



Impressive background with good journey over the years..

G R Infraprojects Limited ("GR Infra") was incorporated on December 22, 1995. The Company has gradually increased its execution capabilities in terms of the size of projects that they have bid for and executed. For example, one of the first road projects that they executed was for the Public Works Department, Rajasthan in 1997 with a Bid Project Cost of ₹2.65 crore, whereas the project recently awarded by NHAI, i.e. Vadodara Mumbai Expressway project in the state of Maharashtra on HAM basis, to them in 2020 involves a Bid Project Cost of ₹2,747 crore. Their individual Promoters have more than 25 years of experience in the construction industry. Prior to the incorporation of the company, their individual Promoters were associated with M/s. Gumani Ram Agarwal, a partnership firm engaged in the construction business, which was acquired by the company in 1996.

Business Model..

Today, GR Infra is an integrated road engineering, procurement and construction ("EPC") company with experience in design and construction of various road/highway projects across 15 States in India and having recently diversified into projects in the railway sector. The principal business operations are broadly divided into three categories: a) Civil construction activities, under which they provide EPC services (67.5% of topline); b) Development of roads, highways on a Build Operate Transfer ("BOT") basis (30% of topline), including under annuity and Hybrid Annuity Model ("HAM"); and c) Manufacturing activities, under which they process bitumen, manufacture thermoplastic road-marking paint, electric poles and road signage and fabricate and galvanize metal crash barriers. The Company since 2006, executed over 100 road construction projects.

Focused EPC player with road projects focus..

The company historically had focus on the road projects whilst executing EPC projects and accordingly has established its credentials as an EPC player capable of executing a range of these construction projects that involve varying degrees of complexity. The Company's focused approach will enable them to benefit from future market opportunities and expand into new markets, and combined with their technical experience and pricing, will be critical in competing in the industry. Consequently, in March and May 2018, they have been awarded two projects for the railways sector which include earthwork, construction of bridges and supply of materials and track linking and civil engineering works.

Strong order book..

The Company's Order Book primarily comprised EPC and HAM projects in the road sector across the states of Uttar Pradesh, Madhya Pradesh, Maharashtra, Gujarat, Rajasthan, Andhra Pradesh, Bihar, Manipur, Odisha and Himachal Pradesh. In addition, their Order Book also includes railway projects in Andhra Pradesh and Madhya Pradesh and an optical fibre project spread across the states of Bihar, Odisha, West Bengal, Andaman and Nicobar Islands, Jharkhand and Sikkim. The Company in the past also executed projects in Haryana, Punjab, Jharkhand and Meghalaya. As of March 31, 2021, G R Infra had an Order Book of ₹19,025.81 crore and comprised 16 EPC projects, 10 HAM projects and 3 other projects. In 2018, they have been awarded two projects for the railways sector.

Strong financial performance and credit rating..

Over the period FY19-21, the Company's topline has witnessed a CAGR of 21.86 percent ₹ 7,844.13 crore in FY 2021. PAT registered a CAGR of 15.33 percent to touch ₹ 953.22 crore in FY21. Among the Key EPC Players, the company saw the fastest growth in operating income over a period of 5-years from FY15-20 at a CAGR of 47 percent.

Issue date	July 07 - July 09, 2021
Listing date	July 19, 2021
Price Band	₹ 828-837 (Face value: Rs. 5)
Employee discount	₹ 42 per share
Bid lot	17 shares and in multiple thereof
Issue size and type	Offer for sale: ₹962 crores
Issue structure	QIB - 50%, NIB-15%, Retail - 35%
Post issue shares	9.66 crore equity shares
Promoter holding	Pre IPO: 46.89%/Post IPO: 45.71%
Promoter group	Pre IPO: 41.15%/Post IPO: 40.83%
Post issue market cap	₹8,093 crores
BRLMs	HDFC Bank, ICICI Securities, Kotak Mahindra Capital, Motilal Oswal, SBI Capital Markets, Equirus Capital
Registrar to the issue	KFin Technologies Pvt. Ltd.

Particulars (₹ crores)	FY21	FY20	FY19
Topline	7,844	6,373	5,283
EBITDA	1,913	1,637	1,326
EBITDA (%)	24.19	25.49	24.90
Profit after tax	953	801	717
PAT margin (%)	12.06	12.47	13.46
Equity share cap.	48.35	48.48	48.48
Networth	3,980	3,027	2,230
Total debt	3,871	2,768	1,860
Book value	412	312	230
Post IPO EPS (₹)	98.31	82.59	73.91
P/E (x)	9	10	11
RoNW (%)	23.95	26.45	32.14

Source: RHP

Investment recommendation and rationale

At the upper end of the price band of ₹837, the Company's IPO is valued at P/BV multiple of 2.03x and P/E multiple of 9x which is cheap and at a good discount to peers (IRB Infra - P/E: 47x, Dilip Buildcon: P/E of 34x, KNR Construction: P/E of 17x) and Industry average P/E multiple of 23x despite having superior return ratios. We recommend to "SUBSCRIBE" the issue due to the following factors: a) Governments thrust on road sector with Ministry of Road Transport and Highways target to award projects worth Rs. 15 lakh crores (Rs. 15 trillion) augurs well for the Company, b) focused EPC player with road projects focus, c) established track record of timely execution, d) in-house integrated model, d) strong order book (Order Book/Topline - 2.4x) which provides good revenue visibility for 3 years, e) strong financial performance in last 5 years, e) strong credit rating, f) experienced Promoters with strong management team, g) marquee clients with strong and long-standing relationships with key customers, h) strong and consistent financial performance in the last five years, i) healthy balance sheet with comfortable debt equity ratio of 1.03x, j) enjoys good ROE of 23.95 percent in FY21. However, we are concerned that the Company's IPO is pure Offer for sale from Promoters and Private Equity group of whopping ₹962 crores which will not enhance the Networth of the Company as there is no fresh issue.

Order book

Client	Number of contracts	Total Contract Value (Rs. in crores)	Order Book Value (Rs. in crores)	Percentage of order book
Governmental authorities and other entities funded by Central or state governments				
NHAI	21	22,493.19	16,583.76	87.16%
UPEIDA	2	2,934.47	828.66	4.36%
RVNL	2	1,084.95	557.57	2.93%
Others	3	1,459.84	986.37	5.18%
Total	28	27,972.45	18,956.35	99.63%
Private entities	1	572.81	69.46	0.37%
Grand Total	28	28,545.26	19,025.81	100.00%

Further, the Company made the lowest bid of ₹ 592.18 crore for the proposed project relating to the 'Construction of the elevated viaduct from end of the ramp at IDPL complex to start of ramp at Rajiv Chowk and three nos. of elevated stations viz. Udyog Vihar, Sector 17 and Rajiv Chowk (excluding architectural finishing and pre-engineered steel roof structure of stations) of Delhi – SNB Regional Rapid Transit System Corridor'.

Source: RHP

Competition

The road construction industry in India is very competitive. Company's competition depends on various factors, such as the type of project, total contract value, potential margins, complexity, location of the project and risks relating to revenue generation. While service quality, technical ability, performance record, experience, health and safety records and the availability of skilled personnel are key factors in client decisions among competitors, price often is the deciding factor in most tender awards.

The Company's main competitors are PNC Infratech Ltd., KNR Constructions Ltd, Dilip Buildcon Ltd. and Ashoka Buildcon Ltd.

Peer comparison (based on FY21 Financials - ₹ in crores)

Particulars	CMP as on July 06, 2021 (₹)	FV (₹)	Book value	P/E(x)	P/BV (x)	Market Cap	Topline	Market Cap/Sales	EBITDA (%)	PAT	PAT (%)	ROE (%)
GR Infraprojects	837*	5	412	9	2.03	8,093 (Post issue)	7,844	1.03x	24.19	953	12.06	23.95
Peer group												
KNR Constructions Ltd.	245	2	70	17	3.50	6,883	2,904	2.37x	24	407	14.02	20.79
PNC Infratech Ltd.	306	2	119	15	2.57	7,842	5,788	1.35x	24	497	8.59	16.28
HG Infra Engineering Ltd.	413	10	163	13	2.53	2,692	2,602	1.03x	18	237	9.11	22.27
Dilip Buildcon Ltd.	584	10	249	34	2.35	8,540	10,168	0.84x	21	267	2.63	7.84
Ashoka Buildcon Ltd.	115	5	22	11	5.23	3,235	4,992	0.65x	31	276	5.52	44.60
IRB Infrastructure Developers Ltd.	158	10	196	47	0.81	5,553	5,299	1.04x	44	117	2.21	1.70
Sadbhav Engineering Ltd.	82.3	1	93	-	0.88	1,412	3,487	0.70x	-	-	-	-

* denotes at upper end of the price band

Objects of the issue

The objects of the Offer are to (i) to carry out the **Offer for Sale of up to ₹962 crores by the Selling Shareholders**; and (ii) achieve the benefits of listing the Equity Shares on the Stock Exchanges The Company expects that listing of the Equity Shares will enhance its visibility and brand image and provide liquidity to its shareholders and will also provide a public market for the equity shares in India.

Selling shareholders:

Name of the shareholder	Amount
Lokesh Builders Pvt Ltd – The Promoter Selling Shareholder	Up to 1,142,400 Equity Shares
Jasamrit Premises Pvt Ltd– The Promoter Group Selling Shareholder	Up to 127,000 Equity Shares
Jasamrit Fashions Pvt Ltd - The Promoter Group Selling Shareholder	Up to 80,000 Equity Shares
Jasamrit Creations Pvt Ltd – The Promoter Group Selling Shareholder	Up to 56,000 Equity Shares
Jasamrit Construction Pvt Ltd – The Promoter Group Selling Shareholder	Up to 44,000 Equity Shares
India Business Excellence Fund I- The Investor Selling Shareholder	Up to 6,414,029 Equity Shares
India Business Excellence Fund - The Investor Selling Shareholder	Up to 3,159,149 Equity Shares
Pradeep Kumar Agarwal - The Other Selling Shareholder	Up to 486,126 Equity Shares

Source: RHP

Promoter and Management background

Brief Biographies of Directors

Vinod Kumar Agarwal is the Chairman and Whole Time Director on the Board and one of the Promoters of the company. He has over 25 years of experience in the road construction industry. He looks after the strategy and policy formulation for the company and liaises with various departments of the Government and also overlooks processes in the company which includes bidding, tendering and planning.

Ajendra Kumar Agarwal is the Managing Director on the Board and one of the Promoters of the company. He has experience of over 25 years in the road construction industry. He is responsible for overseeing the overall functioning of the company, especially the operational and technical aspects, of the company. He heads the inhouse design team and is actively involved in continuous value engineering using the latest specifications and methodologies. He is also the head of budgeting, planning and monitoring process.

Vikas Agarwal is the Whole Time Director on the Board. He has been associated with the company since April 1, 2006 and has over 15 years of experience in the road construction industry. He is responsible for overseeing the functioning of running projects of the company, as allocated by the company's management from time to time.

Ramesh Chandra Jain is the Whole Time Director on the Board. He has experience of over 27 years in the roads construction business. He joined the company on January 16, 2015 and is responsible for monitoring of construction of roads, highways and bridges. He is also responsible for the bidding process for new projects. He was previously associated with the company as senior vice president – business development.

Chander Khamesra is a Non-Executive Independent Director on the Board. He has 21 years of experience in the jewellery industry.

Kalpna Gupta is the Non-Executive Independent Director on the Board. She has prior experience of over 34 years in the banking sector.

Rajendra Kumar Jain is the Non-Executive Independent Director on the Board. He has over 17 years of experience as a practicing company secretary. **Desh Raj Dogra** is an Additional Director (Non-Executive Independent Director) on the Board. He has over 37 years of experience in the financial sector, mainly in the areas of banking and credit rating

Key Managerial Personnel

Anand Rathi is the chief financial officer of the company. He has several years of experience in the field of accounts and finance. He is responsible for, inter alia, evaluating optimum financing options, building financial models, financial research and analysis, evolving the strategy of the company.

Sudhir Mutha is the company secretary and compliance officer of the company. He has over 10 years of experience as a company secretary.



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