

Details of the Issue

Price Band	₹ 828 - ₹ 837
Issue Size	₹ 963 Cr
Opening Date	Jul 7, 2021
Closing Date	Jul 9, 2021
Face Value	₹5
Bid Lot	17
Listing on	BSE, NSE

Objects of the Issue

To achieve the share listing benefits on the BSE & NSE.
To make an offer for sale of upto 11,508,704 shares

Lead Managers

Equirus Capital Private Limited
HDFC Bank Limited
ICICI Securities Limited
Kotak Mahindra Capital Company Limited
Motilal Oswal Investment Advisors Pvt Ltd
SBI Capital Markets Limited

Registrar

KFintech Private Limited

Investment Details

No. of shares at cut-off	208
Max. Amount to be paid	₹ 1,87,200

Offer Details

Fresh Issue	NIL
OFS	₹ 963 cr

Company Background

G R Infraprojects Limited (“G R Infra”) was incorporated on December 22, 1995. 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 having recently diversified into projects in the railway sector.

The principal business operations are broadly divided into three categories:

- Civil construction activities, under which they provide EPC services;
- Development of roads, highways on a Build Operate Transfer (“BOT”) basis, including under annuity and Hybrid Annuity Model (“HAM”); and
- 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 their BOT projects, they 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.

They also have experience in constructing state and national highways, bridges, culverts, flyovers, airport runways, tunnels and rail over-bridges.

As of March 31, 2021, G R Infra had an Order Book of ₹ 19,025.81 crore comprising of 16 EPC projects, 10 HAM projects and 3 other projects. In 2018, they have been awarded two projects for the railways sector. Their 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, owned construction equipment and a fleet of transportation vehicles. As of March 31, 2021, their equipment base comprised over 7,000 construction equipment and vehicles and the aggregate gross block value of company’s property, plant and equipment was ₹ 1,999.92 crore.

Promoters - Vinod Kumar Agarwal, Ajendra Kumar Agarwal, Purshottam Agarwal and Lokesh Builders Pvt. Ltd.

Prominent Investors - In March 2011, IBEF I, IBEF and IDFC Investment Advisors Limited invested in the company, following which IDFC Investment Advisors Limited subsequently exited in December 2015.

As of March 31, 2021, the company had 16,233 permanent employees. In Fiscals 2021, 2020 and 2019, their total income was ₹ 7,906.94 crore, ₹ 6,423.71 crore and ₹ 5,325.53 crore, respectively and they generated profit for the year of ₹ 953.22 crore, ₹ 800.83 crore and ₹ 716.64 crore, respectively for such periods. The total income and profit for the year grew at a CAGR of 21.85% and 15.33%, respectively, between Fiscal 2019 to Fiscal 2021.

Source: RHP, GEPL Capital Research

Strengths & Strategies

Focused EPC player with road projects focus

The company historically had focus on the road projects whilst executing EPC projects and accordingly has established their credentials as an EPC player capable of executing a range of these construction projects that involve varying degrees of complexity. Their 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.

In-house integrated model

The company undertakes their construction business in an integrated manner as they have developed key competencies and resources in-house to deliver a project from conceptualization until completion. Their 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.

Their 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 they require in the construction and development of their projects.

Continued focus on the road EPC business

The company continues to focus on development and construction of road projects, as part of their growth strategy, they 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. Expanding into new functional areas will allow them to consolidate their position in the infrastructure sector and effectively leverage their experience in executing EPC projects. This will also help them gain experience in such sectors and be well positioned to strategically expand in these sectors in future.

Strengthen internal systems and continue to focus on technology and operational efficiency

Given the nature of their industry, cost competitiveness is a key component of their success. They have low execution costs, which is partly attributable to their integrated operations and investment in technology. Further, the scale of their operations provides them with a significant advantage in reducing costs and sustaining their cost advantage. The operational efficiency, i.e., maintaining quality, minimizing costs and ensuring timely completion of their projects depends largely on the skill and workmanship of their employees. As competition for qualified personnel and skilled labour is increasing among construction companies in India and as they pursue growth opportunities, they seek to attract, train and retain qualified personnel and skilled labour by increasing their focus on training their staff in basic and advanced engineering and construction technology and skills. They also seek to offer their engineering and technical personnel a wide range of work experience and learning opportunities by providing them with an opportunity to work on a variety of large and complex construction projects.

Valuation & Recommendation

The order book stands at 2.6x the Operating Income providing adequate comfort.

G R Infra has developed an established track record of efficient project management and execution experience, involving trained and skilled manpower, efficient deployment of equipment and an in-house integrated model. These attributes have enabled them to compete projects prior to or by scheduled timelines.

Their experience in execution of road projects, technical capabilities, timely performance, reputation for quality, financial strength as well as the price competitiveness of their bids have enabled them to successfully bid for and win projects

We recommend a SUBSCRIBE rating to the issue.

Financial Snapshot

Particulars	2021	2020	2019
Equity Share Capital	48.35	48.48	48.48
Other Equity as stated	3931.68	2978.67	2181.2
Net worth as stated	3980.03	3027.15	2229.68
Revenue from Operations	7844.13	6372.7	5282.58
EBITDA as stated	1912.54	1637.08	1326.31
EBITDA (%) as stated	24.19%	25.49%	24.90%
Profit Before Tax	1324.64	1154.08	1007.69
Net Profit for the period	953.22	800.83	716.64
Net Profit (%) as stated	12.06%	12.47%	13.46%
EPS (₹)	98.31	82.59	73.91
RoNW (%)	23.95%	26.45%	32.14%
NAV (₹)	411.63	312.2	229.95

(In ₹ cr except per share data)

Source: RHP, GEPL Capital Research

NOTES

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