



G R Infraprojects is a focused EPC player with an established record of timely execution that helps them to save overhead expenses and leads to a better capex utilization . This is reflected on the company's performance that has grown its revenues at a 5 year CAGR of 47% backed with an above average margin of 19-21% that the company has managed to retain. Further, the company has in house capabilities that helps it control the supply chain process and manage its raw material inventory optimally. The management also has been taking HAM projects with EPC that would help the company to retain its margins. **Company is also focused on increasing the share from Railway projects to 10-15% from the current 3%. Considering G R Infraprojects growth and margins, its FY21 P/E of 8.51x looks attractive as compared to listed peers. Hence, we recommend a SUBSCRIBE for long term and listing gains for the issue.**



About Company

GR Infraprojects Ltd was incorporated on Dec 22, 1995. It 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. The company is into three categories Civil construction activities, Development of roads, highway and Manufacturing activities.

Promoters

Vinod Kumar Agarwal
Ajendra Kumar Agarwal
Purshottam Agarwal

Objective of the Offer

1. Sale of share of 11,508,704 by promoters

Issue details

Price Band (in ₹ per share)	828-837
Issue size (in ₹ Crore)	951.98-962.33
Fresh Issue (in ₹ Crore)	NIL
Issue open date	07-07-2021
Issue close date	09-07-2021
Tentative date of Allotment	13-07-2021
Tentative date of Listing	19-07-2021
Total number of shares (lakhs)	115.09
No. of shares for QIBs (50%) (lakhs)	56.42
No. of shares for NII (15%) (lakhs)	16.93
No. of shares for retail investors (35%) (lakhs)	39.49
No. of Shares of Employees	2.25
Employee Discount	INR 42
Minimum order quantity	17
Face value (in ₹)	5.00
Amount for retail investors (1 lot)	14,076-14,229
Maximum number of shares for Retail investors at lower Band	238(14 Lots)
Maximum number of shares for Retail investors at upper band	238(14 Lots)
Maximum amount for retail investors at lower Band- upper band (in ₹)	1,97,064-1,99,206
Exchanges to be listed on	BSE, NSE

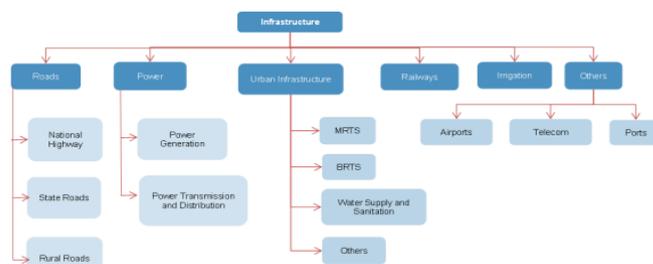


Brief Financials

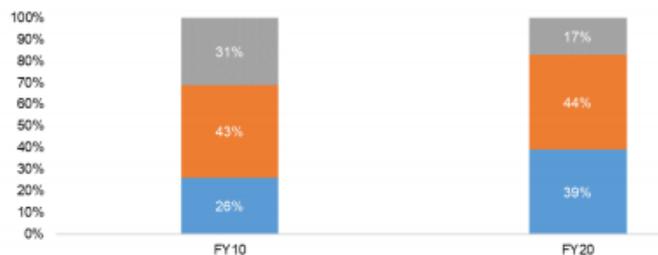
Particulars (Rs. Cr)	FY21	FY20	FY19
Share Capital	48.65	48.88	48.88
Net Worth	3980.03	3027.15	2229.68
Revenue from Operation	7844.13	6372.70	5252.58
PBT	1324.65	1154.08	1007.69
PAT	953.22	800.83	73.91
Basic EPS(Rs)	98.31	82.59	73.91
NAV	411.63	312.20	229.95
P/E #	8.51	NA	NA
P/B #	2.03	NA	NA

Source: RHP # Calculated at the upper price band

Industry Review



Source: CRISIL Research



Investments in past five years driven by government implementation

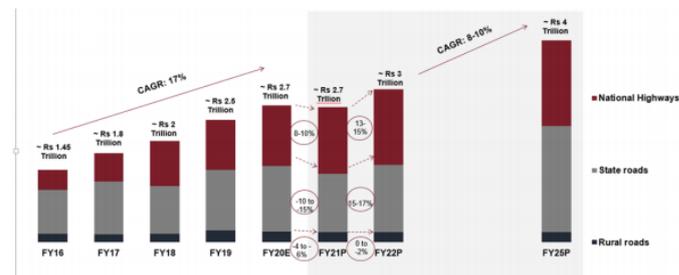
Of the total construction spend in the infrastructure sector, roads had a share of 48.3% in fiscal 2015-19. Investments were largely driven by the government’s implementation of the National Highways Development Project (NHDP) and continued emphasis on improving the rural and state road network by various state governments has supported growth.

Investments by private sector to grow 2x times over the next 5 years

CRISIL Research expects private construction investments in national highways to increase 2x to Rs 1.5 trillion over fiscal 2021-25 compared with the previous five years. This is expected to be mainly through the hybrid annuity model (HAM) model, as the build-operate-transfer (BOT) toll model may have only a few takers. A policy push in the form of changes in model concession agreements (MCAs) for HAM and BOT projects and a reduction in bid eligibility criteria across all national highway projects would bode well for private participation. However, the share of HAM in total projects awarded is constrained by the cautious approach of banks on lending to HAM projects. Amidst the COVID-19 pandemic, NHAI and the ministry have taken various steps under the Atmanirbhar programme to ease issues faced by developers. Measures such as releasing monthly payments instead of milestone-based payments and extension of timelines for completion of projects have sustained private participation in the sector

Industry Review

National Highway capex to sustain the sector this fiscal, supported by construction of high value expressways



E: Estimated, P: Projected
 Note: Capex excludes land acquisition costs
 Source: NHAI, MoRTH, State budget documents, PMGSY, CRISIL Research

Asset monetization, equity infusion key to support private investments in the long run

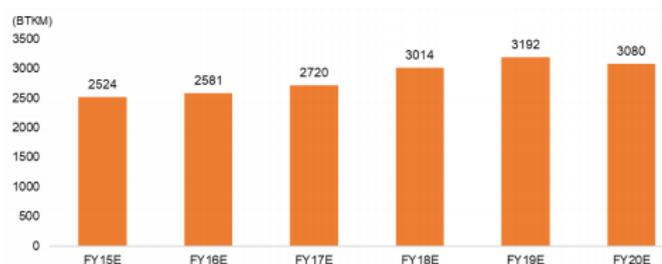
There is policy push in the form of changes in HAM and BOT MCA and relaxation in bidder eligibility criteria to improve private participation in national highway projects. Moreover, the company has seen an improvement in bank lending. How this plays out in the short term would remain to be a key monitorable. Currently, there are two broad drivers of asset sales in the roads sector - rationalisation of financial position to improve balance sheet strength and asset churning to be able to participate in upcoming projects. The erstwhile major BOT players are selling off assets to reduce their debt burden and free up equity, which can be infused in under-execution projects. The players present in HAM are currently selling off HAM assets to participate further in upcoming HAM projects. Some players intend to dispose of under-construction projects to financial investors with projects being executed by the same player. Thus, they are able to convert HAM projects to EPC without facing the cut-throat competition they deal with currently in the EPC model. This will help them retain margins. About Rs 0.6-0.7 Trillion has already been invested through these modes. CRISIL's analysis of BOT and HAM projects indicates a potential of ~Rs 2 Trillion in terms of enterprise value.

Future growth in road construction on account of increased government focus

CRISIL Research expects investments in roads to record a 0-2% decline in fiscal 2021 owing to the Covid-19 pandemic due to the lockdown impacting construction activities and migration of labour. A 10-15% recovery is likely in FY22 led by increased execution of projects as NHAI shifts its focus to execution and implementation of high-value projects such as expressways.

Road projects augur well for construction players, as nearly all funds (save those used for land acquisition) are channelised into construction. Spending on road construction, which is estimated to have risen 11% on-year in fiscal 2020, is forecast to increase 1.6 times over fiscal 2021-25 compared with fiscal 2016-20, due to the government's focus on roads, and state and national highways driven by public funds. Around 35% of the projects awarded by the National Highways Authority of India (NHAI) in fiscal 2019 and 2020 are through HAM. Under HAM, 40% of the total construction cost is paid by the government during the construction period. Private players are struggling to infuse funds in BOT toll projects because of their highly leveraged balance sheets and the overhang of languishing projects awarded between fiscal 2011 and 2013. However, HAM was instrumental in attracting substantial private funds. Introduced by the end of FY16, HAM constituted nearly 20% of the total length awarded by NHAI in fiscal 2020. It is expected to account for 35-45% of total NHAI projects awarded in fiscal 2021. As execution of these projects picks up, private investments are expected to go up.

Overall freight demand

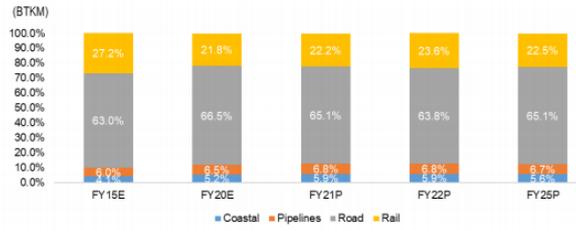


Source: CRISIL Research



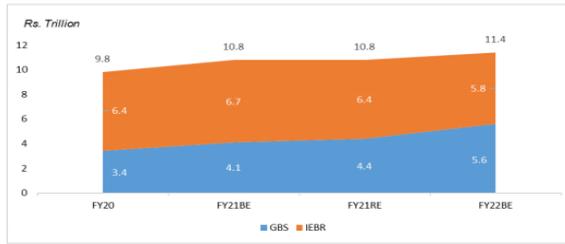
Industry Review

Share of roads in total freight movement



E: Estimates P: Projected
Source: CRISIL Research

Overall capex allocation



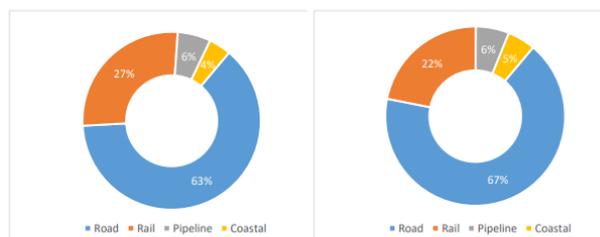
Note: GBS: Gross budgetary support; IEBR – Internal and extra budgetary resources
Source: Budget documents, CRISIL Research

Break-down of road length across different regions (in KMs)

KM	FY15	FY16	FY17	FY18	FY19	FY20 (E)
National highways	97,991	101,011	114,158	126,350	132,500	136,440
State highways	167,109	176,166	175,036	186,908	186,528	194,900
Other roads	5,207,044	5,326,116	5,608,477	5,902,539	6,067,269	6,165,660
Total	54,72,144	56,03,293	58,97,671	62,15,797	63,86,297	64,97,000

E: Estimated
Source: MoRTH, CRISIL Research

Proportion of freight traffic across modes of transport



in BTKM
Source: CRISIL Research

Share of roads in non-bulk traffic



E: Estimated



Competitive Strengths

Focused EPC player : The company has over 25 years of experience in executing EPC projects which have been in the road sector comprising construction and development of state and national highways, bridges, culverts, flyovers, airport runways, tunnels and rail over-bridges. Since 2006, it has executed more than 100 road construction projects. The company has historically had a focus on the road projects whilst executing EPC projects and accordingly have established its credentials as an EPC player capable of executing a range of these construction projects that involve varying degrees of complexity.

Established track record of timely execution: Company's in-house materials supply chain management ensures that key construction materials are timely delivered to manufacturing facilities and construction sites, thereby enabling it to manage processes effectively and maintain the company's key raw material inventory in an optimal manner. The company's project management team, working in conjunction with the design and engineering team, ensures operational efficiencies through overall supervision of the manufacturing and project execution process

Some of projects that completed earlier than what was stipulated are set out below:

Project	Scheduled construction period (in days)	Completed earlier than scheduled (in days)	Gross Bonus received (₹ million)
Nagaur Mukundgarh Project	730	394	1,196.50
Porbandar Dwarka Project	1,095	299	535.81
Shillong Bypass Project	1,095	318	432.10
Hisar Dabwali Package 2	913	106	194.40
Hisar Dabwali Package 1	913	115	164.70
Faridkote – Kotakpura Project	730	90	154.28
Jowai – Ratacherra Project	910	46	68.76
Phagwara Rupnagar Project	910	38	53.80

In house integrated model:

The company undertakes its construction business in an integrated manner as it has developed key competencies and resources in-house to deliver a project from conceptualization until completion. Its in-house integrated model includes a design and engineering team, manufacturing facilities for processing of bitumen, thermoplastic roadmarking paint and road signage, fabrication and galvanization unit for manufacture of metal crash barriers, owned construction equipment and a fleet of transportation vehicles. The company's manufacturing facilities for processing of bitumen located in Udaipur, Rajasthan, Sandila, Uttar Pradesh and Guwahati, Assam and fabrication and galvanization unit for manufacturing metal crash barriers and electric poles located at Ahmedabad, Gujarat and thermoplastic road-marking paint and road signage manufacturing unit, also located in Udaipur, Rajasthan cater to the key components that the company requires in the construction and development of projects. Its manufacturing facilities help reduce company's dependence on third party suppliers for key materials i.e., bitumen emulsion, as well as other products required for completion of roads such as signages, overhead structures and toll canopies.



Risk Factors

Covid 19 Pandemic on business and operation is highly uncertain and cannot be predicted- The impact of the COVID-19 pandemic on business continues to depend on a range of factors which the company is not able to accurately predict, including the duration, severity and scope of the pandemic, the impact of the pandemic on economic activity in India and globally, and the nature and severity of measures adopted by government.

Outstanding legal proceedings: The company is currently, and may in the future be, implicated in lawsuits including lawsuits and arbitrations involving compensation for loss due to various reasons including tax matters, civil disputes, labour and service matters, statutory notices, regulatory petitions and other matters. Litigation or arbitration could result in substantial costs to, and a diversion of effort by, the company and/or subject it to significant liabilities to third parties. There are various outstanding legal proceedings against the Company pending at various levels of adjudication before various courts, tribunals, authorities and appellate bodies in India. In addition, it is subject to risks of litigation including public interest litigation, contract, employment related, personal injury and property damage.

Nature of cases	Number of cases	Total amount involved (to the extent quantifiable)
Litigation involving our Company		
Proceedings against our Company	95	1,566.32
Material civil	7	97.01
Criminal	7	-
Tax	70	774.70
Action by statutory or regulatory authorities	11	694.61
Proceedings by our Company	14	2,081.16
Material civil	7	2,075.47
Criminal	7	5.69
Litigation involving our Subsidiaries		
Proceedings against our Subsidiaries	8	754.41
Material civil	Nil	-
Criminal	Nil	-
Tax	8	754.41
Action by statutory or regulatory authorities	Nil	-
Proceedings by our Subsidiaries	2	1,904.50
Material civil	2	1,904.50
Criminal	Nil	-
Litigation involving our Promoters		
Proceedings against our Promoters	3	-
Material civil	Nil	-
Criminal	3	-
Tax	Nil	-
Action by statutory or regulatory authorities	Nil	-
Disciplinary action in the last five Fiscals	Nil	-
Proceedings by our Promoters	1	-
Material civil	Nil	-

Actual cost in executing an EPC contract or in constructing a project may vary substantially- The company's ability to pass on increases in the purchase price or manufacturing cost of raw materials and other inputs may be limited in the case of contracts with limited or no price escalation provisions and it cannot assure that these variations in cost will not lead to financial losses to the company. Further, other risks generally inherent to the development and construction industry may result in profits from a project being less than as originally estimated or may result in the company experiencing losses due to cost and time overruns, which could have a material adverse effect on its cash flows, business, financial condition and results of operations.

Peer Comparison

Name of the Company	Total Income (Crores)	FV	Basic EPS	NAV	P/E *	P/B*	RONW
G R Infraprojects	7906.94	5	98.31	411.63	8.51	2.03	23.95%
KNR Constructions	2955.26	2	14.49	69.67	16.67	3.47	20.79%
PNC Infratech	5898.89	2	19.37	119.01	15.13	2.46	16.28%
HG Infra	2617.10	10	36.31	163.04	11.11	2.47	22.27%
Dilip Buildcon	10210.50	10	31.92	248.58	17.92	2.30	7.84%
Ashoka Buildcon	5121.87	5	9.84	22.06	11.11	4.96	44.60%
IRB Infra	5487.53	10	3.33	196.35	46.53	0.79	1.70%
Sadbhav Engineering	3862.16	1	46.21	1.92	0.95	49.53	93.30%

*P/E & P/B ratio based on closing market price as on July 1st, 2021, At the upper price band of IPO, financial details consolidated audited results as on FY21.



Our Views

G R Infraprojects is a focused EPC player with an established record of timely execution that helps them to save overhead expenses and leads to a better capex utilization . This is reflected on the company's performance that has grown its revenues at a 5 year CAGR of 47% backed with an above average margin of 19-21% that the company has managed to retain. Further, the company has in house capabilities that helps it control the supply chain process and manage its raw material inventory optimally. The management also has been taking HAM projects with EPC that would help the company to retain its margins. **Company is also focused on increasing the share from Railway projects to 10-15% from the current 3%. Considering G R Infraprojects growth and margins, its FY21 P/E of 8.51x looks attractive as compared to listed peers. Hence, we recommend SUBSCRIBE for long term and listing gains for the issue.**

Source– RHP



Analyst Certification

We/I Akshay Pradhan, M.Com, Research Analyst authors and the names subscribed to this report, hereby certify that all of the views expressed in this research report accurately reflect our views about the subject issuer (s) or securities. We also certify that no part of our compensation was, is, or will be directly or indirectly related to the specific recommendation (s) or view (s) in this report. It is also confirmed that above mentioned Analysts of this report have not received any compensation from the companies mentioned in the report in the preceding twelve months and do not serve as an officer, director or employee of the companies mentioned in the report.

Disclosures and Disclaimers

CANARA BANK SECURITIES LTD (CBSL), a wholly owned subsidiary of CANARA BANK, is a SEBI registered intermediary offering broking services to its institutional and retail clients; we also run a proprietary trading desk. CBSL is member of BSE & NSE. We are registered as RESEARCH ANALYST under SEBI (INH000001253). CBSL or its associates do not have an investment banking business. Hence, they do not manage or co manage any public issue. Neither CBSL nor its associates, neither the research analysts nor their associates nor his/her relatives (i) have any financial interest in the company which is the subject matter of this research report (ii) holds ownership of one percent or more in the securities of subject company (iii) have any material conflict of interest at the end of the month immediately preceding the date of publication of the research report OR date of the public appearance (iv) have received any compensation from the subject company in the past twelve months (v) have received any compensation for investment banking merchant banking or brokerage services from the subject company in the past twelve months (vi) have received any compensation for any other product or services from the subject company in the past twelve months (vii) have received any compensation or other benefits from the subject company or third party in connection with the research report. (viii) Research Analyst involved in the preparation of Research report discloses that he /she has not served as an officer, director, or employee of subject company (ix) is involved in market making activity of the company.

We shall adhere to SEBI guidelines from time to time.

We may have earlier issued or may issue in future reports on the companies covered herein with recommendations/ information inconsistent or different those made in this report. We may rely on information barriers, such as "Chinese Walls" to control the flow of information contained in one or more areas within us, or other areas, units, groups or affiliates of CBSL. The Research Desk does not solicit any action based on the material contained herein. It is for the general information of the clients / prospective clients of CBSL. CBSL will not treat recipients as clients by virtue of their receiving the research report. It does not constitute a personal recommendation or take into account the particular investment objectives, financial situations, or needs of clients / prospective clients. Similarly, the Research Desk does not have regard to the specific investment objectives, financial situation/circumstances and the particular needs of any specific person who may receive it. The securities discussed in the report may not be suitable for all investors. The appropriateness of a particular investment or strategy will depend on an investor's individual circumstances and objectives. Persons who may receive the research report should consider and independently evaluate whether it is suitable for his/ her/their particular circumstances and, if necessary, seek professional/financial advice. And such person shall be responsible for conducting his/her/their own investigation and analysis of the information contained or referred to in the research report and of evaluating the merits and risks involved in the securities forming the subject matter of the reports. All projections and forecasts in research reports have been prepared by our research team.

The client should not regard the inclusion of the projections and forecasts described herein as a representation or warranty by CBSL. For these reasons; The client should only consider the projections and forecasts described in the research reports after carefully evaluating all of the information in the report, including the assumptions underlying such projections and forecasts. Past performance is not a guide for future performance. Future returns are not guaranteed and a loss of original capital may occur. Actual results may differ materially from those set forth in projections. Forward-looking statements are not predictions and may be subject to change without notice. We do not provide tax advice to our clients, and all investors are strongly advised to consult regarding any potential investment. CBSL or its research team involved in the preparation of the research reports, accept no liabilities for any loss or damage of any kind arising out of the use of these reports. The technical levels and trend etc mentioned in our reports are purely based on some technical charts/levels plotted by software used by us and these charts/levels are believed to be reliable. No representation or warranty, express or implied is made that it is accurate or complete. The recommendation expressed in the reports may be subject to change. The recommendations or information contained herein do/does not constitute or purport to constitute investment advice in publicly accessible media and should not be reproduced, transmitted or published by the recipient. This research reports are for the use and consumption of the recipient only. This publication may not be distributed to the public used by the public media without the express written consent of CBSL. The Research reports or any portion hereof may not be printed, sold or distributed without the written consent of CBSL. The research report is strictly confidential and is being furnished to client solely for client's information, may not be distributed to the press or other media and may not be reproduced or redistributed to any other person. The opinions and projections expressed herein are entirely based on certain assumptions & calculations and are given as part of the normal research activity of CBSL and are given as of this date and may be subject to change. Any opinion estimate or projection herein constitutes a view as of the date of this report and there can be no assurance that future results or events will be consistent with any such opinions, estimate or projection. The report has not been prepared by or in conjunction with or on behalf of or at the instigation of, or by arrangement with the company or any of its directors or any other person. Any opinions and projections contained herein are entirely based on certain assumptions and calculations. None of the directors of the company or any other persons in the research team accepts any liability whatsoever for any loss arising from any use of the research report or its contents or otherwise arising in connection therewith. The information contained herein is not intended for publication or distribution or circulation in any manner whatsoever and any unauthorized reading, dissemination, distribution or copying of this communication is prohibited unless otherwise expressly authorized. Please ensure that the client has read "Risk Disclosure Document for Capital Market and Derivatives Segments" as prescribed by Securities and Exchange Board of India (SEBI) before investing in Securities Market. Please remember that investment in stock market is subject to market risk and investors/traders need to do study before taking any position in the market.

Research Desk

Canara Bank Securities Ltd

SEBI: RESEARCH ANALYST REGISTRATION: INH000001253

BSE: INB 011280238, BSE F&O: INF 011280238

NSE: INB 23180232, F&O: INF 231280232, CDS: 231280232

Maker Chambers III, 7th floor,

Nariman Point, Mumbai 400021

**Contact No. : 1800220369/18001031369, 022 - 22802441/42,
43603841/42**

Email id: researchdesk@canmoney.in Website: www.canmoney.in