

G R Infraprojects Limited

G R Infraprojects Ltd (GRIL) is an integrated Road EPC company that has executed projects across 15 States in India and has recently diversified into projects in the railway sector. GRIL has grown over years in terms of scale of its projects and has track record of timely project completions. GRIL has one operational road BOT project and has 14 road projects under HAM models (5 Operational/4 under construction/5 yet to commence). Its order book as on Mar'21 was ₹19,026 crores comprising of 16 EPC projects, 10 HAM projects and three other projects.

Positives: (a) Focused EPC player with road projects focus (b) Established track record of timely execution (c) In-house integrated model (d) Strong financial performance and credit rating

Investment concerns: (a) Majority of company's revenue is derived from civil construction and majority of revenues from contracts is from limited number of government entities (b) If any BOT project awarded to the company is terminated prematurely, GRIL may not receive payments (c) The business is capital intensive and may experience insufficient cash flows to meet required payments on debt and working capital requirements (d) Since it operates in a highly competitive environment and EPC is a significant portion of the business, timely order inflows are critical for future growth.

Outlook & Valuation: GRIL has a strong track record of timely execution, has presence across regions and has built up its size over years which should enable it to capitalize on the opportunity arising from government spends on road/highways. Its standalone level, its net debt to equity is 0.3x and GRIL generates strong cashflows (refer standalone numbers in RHP) which should help in meeting future equity commitments in HAM projects. Current standalone order book translates to book to bill of 2.7x which is in-line with peers while it leads in terms of ROCE and Revenue/EBITDA CAGR over the past five years. The valuations commanded by GRIL are attractive and hence, we recommend "SUBSCRIBE" on the Issue.

Key Financials (Consolidated)

Y/E March (₹ cr)	FY2019	FY2020	FY2021
Net Sales	5,283	6,373	7,844
% chg	-	20.6	23.1
EBITDA (%)	24.3	24.9	23.6
Net Profit	717	801	953
% chg	-	11.7	19.0
EPS (₹)	74.1	82.8	98.6
P/E (x)	11.3	10.1	8.5
P/BV (x)	3.6	2.7	2.0
ROE (%)	64.3	30.5	27.2
ROCE (%)	38.3	19.0	16.5
EV/EBITDA	7.4	6.5	6.3
EV/Sales	1.8	1.6	1.5

Source: Company, Angel Research;

Note: Valuation ratios at upper price band.

SUBSCRIBE

Issue Open: July 07, 2021

Issue Close: July 09, 2021

Present Eq. Paid up Capital: Rs 48.3 cr

Offer for Sale: Rs. 962cr

Fresh issue: NA

Post Eq. Paid up Capital: Rs 48.3cr

Issue size (amount): Rs 962 cr

Price Band: Rs 828-837

Lot Size: 17 shares and in multiple thereafter

Post-issue mkt. cap: *Rs 8006 cr - **Rs 8093 cr

Promoters holding Pre-Issue: 88.0%

Promoters holding Post-Issue: 86.5%

*Calculated on lower price band

** Calculated on upper price band

Book Building

QIBs	50% of issue
Non-Institutional	15% of issue
Retail	35% of issue

Post Issue Shareholding Pattern

Promoters	86.5%
Others	13.5%

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Company background

GRIL 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. Its principal business operations are broadly divided into three categories: (i) civil construction activities, under which they provide EPC services; (ii) development of roads, highways on a Build Operate Transfer (BOT) basis, including under annuity and Hybrid Annuity Model (HAM); and (iii) manufacturing activities, under which they process bitumen, manufacture thermoplastic road-marking paint, electric poles and road signage and fabricate and galvanize metal crash barriers.

GRIL's principal business of civil construction comprises EPC and BOT projects in the road sector. They also have experience in constructing state and national highways, bridges, culverts, flyovers, airport runways, tunnels and rail over-bridges. They have over the years developed an established road EPC business and have gradually added facilities to support and supplement their road construction business. As part of in-house integrated model, GRIL has developed inhouse resources with key competencies to deliver a project from conceptualization to completion.

Its in-house integration includes a bituminous emulsion manufacturing facility, a metal crash barrier fabrication and galvanization unit, a thermoplastic road-marking paint and a road signage manufacturing facility, owned construction equipment and a fleet of transportation vehicles and a design and engineering team. As of March 31, 2021, its equipment base comprised over 7,000 construction equipment and vehicles.

Issue details

The entire IPO is made up of offer for sale of ~1.15cr shares by selling shareholders. The issue size is ₹ 962cr and the price band is ₹828-₹837 per share.

Pre and post IPO shareholding pattern

No of shares	(Pre-issue)	%	(Post-issue)	%
Promoter	85,123,832	88.0	83,674,432	86.5
Public	11,565,178	12.0	13,014,578	13.5
Total	96,689,010	100.0	96,689,010	100.0

Source: Company, Angel Research & RHP.

Objectives of the Offer

- The objects of the Offer are to achieve the benefits of listing the Equity Shares on the Stock Exchanges.

Key Management Personnel

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.

Consolidated Profit & Loss Statement

Y/E March (₹ cr)	FY2019	FY2020	FY2021
Total operating income	5,283	6,373	7,844
% chg	-	20.6	23.1
Total Expenditure	3,999	4,787	5,994
Cost of materials consumed	113	106	111
Civil construction costs	3,461	4,151	5,313
Changes in inventories	0	-2	-4
Employee benefits expense	350	449	458
Other expenses	74	82	117
EBITDA	1,283	1,586	1,850
% chg	-	23.6	16.6
(% of Net Sales)	24.3	24.9	23.6
Depreciation & Amortization	149	189	226
EBIT	1,134	1,398	1,624
% chg	-	23.2	16.2
(% of Net Sales)	21.5	21.9	20.7
Finance costs	170	294	362
Other income	43	51	63
(% of Sales)	0.8	0.8	0.8
Recurring PBT	965	1,103	1,262
% chg	-	14.3	14.4
Exceptional item	-	-	-
Tax	291	353	371
PAT (reported)	717	801	953
% chg	-	11.7	19.0
(% of Net Sales)	13.6	12.6	12.2
Basic & Fully Diluted EPS (Rs)	74.1	82.8	98.6

Source: Company, Angel Research

Consolidated Balance Sheet Statement

Y/E March (₹ cr)	FY2019	FY2020	FY2021
SOURCES OF FUNDS			
Equity Share Capital	48	48	48
Other equity	2,181	2,979	3,932
Shareholders' Funds	2,230	3,027	3,980
Total Loans	2,141	3,210	4,525
Other liabilities	-59	100	200
Total Liabilities	4,311	6,337	8,705
APPLICATION OF FUNDS			
Property, Plant and Equipment	898	996	1313
Right-of-use assets	29	28	27
Capital work-in-progress	43	28	55
Intangible assets	2	5	4
Investment Property	0	0	0
Non-Current Investments	2	1	2
Current Assets	3,652	4,079	4,251
Inventories	614	769	1058
Investments	8	1	101
Trade receivables	548	306	508
Cash and Cash equivalents	716	948	831
Loans & Other Financial Asssets	284	240	530
Other current assets	1483	1816	1223
Current Liability	1,450	1,447	1,347
Net Current Assets	2,202	2,633	2,904
Other Non-Current Asset	1,134	2,646	4,399
Total Assets	4,311	6,337	8,705

Source: Company, Angel Research

Consolidated Cash flow

Y/E March (₹cr)	FY2019	FY2020	FY2021
Operating profit	1,008	1,154	1,325
Net changes in working capital	-1,309	-1,643	-2,022
Cash generated from operations	-15	-43	-149
Direct taxes paid (net of refunds)	-228	-223	-285
Net cash flow from operating activities	-244	-267	-434
Purchase of Assets	-470	-295	-516
Interest received	19	35	39
Others	-332	116	-253
Cash Flow from Investing	-784	-144	-730
Repayment (long term borrowings)	858	1,303	1,117
Repayment (short term borrowings)	9	-99	257
Proceeds from issue/repayment debentures	296	-13	-55
Interest paid	-148	-294	-357
Interest on Lease liabilities	-10	-13	-13
Others	0	0	-1
Cash Flow from Financing	1,004	884	949
Inc./(Dec.) in Cash	-24	473	-215
Opening Cash balances	102	79	552
Closing Cash balances	79	552	337

Source: Company, Angel Research

Key Ratios (Consolidated)

Y/E March	FY2019	FY2020	FY2021
Valuation Ratio (x)			
P/E (on FDEPS)	11.3	10.1	8.5
P/CEPS	9.3	8.2	6.9
P/BV	3.6	2.7	2.0
EV/Sales	1.8	1.6	1.5
EV/EBITDA	7.4	6.5	6.3
Per Share Data (Rs)			
EPS (Basic)	74.1	82.8	98.6
EPS (fully diluted)	74.1	82.8	98.6
Cash EPS	90	102	122
Book Value	231	313	412
Returns (%)			
ROE	64.3	30.5	27.2
ROCE	38.3	19.0	16.5
Turnover ratios (x)			
Receivables (days)	38	18	24
Inventory (days)	56	59	64
Payables (days)	47	42	45
Working capital cycle (days)	47	34	43

Source: Company, Angel Research

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