FY29. 1-yr TP of Rs135 (Rs146 earlier) implies FY27 PB of 0.76x.

Interarch, a top-3 player in the Indian PEB industry, is a proxy play on increasing manufacturing and infra development. Edge stems from track record, long-standing relationships (~80% repeat orders) and cost competitiveness, seen in industry-best margin/RoE. Banking on this, it has been winning larger orders with growing average size over the years (>2.5x pre-Covid). Existing orderbook (1.0x TTM revenue) provides near-term growth visibility. Experience in PEB solutions across sunrise industries, rising PEB penetration and JSPL tie-up for heavy building structures imply continued order flow (1.2x book-to-bill, TTM) in the mid-to-long term. Expect 22%/24%/24% revenue/EBITDA/PAT CAGR (FY25-29) aided by brownfield and greenfield capacity expansion (AP, Gujarat). We marginally trim EBITDA estimates amid rising steel prices, maintaining a **BUY** with a 2-year TP of ₹3,209 (Rs3,517 earlier) which implies a 22.4x 1-yr fwd P/E.

Stock Performance

(%)	3-months	
	Absolute	Rel to Sensex
Interarch Building Solutions	(22.2)	(7.7)
G R Infraprojects	(16.4)	(1.9)
PNC Infratech	(31.8)	(17.3)
KNR Constructions	(24.8)	(10.3)

Source: ICE, Ambit Capital Research

Mar'26 Quarterly EPS

	Ambit	Consensus
Interarch Building Solutions	26.8	DNA
G R Infraprojects	22.3	24.8
PNC Infratech	5.1	5.7
KNR Constructions	0.5	1.6

Source: Ambit Capital Research, Bloomberg

FY26 EPS

	Ambit	Consensus
Interarch Building Solutions	85.2	81.7
G R Infraprojects	77.9	81.9
PNC Infratech	13.5	15.6
KNR Constructions	3.7	5.8

Source: Ambit Capital Research, Bloomberg

Research Analyst
Sudeep Bora
+91 22 66233071
sudeep.bora@ambit.co

Exhibit 1: Detailed Mar'26E quarterly estimates

Company	4QFY26	4QFY25	YoY (%)	3QFY26	QoQ (%)	Comments
GR Infraprojects Ltd						
Revenue from operations (Rs mn)	22,307	19,904	12%	20,395	9%	YoY growth led by execution of existing road as well as Oil & Gas orders. EBITDAM decline amid negative impact of OL in road segment and lower margins from Oil & Gas segment.
EBITDA (Rs mn)	2,348	3,484	-33%	2,054	14%	
EBITDA margin (%)	11%	18%	-698bps	10%	45bps	
PBT (Rs mn)	2,737	4,146	-34%	2,738	0%	
Adjusted PAT (Rs mn)	2,158	3,392	-36%	1,962	10%	
PNC Infratech Ltd						
Revenue from operations (Rs mn)	16,513	14,146	17%	10,564	56%	YoY growth led by execution of existing order backlog. EBITDAM reduced due to negative impact of OL.
EBITDA (Rs mn)	1,997	1,758	14%	1,309	53%	
EBITDA margin (%)	12%	12%	-33bps	12%	-30bps	
PBT (Rs mn)	1,555	1,558	0%	1,050	48%	
Adjusted PAT (Rs mn)	1,309	1,210	8%	774	69%	
KNR Constructions Ltd						
Revenue from operations (Rs mn)	5,882	8,512	-31%	5,851	1%	YoY decline due to depleted orderbook. EBITDAM decline due to negative impact of OL & additional cost incurred as damages for one of its HAM projects.
EBITDA (Rs mn)	366	1,175	-69%	306	20%	
EBITDA margin (%)	6%	14%	-757bps	5%	99bps	
PBT (Rs mn)	189	1,099	-83%	223	-15%	
Adjusted PAT (Rs mn)	146	752	-81%	176	-17%	
Interarch Building Solutions Ltd						
Revenue from operations (Rs mn)	5,683	4,635	23%	5,225	9%	YoY growth led by execution of existing order backlog. EBITDAM improvement amid favourable OL.
EBITDA (Rs mn)	590	488	21%	503	17%	
EBITDA margin (%)	10%	11%	-16bps	10%	76bps	
PBT (Rs mn)	596	504	18%	501	19%	
Adjusted PAT (Rs mn)	450	387	16%	373	21%	

Source: Company, Ambit Capital research

Exhibit 2: Revision ahead of earnings seasons

Company	New estimates				Old estimates				Change				Comments
	FY26E	FY27E	FY28E	FY29E	FY26E	FY27E	FY28E	FY29E	FY26E	FY27E	FY28E	FY29E	
GR Infraprojects													
Recommendation	**BUY**				**BUY**				**UNCHANGED**				
1-yr TP (Rs)	**1,283**				**1,324**				**-3%**				We increase our revenue estimate primarily due to execution of Oil & Gas projects. We have cut margin estimates due to the lower-margin Oil & Gas segment contributing 20% of 3QFY26 revenues, along with negative impact of operating leverage.
Revenue from operations (Rs mn)	73,300	80,630	88,693	97,562	68,413	76,623	86,201	97,562	7%	5%	3%	0%	
EBITDA (Rs mn)	7,916	9,031	10,200	11,220	8,210	9,961	11,206	11,220	-4%	-9%	-9%	0%	
EBITDA margin (%)	11%	11%	12%	12%	12%	13%	13%	12%	-120bps	-180bps	-150bps	0bps	
PBT (Rs mn)	10,070	11,781	13,547	14,919	9,799	12,088	13,840	14,919	3%	-3%	-2%	0%	
Profit after tax (Reported) (Rs mn)	7,535	8,816	10,138	11,165	7,333	9,046	10,357	11,165	3%	-3%	-2%	0%	
EPS - Basic	78	91	105	115	76	94	107	115	3%	-3%	-2%	0%	
PNC Infratech													
Recommendation	**BUY**				**BUY**				**UNCHANGED**				
1-yr TP (Rs)	**285**				**309**				**-8%**				We have cut revenue estimates for FY28 from lower than expected order inflows in 4QFY26. We marginally trim EBITDA estimate in FY27/28 due to contribution of lower margin BESS & mining segments
Revenue from operations (Rs mn)	47,952	57,542	66,173	72,791	48,240	59,336	71,203	72,791	-1%	-3%	-7%	0%	
EBITDA (Rs mn)	5,754	6,905	7,941	8,735	5,789	7,417	8,900	8,735	-1%	-7%	-11%	0%	
EBITDA margin (%)	12%	12%	12%	12%	12%	13%	13%	12%	0bps	-50bps	-50bps	0bps	
PBT (Rs mn)	4,517	5,281	5,987	6,522	4,588	5,854	6,962	6,522	-2%	-10%	-14%	0%	
Profit after tax (Reported) (Rs mn)	3,700	3,952	4,480	4,881	3,625	4,381	5,209	4,881	2%	-10%	-14%	0%	
EPS - Basic	14	15	17	19	14	17	20	19	2%	-10%	-14%	0%	
KNR Constructions													
Recommendation	**SELL**				**SELL**				**UNCHANGED**				
1-yr TP (Rs)	**135**				**146**				**-7%**				We cut our revenue estimates for FY27/28 due to land acquisition issues faced in a Rs7bn HAM project. Further, margin estimates have also been reduced due to the impact of penalty from one of the HAM projects, along with negative impact of operating leverage.
Revenue from operations (Rs mn)	21,455	19,653	25,923	40,773	21,074	24,290	27,939	40,773	2%	-19%	-7%	0%	
EBITDA (Rs mn)	1,824	1,965	2,852	4,893	2,529	3,036	3,492	4,893	-28%	-35%	-18%	0%	
EBITDA margin (%)	9%	10%	11%	12%	12%	13%	13%	12%	-350bps	-250bps	-150bps	0bps	
PBT (Rs mn)	1,374	1,475	2,235	4,110	1,908	2,331	2,636	4,110	-28%	-37%	-15%	0%	
Profit after tax (Reported) (Rs mn)	1,114	1,104	1,672	3,076	1,500	1,745	1,973	3,076	-26%	-37%	-15%	0%	
EPS - Basic	4	4	6	11	5	6	7	11	-26%	-37%	-15%	0%	
Interarch Building Solutions													
Recommendation	**BUY**				**BUY**				**UNCHANGED**				
2-yr TP (Rs)	**3,209**				**3,517**				**-9%**				We marginally trim EBITDA estimate amid rising steel prices. We keep other estimates largely unchanged.
Revenue from operations (Rs mn)	19,627	23,552	28,262	32,502	19,627	23,552	28,262	32,502	0%	0%	0%	0%	
EBITDA (Rs mn)	1,825	2,073	2,628	3,250	1,825	2,355	2,968	3,250	0%	-12%	-11%	0%	
EBITDA margin (%)	9%	9%	9%	10%	9%	10%	11%	10%	0bps	-120bps	-120bps	0bps	
PBT (Rs mn)	1,910	2,181	2,738	3,421	1,910	2,463	3,109	3,421	0%	-11%	-12%	0%	
Profit after tax (Reported) (Rs mn)	1,429	1,632	2,049	2,560	1,429	1,843	2,327	2,560	0%	-11%	-12%	0%	
EPS - Basic	85	97	122	153	85	110	139	153	0%	-11%	-12%	0%	

Source: Company, Ambit Capital research

Interarch Building Solutions (INTERARC IN, BUY)

Valuation Methodology

We use a three-stage DCF-based model to arrive at our fair value, while considering 15%/14% CoE/WACC and 5% terminal growth.

Risks

Slowdown in end-user capex/private sector capex, driving growth moderation.

Increase in competitive intensity driving margin pressure/growth moderation.

G R Infraprojects (GRINFRA IN, BUY)

Valuation Methodology

We have used SOTP valuation for GRIL. Whilst we value the EPC business using DCF methodology, we value the investment in subsidiaries by applying a multiple of 1.1x of the equity infusion. Its investment in InvIT is valued using the current market price and applying a holding company discount of 20%.

Risks

Delay in execution/AD issuance for the 6-lane Agra-Gwalior greenfield highway project.

Delay in execution of tunnelling project in Arunachal Pradesh.

Expansion into segments with poor return/collection potential.

PNC Infratech (PNCL IN, BUY)

Valuation Methodology

We have used SOTP valuation for PNC. Whilst we value the EPC business using DCF methodology, we value investment in subsidiaries by applying a multiple of 1.1x of the equity infusion.

Risks

Uncertainty around JJM projects.

Higher than projected mining capex.

KNR Constructions (KNRC IN, SELL)

Valuation Methodology

We have used SOTP valuation for KNR. Whilst we value the EPC business using DCF methodology, we value investment in subsidiaries by applying a multiple of 1.1x of the equity infusion.

Risks

Early completion of 2-year Mysore - Kushalnagara Packages worth ₹8.8bn.

Higher order inflows of ₹100bn in FY27.