

IPO Note: G R Infraprojects Ltd.

Industry: Infrastructure

Reco: Subscribe

Date: July 05, 2021

Issue Snapshot		Issue Break up		
Company Name	G R Infraprojects Ltd.	QIB ex Anchor	20%	2,256,741
Issue Opens	July 07, 2021 to July 09, 2021	Anchor Investor	30%	3,385,111
Price Band	Rs. 828 to Rs. 837	HNI	15%	1,692,556
Bid Lot	17 Equity Shares and in multiples thereof.	RII	35%	3,949,296
The Offer	Public issue of 11,508,704 Equity shares of Face value Rs. 5 each, (Comprising of Offer for Sale by Selling Shareholder).	Total Public	100%	11,283,704
Issue Size	Rs. 952 – 962 Crore	Employee Reservation		225,000
IPO Process	100% Book Building	Total		11,508,704
Face Value	Rs. 5.00			
Exchanges	NSE & BSE	Equity Share Pre Issue (Nos. Cr.)		9.7
BRLM	HDFC Bank Limited, ICICI Securities Limited, Kotak Mahindra Capital Company Limited, Motilal Oswal Investment Advisors Limited, SBI Capital Markets Limited and Equirus Capital Private Limited	OFS Share (Nos. Cr.)		1.2
Registrar	Kfin Technologies Private Limited	Equity Share Post Issue (Nos. Cr.)		9.7
		Market Cap (Rs. Cr.)		8,092.9
		Dilution		11.9%

Objects of the Offer

Offer for Sale

The Company will not receive any proceeds of the Offer for Sale by the Selling Shareholder. (up to 1,142,400 equity shares by Lokesh Builders Private Limited; up to 127,000 equity shares by Jasamrit Premises Private Limited, up to 80,000 equity shares by Jasamrit Fashions Private Limited, up to 56,000 equity shares by Jasamrit Creations Private Limited, up to 44,000 equity shares by Jasamrit Construction Private Limited; up to 6,414,029 equity shares by India Business Excellence Fund I; up to 3,159,149 equity shares by India Business Excellence Fund; and up to 486,126 equity shares by Pradeep Kumar Agarwal)

Company Highlights

- G R Infraprojects Limited (G R 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 recently diversified into projects in the railway sector. Their principal business operations are broadly divided into three categories: 1) Civil construction activities, under which they provide EPC services; 2) Development of roads, highways on a Build Operate Transfer (BOT) basis, including under annuity and Hybrid Annuity Model (HAM); and 3) Manufacturing activities, under which they process bitumen, manufacture thermoplastic road-marking paint, electric poles and road signage and fabricate and galvanize metal crash barriers.
- Company's principal business of civil construction comprises EPC and BOT projects in the road sector. They have, since 2006, executed over 100 road construction projects. Currently, out of BOT projects, the company have 1 operational road project which has been constructed and developed by them on a BOT (annuity) basis and 14 road projects which have been awarded to them under the HAM, out of which 5 projects are currently operational, 4 projects are under construction and 5 of these projects where construction is yet to commence. The company also have experience in constructing state and national highways, bridges, culverts, flyovers, airport runways, tunnels and rail over-bridges.
- As part of their in-house integrated model, they have developed in-house resources with key competencies to deliver a project from conceptualization to completion that includes their design and engineering team, 3 manufacturing units at Udaipur, Rajasthan, Guwahati, Assam and Sandila, Uttar Pradesh for processing bitumen, thermoplastic road-marking paint and road signage and a fabrication and galvanization unit at Ahmedabad, Gujarat for manufacturing metal crash barriers and electric poles. In addition, as of March 31, 2021, their equipment base comprised over 7,000 construction equipment and vehicles. Their in-house integrated model reduces dependence on third party suppliers for key raw materials, construction equipment and other products and services required in the development and construction of their projects. They have also set up a central procurement team that procures major materials and engineering items required for their projects. Their integrated business model facilitates execution of projects within scheduled timelines.

- G R Infra executes road projects as EPC contractors, construction services providers as well as through PPP model on a BOT basis, with a focus on HAM projects. Their in-house integrated model and efficient project execution capabilities have enabled them to execute projects in a timely manner, and in certain cases before the stipulated timelines, while maintaining requisite quality standards.
- In March 2010, G R Infra commissioned a wind energy based power plant at Jaisalmer, Rajasthan with an installed capacity of 1.25 MW under the 'Policy for Promoting Generation of Electricity through Non-Conventional Energy Sources – 2004'. They had also commenced constructing a group housing project comprising row houses and other residential units at Udaipur, Rajasthan.

View

- GR Infraprojects is an integrated road 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 company undertakes construction business in an integrated manner as the company has developed key competencies and resources in-house to deliver a project from conceptualization until completion. The in-house integrated model includes a design and engineering team, manufacturing facilities for processing of bitumen, thermoplastic road-marking paint and road signage, fabrication and galvanization unit for manufacture of metal crash barriers, owned construction equipment and a fleet of transportation vehicles.
- As part of the in-house integration model, the company has manufacturing facilities for processing of bitumen, thermoplastic road-marking paint and road signage and a fabrication and galvanization unit for metal crash barriers.
- 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, 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, company had an Order Book of Rs. 19025.8 crore and comprised 16 EPC projects, 10 HAM projects and three other projects which gives strong revenue visibility going forward. Further, the company had made the lowest bid of Rs. 592.18 crore for the proposed project. In 2018, the company has been awarded two projects for the railways sector.
- Over the next few years, the company will continue to focus on construction of the existing projects while seeking opportunities to expand the portfolio of road projects. While the company intend to maintain their focus on EPC contracts, the company plan to also continue pursuing BOT projects (including toll projects), either independently or in partnership with other players.
- As part of their growth strategy, the company intend to diversify into, and will continue to bid for, projects related to the railways sector, including earthwork, construction of bridges and supply of materials and track linking, and laying of optical fibre cables.
- The government's increased focus on infrastructure development too provides tailwinds on the macroeconomic front. NHAI's plan to award Rs. 2.25 lakh crore of projects in FY22 (up from Rs. 1.7 lakh crore a year ago) and the Ministry of Road Transport & Highways' target to award projects worth Rs. 15 lakh crore projects in the next two years, should help create a robust order pipeline for companies in this space.
- GR Infra's financial performance has been quite impressive on all counts. Revenue and EBITDA recorded a CAGR growth of 21.9% and 20.1%, respectively through FY18- FY21, its net profit recorded 15.3% CAGR over the same period. Especially, its EBITDA margin has remains constant at around 24% during FY19-FY21. Company always strives to complete the project within time or before the schedule time and all these help in maintaining higher margins in the industry and company believes this EBITDA margin will sustain in future.
- In terms of the valuations, on the higher price band, GR Infra demands a P/E multiple of 8.5x based on FY21 post issue fully diluted EPS and EV/EBITDA of 6.5x post issue fully diluted FY21 EBITDA. Almost all listed peers are trading in the range of 11x – 45x and industry average is at 22x. Despite of reporting better return ratios compared to peers, GR Infra is valued at a significant discount to peers. Thus, issue looks attractive in terms of valuation.
- Given the healthy growth prospects and considering the strong emerging opportunity for road infrastructure, strong order book with order book to sales ratio of 2.4x, timely execution of order, expand to new geographies and segments, strong financials and healthy balance sheet augur well for the company's performance going forward. Hence, it is recommended to "SUBSCRIBE" the issue.

Revenue from Operations - Business Segment-wise

Particulars	FY19		FY20		FY21	
	Revenue (Rs. in Cr)	% to Total	Revenue (Rs. in Cr)	% to Total	Revenue (Rs. in Cr)	% to Total
Engineering, procurement & construction	2,216.30	41.95%	3,036.47	47.65%	5,298.56	67.55%
BOT Projects	2,908.90	55.07%	3,183.99	49.96%	2,353.36	30.00%
Others	157.39	2.98%	152.24	2.39%	192.21	2.45%
Total	5,282.59	100.00%	6,372.70	100.00%	7,844.13	100.00%

Order Book

Client	Number of Contracts	Total Contract Value (Rs. Cr)	Order Book Value (Rs. Cr)	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%

State-wise Order Book

Client	Number of Contracts	Total Contract Value (Rs. Cr)	Order Book Value (Rs. Cr)	Percentage of Order Book (%)
Uttar Pradesh	6	6,927.14	4,284.77	22.52%
Madhya Pradesh	6	5,340.93	3,340.24	17.56%
Maharashtra	3	3,820.00	2,614.97	13.74%
Gujarat	2	2,758.00	2,531.39	13.31%
Bihar	3	2,395.07	2,339.34	12.30%
Chattisgarh	1	1,307.00	1,307.00	6.87%
Rajasthan	1	1,071.27	1,071.27	5.63%
Andhra Pradesh	2	2,270.23	751.68	3.95%
Manipur	2	854.77	437.03	2.30%
Odisha	1	479.27	190.11	1.00%
Himachal Pradesh	1	748.77	88.55	0.47%
West Bengal	1	572.81	69.46	0.37%
Grand Total	29	28,545.26	19,025.81	100.00%

The top 5 projects (in terms of Order Book value) that form a part of the Order Book

Name of Project	Total Contract Value (Rs. Cr)	Order Book Value (Rs. Cr)	Percentage of Order Book (%)
Construction of 8 lane access controlled Expressway from Km 26.582 to Km 50.700 of Main Expressway and Km 0.0 to Km 3.00 of SPUR Shirsad to Masvan Section of Vadodara Mumbai Expressway in the State of Maharashtra on HAM under Bharatmala Pariyojana Ph II Pkg XIII	2,330.00	2,330.00	12.25%
4-laning of Aligarh-Kanpur section from Km. 289.000 (Design Chainage 302.108) to Km. 356.000 (Design Chainage 373.085) (Package-IV from Naviganj - Mitrasen) of NH-91 in the state of Uttar Pradesh on Hybrid Annuity mode under Bharatmala Pariyojana.	1,863.00	1,857.42	9.76%
Construction of Eight lane access controlled Expressway from Km 217.500 to Km 254.430 of Vadodara Mumbai Expressway Ena to Kim Section in the state of Gujarat On HAM under Bharatmala Pariyojana 1 (Pkg VI)	1,837.00	1,837.00	9.66%
4-laning of Bilaspur-Urga section of NH- 130A from design Ch 0.00 to Ch. 70.200 From NH-49 near Dheka Village to Bhaisma Village under Bharatmala Pariyojna Lot 3 Chhattisgarh Pkg-I Raipur-Dhanbad Economic Corridor in the State of Chhattisgarh on HAM	1,307.00	1,307.00	6.87%
Construction of Eight Lane Carriageway Starting near Major Bridge on Mej river to junction with 5H-37A(ch.331.030-359.170) Section of Delhi - Vadodara Access Controlled Green Field Alignment (NH-148N) EPC mode under Bharatmala Pariyojana in the state of Rajasthan (Delhi _vadodara Pkg 12)	1,071.27	1,071.27	5.88%
Total	8,408.27	8,402.69	44.16%

Some of their projects that completed earlier than what was stipulated

Project	Scheduled construction period (in days)	Completed earlier than scheduled (in days)	Gross Bonus received (Rs. Cr)
Nagaur Mukundgarh Project	730	394	119.65
Porbandar Dwarka Project	1,095	299	53.58
Shillong Bypass Project	1,095	318	43.21
Hisar Dabwali Package 2	913	106	19.44
Hisar Dabwali Package 1	913	115	16.47
Faridkote – Kotakpura Project	730	90	15.43
Jowai – Ratacherra Project	910	46	6.88
Phagwara Rupnagar Project	910	38	5.38

Manufacturing Units

Manufacturing Facility and Location	Product (s) manufactured / fabricated	Installed Capacity	Key Equipment Used	Key Raw Materials Used
Emulsion facility and fabrication unit Udaipur, Rajasthan	<ul style="list-style-type: none"> Emulsion of different grades of PMB and VG-40 thermo-plastic road marking paint Road signage (cautionary, mandatory, directional, informative, delineators) Overhead structures (gantry, cantilevers) and toll boards Toll canopy, bus shelters 	30,000 MT	Manufacturing: Milling machine, boilers, storage tanks Fabrication: Retro plotter, rolling machine, shearing and welding equipment	<i>Manufacturing: Bitumen, Emulsifiers, solvent, SBS, and elvaloy.</i> <i>Fabrication: ISA, ISMC, square pipes, MS Plates, ACP sheet, retro reflective sheeting, overlay</i>
Emulsion facility – Guwahati, Assam	Bitumen emulsion and modified bitumen	30,000 MT	Inline automatic emulsion plant, boiler, 150 Kva 3 star transformer	Bitumen, HCL acid, calcium chloride, emulsifiers, kerosene oil
Metal crash barrier fabrication and galvanization facility Ahmedabad, Gujarat	<ul style="list-style-type: none"> W – shape channel (2318 MM to 5318 MM) C shape channel (330 MM to 2100 MM) 	24,000 MT	Fully automated metal slitting machine, fully automated roll forming machines and galvanization plant	Steel hot rolled coil (3MM to 5MM), zinc
Emulsion facility Sandila, Uttar Pradesh	Emulsion of different grades - RS1, MS, SS1 & SS2	24,960 MT	Manufacturing: Bitumen Emulsion manufacturing Plant ENH, Milling machine, boilers, storage tanks	<i>Manufacturing: Bitumen, Emulsifiers, solvent, Hydrochloric Acid, and Calcium Chloride</i>

Financial Statement

(In Rs. Cr)	FY19	FY20	FY21
Share Capital	48.5	48.5	48.3
Net Worth	2229.7	3027.2	3980.0
Long Term Borrowings	1605.7	2737.2	3582.5
Other Long Term Liabilities	31.1	122.1	222.1
Short-term borrowings	254.0	31.2	288.1
Other Current Liabilities	1708.3	1865.8	2043.3
Fixed Assets	973.0	1057.1	1400.0
Non Current Assets	1208.3	2652.2	4399.9
Current Assets	3647.4	4074.1	4316.2
Total Assets	5828.7	7783.4	10116.0
Revenue from Operations	5282.6	6372.7	7844.1
Revenue Growth (%)		20.6	23.1
EBITDA	1283.4	1586.1	1849.7
EBITDA Margin (%)	24.3	24.9	23.6
Net Profit	716.6	800.8	953.2
Net Profit Margin (%)	13.6	12.6	12.2
Earnings Per Share (Rs.)	73.9	82.6	98.3
Return on Networth (%)	32.1	26.5	24.0
Net Asset Value per Share (Rs.)	230.0	312.2	411.6

Source: RHP, Ashika Research

Cash Flow Statement

(In Rs. Cr)	FY19	FY20	FY21
Cash flow from Operations Activities	(243.7)	(266.6)	(434.0)
Cash flow from Investing Activities	(783.8)	(143.7)	(729.7)
Cash flow from Financing Activities	1003.9	883.7	948.6
Net increase/(decrease) in cash and cash equivalents	(23.6)	473.5	(215.1)
Cash and cash equivalents at the beginning of the year	102.3	78.7	552.1
Cash and cash equivalents at the end of the year	78.7	552.1	337.1

Source: RHP

Comparison with listed industry peers

Co Name	Net Sales (Rs. Cr.)	OPM (%)	D/E (x)	ROCE (%)	RONW (%)	P/E (x)	P/BV (x)	EV/EBITDA (x)	MCap/Sales (x)	Market Cap (Rs. Cr.)
G R Infraprojects Ltd.	7844.1	23.6	1.0	28.2	24.0	8.5	2.0	6.5	1.0	8092.9
Dilip Buildcon Ltd.	9724.9	21.6	2.8	15.2	13.5	31.4	2.1	7.7	0.8	8365.7
PNC Infratech Ltd.	5602.6	26.8	1.4	21.2	23.7	15.1	2.5	6.6	1.3	7490.9
KNR Constructions Ltd.	2451.7	28.1	0.6	18.8	17.1	16.6	3.4	10.1	2.3	6758.1
IRB Infrastructure Developers Ltd.	6852.2	46.3	1.4	14.3	11.3	46.7	0.8	4.6	1.0	5470.3
Ashoka Buildcon Ltd.	5070.5	32.7	15.1	20.9	42.4	11.1	4.9	5.1	0.6	3065.5
H.G. Infra Engineering Ltd.	2217.1	16.7	0.6	24.6	22.8	11.1	2.5	6.2	1.0	2627.7
Sadbhav Engineering Ltd.	3487.1	43.5	4.2	25.8	91.0	0.0	1.1	8.5	0.7	1527.0

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