

GR Infraprojects Ltd (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. As of March 31, 2021, GRIL's order book was at 19,025.8 crore and comprised 16 EPC projects, 10 HAM projects and three other projects.

Focused EPC player with road projects focus

GRIL has over 25 years of experience in executing EPC projects that 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, the company has executed more than 100 road construction projects and accordingly established its credentials as an EPC player capable of executing a range of construction projects that involve varying degrees of complexity.

Established track record of timely execution

With experience of over 25 years and more than 100 road construction projects executed since 2006, the company believes it 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 GRIL to complete projects prior to or by scheduled timelines. In the last three fiscals, all its projects were completed prior to or by the scheduled timelines. In addition, in FY21, FY20 and FY19, of total projects completed, 50%, 50% and 80%, respectively, of such projects were completed before the scheduled completion date.

Strong financial performance, credit rating

The significant growth of its business in the last three fiscal years has contributed significantly to the financial strength. The revenue from operations increased from ₹ 5282.6 crore in FY19 to ₹ 7844.1 crore in FY21 at a CAGR of 21.9% while profit for the year increased from ₹ 716.6 crore in FY19 to ₹ 953.2 crore in FY21 at a CAGR of 15.3%. GRIL's credit rating and relationship with its lenders enables them to raise financing in a timely manner, which helps in maintaining the requisite leverage from the operations. As of March 31, 2021, the company's total borrowings were ₹ 4,495.0 crore. The company's long term rating from Crisil is AA/Stable.

Key risks and concerns

- Business highly dependent on road projects
- Delays in completion of projects may lead to termination of concession and other EPC agreements or cost overruns
- Effect of the Covid-19 pandemic is highly uncertain and cannot be predicted

Priced at 8.5x FY21 P/E on upper band

At ₹ 837(upper band), the stock is priced at 8.5x FY21 consolidated EPS.



Particulars

Issue Details

Issue Opens	7th July, 2021
Issue Closes	9th July, 2021
Issue Size	₹ 952-962 crore
Fresh Issue	0
Price Band	₹ 828 - 837
No. of shares	1,15,08,704
FV	₹ 5
QIB (%)	50
NIB (%)	15
Retail (%)	35
Minimum lot size	17 Shares

Shareholding Pattern (%)

	Pre-Issue	Post-Issue
Promoters	46.89%	45.71%
Promoter Group	41.15%	40.83%
Public	11.96%	13.46%

Objects of issue

Object of the Issue

To achieve the benefits of listing the Equity Shares on the Stock Exchanges and for the offer for sale

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Company background

Incorporated in December 1995, GR Infraprojects (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 the company provides 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, wherein it processes bitumen, manufacture thermoplastic road-marking paint, electric poles and road signage and fabricate and galvanise metal crash barriers.

In March 2010, GRIL has 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'. The company has also commenced constructing a group housing project comprising row houses and other residential units at Udaipur, Rajasthan.

Description of business

EPC services

EPC services primarily represent GRIL's civil construction business and has gained significant experience in construction of road projects. Road infrastructure projects include various activities, including construction, widening, strengthening, improvement, lane-related construction, maintenance as well as development activities. Additionally, the company has executed two airport related infrastructure projects wherein the work included runway-related construction such as extension, strengthening and resurfacing.

Exhibit 1: Top five road EPC completed projects*

Description of Project	Bid Project Cost (₹ crore)	Year of Completion
Construction of Delhi-Meerut Expressway from Dasna to Meerut from Km.27.740 of NH-24 to Km. 51.975 in the state of Uttar Pradesh on EPC basis	1,087.1	2021
Four laning of Parwanoo-Solan section of NH-22 from Km 67.000 to 106.139 on EPC basis in the state of Himachal Pradesh	748.8	2021
Construction/ up-gradation of two lane with paved shoulder of NH from Raisinghnagar – Poogal section (Length 162.46 km) on EPC Mode in the State of Rajasthan (Package-2)	687.1	2021
Four laning of Hisar to Dabwali section of NH-10 (New NH no. 9) from km 227.000 to km 314.660 in the state of Haryana on EPC mode (package-2)	648.0	2018
Two laning of Chhapra Gopalganj section of NH-85 from km 0.00 to km 93.500 (existing chainage) and km 0.00 to km 94.258 (design chainage) in the state of Bihar on EPC mode	644.3	2019

Source: ICICI Direct Research, RHP; * based on the aggregate Bid Project Cost

BOT road projects

BOT (Annuity) road project

GRIL have one operational BOT road project, which is on an annuity basis and has commenced revenue generation and is operated by its subsidiary, Reengus Sikar Expressway (RSEL).

Exhibit 2: Summary of Reengus Sikar Expressway Ltd *

Particular	Details
Brief Description	Four laning of Reengus – Sikar section from km. 298.075 near Madhopura Junction to km. 341.047 (after Sikar Town) of NH – 11 (proposed chainage being km. 298.075 to km. 341.962 design length being km. 43.887) in Rajasthan on a BOT (annuity) project on DBFOT pattern under NHDP – III.
State	Rajasthan
Length (in kms. approx.)	43.89
Awarding Authority	NHAI
Date of signing of concession agreement	April 26, 2011
Appointed Date	March 5, 2012
PCOD	December 14, 2013
Concession period from Appointed Date	17 years
Equity Shareholding of Company	100.00**
Amount of gross bonus for early completion	₹ 18.77 crore
Annuity payable by the concessioning authority/ Annual premium payable to the concessioning authority	Annuity of ₹ 18.77 crore, receivable every six months

Source: ICICI Direct Research, RHP; * Includes beneficial interest of the Company

Hybrid annuity model road projects

GRIL have the following five operational HAM road projects, which have commenced revenue generation on an annuity basis.

Exhibit 3: Operational HAM road projects*

Name of Subsidiary	GR Phagwara Expressway Ltd	Nagaur Mukundgarh Highways Pvt Ltd	Varanasi Sangam Expressway Pvt Ltd	Porbandar Dwarka Expressway Pvt Ltd	GR Akkalkot Solapur Highway Pvt Ltd
Brief Description	Four laning of Phagwara – Rupnagar section of NH-344A from km 0.00 to km. 80.820	Peelibanga – Lakhuwali section of MDR-103, Sardarshahar-Loonkaransar Section of SH- 6 A, Churu - Bhaleri section of SH- 69, Sanju – Tamau Section of SH-60, Roopangarh - Naraina section of SH- 100 and Nagaur – Tamau – Deedwana – Mukundgarh Section of SH- 8 , 19, 60, 82-A and 83 under DBFOT	Six laning of Handia Varanasi section of NH-2 from km. 713.146 to km. 785.544	Four laning with paved shoulder of Porbandar – Dwarka section of NH-8E (Ext.) from km. 356.766 to km. 473.000	4 laning of Akkalkot - Solapur section of NH - 150E with paved shoulders from Design Chainage Km. 99.400 to Km. 138.352 / Existing Chainage from Km. 102.819 to Km. 141.800 including Akkalkot Bypass in the state of Maharashtra
State	Punjab	Rajasthan	Uttar Pradesh	Gujarat	Maharashtra
Length (in kms)	80.82	393.71	72.40	117.75	38.95
Awarding Authority	NHAI	Office of the Additional Chief Engineer (PPP) PWD, Rajasthan	NHAI	NHAI	NHAI
Date of signing of concession agreement	October 5, 2016	March 3, 2017	May 15, 2017	August 8, 2017	June 20,2018
PCOD / COD	February 25, 2020	August 6, 2018	November 2, 2020	April 18, 2020	March 31, 2021
Appointed Date	October 6, 2017	September 4, 2017	December 5, 2017	February 12, 2018	December 14, 2018
Construction period (from Appointed Date) (in days)	910	730	910	1,095	730
Operations and maintenance period (in years)	15	10	15	15	15
Equity Shareholding	100%*	100%*	100%*	100%*	100%*
Amount of (gross) gross bonus for early completion (₹ crore)	5.38	119.65	-	53.58	-
Annuity payable by the concessioning authority	30 half yearly instalments of 60% of the bid project cost (along with interest payable) on the reducing balance.	20 half yearly instalments of 50% of the bid project cost (along with interest payable) on the reducing balance.	30 half yearly instalments of 60% of the bid project cost (along with interest payable) on the reducing balance.	30 half yearly instalments of 60% of the bid project cost (along with interest payable) on the reducing balance.	30 half yearly instalments of 60% of the bid project cost (along with interest payable) on the reducing balance.

Source: ICICI Direct Research, RHP; * Includes beneficial interest of the Company

Road projects under construction under the HAM model are set out below:

Exhibit 4: Under-construction HAM road projects*

Name of Subsidiary	GR Gundugolanu Devarapalli Highway Private Limited	GR Sangli Solapur Highway Private Limited	GR Dwarka Devariya Highway Private Limited	GR Aligarh Kanpur Highway Private Limited
Brief Description	Four laning of Sangli - Four Laning of Gundugolanu - Solapur (Package - III: Devarapalli - Kovvuru Section of NH-16 from Km. 15.320 of NH-16 from Km. 15.320 (Existing Km. 15.700) to Km. 85.204 (Existing Km. 81.400) (Design Length=69.884 Km.) in the State of Andhra Pradesh under Bharatmala Pariyojana on Hybrid Annuity Mode			
State	Andhra Pradesh	Maharashtra	Gujarat	Uttar Pradesh
Length (in kms approx.)	69.88	45.60	71.89	70.98
Awarding Authority	NHAI	NHAI	NHAI	NHAI
Date of signing of concession agreement	April 26, 2018	June 20,2018	May 22 ,2019	June 23,2020
Appointed Date	October 22, 2018	December 31, 2018	February 8, 2020	February 18, 2021
Construction period (from Appointed Date) (in days)	910	730	912	910
Operations and maintenance period (in years)	15	15	15	15
Equity Shareholding of company	100%*	100%*	100%*	100%*
Estimated Project Cost (₹ crore)	1,715.8	877.9	1,021.5	2,061.6
Financing Arrangement	As on March 31, 2021, Company has invested ₹ 146.498 crore towards its contribution in GGDHPL of which ₹ 49.5 crore is in the equity share capital and ₹ 96.998 crore has been invested as an unsecured loan.	As on March 31, 2021, Company has invested ₹ 72.155 crore towards its contribution in GSSHPL of which ₹ 15 crore is in the equity share capital and ₹ 57.155 crore has been invested as an unsecured loan.	As on March 31, 2021, Company has invested ₹ 58.422 crore towards its contribution in GDDHPL of which ₹ 9.5 crore is in the equity share capital and ₹ 48.922 crore has been invested as an unsecured loan.	As on March 31, 2021, Company has invested ₹ 5.406 crore towards its contribution in GAKHPL of which ₹ 0.01 crore is in the equity share capital and ₹ 5.395 crore has been invested as an unsecured loan.
Amount of gross bonus for early completion, if any Annuity payable by the concessioning authority	Subject to early completion of the construction, as per the agreed terms of the concession agreement 30 half yearly instalments of 60% of the bid project cost (along with interest payable) on the reducing balance			

Source: ICICI Direct Research, RHP; * Includes beneficial interest of the Company

In addition, GRIL have been awarded five HAM projects for which it has entered into concession agreements. The details are as below:

Exhibit 5: HAM road projects entered into concession agreements*

Name of Subsidiary	GR Ena Kim Expressway Pvt Ltd	GR Shirsad Masvan Expressway Pvt Ltd	GR Bhadurganj Araria Highway Pvt Ltd	GR Galgalia Bhadurganj Highway Pvt Ltd	GR Bilaspur Urga Highway Pvt Ltd
Brief Description	Construction of 8 lane access controlled Expressway from Km 217.500 to Km 254.430 of Vadodara Mumbai Expressway in the state of Gujarat (Package VI)	Construction of 8 lane access controlled Expressway from Km 26.582 to Km 50.700 of Main Expressway and Km 0.0 to 3.00 of SPUR Shirsad to Masvan Section of Vadodara Mumbai Expressway the State of Maharashtra (Package XIII)	4 laning of Bhadurganj-Araria section of NH-327E from Km 49.000 to Km. 93.983 (Package -II) in the state of Bihar	4 laning of Galgalia-Bhadurganj section of NH-327E from Km 0.000 to Km 49.00 (Package I) in the state of Bihar	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 Pariyojana (Lot- 3/Chhattisgarh/Pkg-I, Raipur- Dhanbad Economic Corridor) in the state of Chhattisgarh on hybrid annuity mode
State	Gujarat	Maharashtra	Bihar	Bihar	Chhattisgarh
Length (in kms approx.)	37	27	45	49	70
Awarding Authority	NHAI	NHAI	NHAI	NHAI	NHAI
Date of signing of concession agreee	October 7, 2020	December 2, 2020	April 17,2021	April 17,2021	
Appointed Date	Yet to be declared	Yet to be declared	Yet to be declared	Yet to be declared	Yet to be declared
Construction period (from Appointed	730	730	730	730	730
Operations and maintenance period	15	15	15	15	15
Equity Shareholding of the company	100%*	100%*	100%*	100%*	100%*
Estimated Project Cost (₹ crore)	2,000.90	2,522.19	987.88	951.27	Yet to be estimated

Source: ICICI Direct Research, RHP; * Includes beneficial interest of the Company

Order book position

As of March 31, 2021, GRIL's order book is at 19,025.8 crore and comprised 16 EPC projects, 10 HAM projects and three other projects as follows:

Exhibit 6: Order book details

Client	Number of Contracts	Total Contract Value (₹ crore)	Order Book Value (₹ crore)	Percentage of Order Book (%)
Government authorities and other entities funded by central or state governments				
NHAI	21*	22,493.2	16,583.8	87.2%
UPEIDA	2	2,934.5	828.7	4.4%
RVNL	2**	1,085.0	557.6	2.9%
Others	4	1,459.8	986.4	5.2%
Total	28	27,972.5	18,956.3	99.6%
Private entities	1	572.8	69.5	0.4%
Grand Total	29	28,545.3	19,025.8	100.0%

Source: ICICI Direct Research, RHP; * * Includes projects which were awarded to Subsidiaries and where the EPC portion of the project is being executed by the Company; ** Includes projects which were awarded to the Joint Ventures, and where a part of the project is being executed by the Company.

Further, as per the summary of the financial bid information that is made publicly available on the central public procurement portal website of the Central Government, GRIL had made the lowest bid of ₹ 592.2 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 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'.

Exhibit 7: State-wise order book position*

State	Number of Projects	Total Contract Value* (₹ crore)	Order Book Value (₹ crore)	Percentage of Order Book (%)
Uttar Pradesh	6	6,927.1	4,284.8	22.5%
Madhya Pradesh	6	5,340.9	3,340.2	17.6%
Maharashtra	3	3,820.0	2,615.0	13.7%
Gujarat	2	2,758.0	2,531.4	13.3%
Bihar	3	2,395.1	2,339.3	12.3%
Chattisgarh	1	1,307.0	1,307.0	6.9%
Rajasthan	1	1,071.3	1,071.3	5.6%
Andhra Pradesh	2	2,270.2	751.7	4.0%
Manipur	2	854.8	437.0	2.3%
Odisha	1	479.3	190.1	1.0%
Himachal Pradesh	1	748.8	88.6	0.5%
West Bengal**	1	572.8	69.5	0.4%
Grand Total	29	28,545.3	19,025.8	100.0%

Source: ICICI Direct Research, RHP; * * Includes project comprises EPC activities spread across West Bengal, Bihar, Orissa, Andaman and Nicobar Island, Jharkhand, and Sikkim

Competitive Strengths

Focused EPC player with road projects focus

GRIL has over 25 years of experience in executing EPC projects that 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, the company has executed more than 100 road construction projects and accordingly have established credentials as an EPC player capable of executing a range of construction projects that involve varying degrees of complexity. The company believes the focused approach is likely to enable them to benefit from future market opportunities and expand into new markets. Consequently, in March and May 2018, GRIL has been awarded two projects for the railways sector that include earthwork, construction of bridges and supply of materials and track linking and civil engineering works.

As of March 31, 2021, GRIL's order book primarily comprised EPC and HAM projects in the road sector across Uttar Pradesh, Madhya Pradesh, Maharashtra, Gujarat, Chhattisgarh, Rajasthan, Andhra Pradesh, Bihar, Manipur, Odisha and Himachal Pradesh. In addition, its order book includes railway projects in Andhra Pradesh and Madhya Pradesh and an optical fibre project spread across Bihar, Odisha, West Bengal, Andaman and Nicobar Islands, Jharkhand and Sikkim. In the past, the company has also executed projects in Haryana, Punjab, Jharkhand and Meghalaya. The company believes the consistent growth in order book has resulted from continued focus on road projects and its ability to successfully bid and win new projects. Also, its experience in execution of road projects, technical capabilities, timely performance, reputation for quality, financial strength as well as the price competitiveness of bids have enabled them to successfully bid for and win projects.

Established track record of timely execution

With experience of over 25 years and more than 100 road construction projects executed since 2006, the company believes it 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 GRIL to complete projects prior to or by scheduled timelines. Its 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 key raw material inventory in an optimal manner. 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.

Exhibit 8: Projects completed earlier than stipulated time

Project	Scheduled construction period (in days)	Completed earlier than scheduled (in days)	Gross Bonus received (₹ crore)
Nagaur Mukundgarh Project	730	394	119.7
Porbandar Dwarka Project	1,095	299	53.6
Shillong Bypass Project	1,095	318	43.2
Jowai – Ratacherra Project	910	46	6.9
Faridkote – Kotakpura Project	730	90	15.4
Hisar Dabwali Package 2	913	106	19.4
Hisar Dabwali Package 1	913	115	16.5
Phagwara Rupnagar Project	910	38	5.4

Source: ICICI Direct Research, RHP

In-house integrated model

GRIL undertakes construction business in an integrated manner with development of key competencies and resources in-house to deliver a project from conceptualisation until completion. Its 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 galvanisation unit for manufacture of metal crash barriers, owned construction equipment and a fleet of transportation vehicles. Its manufacturing facilities help reduce 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. Also, its in-house integrated model is facilitated by the timely transportation of key raw materials such as bitumen and diesel to project sites by tankers owned by the company that are fitted with GPS tracking devices, which reduces pilferage and adulteration. As of March 31, 2021, equipment base comprised over 7,000 construction equipment and vehicles. The company have also set up a workshop in Udaipur, Rajasthan wherein it undertakes major repair and maintenance of construction equipment and vehicles. As at March 31, 2021, the aggregate gross block value of the company's property, plant and equipment was ₹ 1,999.9 crore. Its integrated model ensures that products and services required for development and construction of a project meet quality standards and are delivered in a timely manner thereby reducing contractual risks involved with third party suppliers of products and services. Its in-house integrated model provides with a competitive advantage over other infrastructure development and construction companies that outsource their construction activities to external agencies.

Strong financial performance, credit rating

The significant growth of its business in the last three fiscal years has contributed significantly to the financial strength. The revenue from operations increased from ₹ 5282.6 crore in FY19 to ₹ 7844.1 crore in FY21 at a CAGR of 21.9% while profit for the year increased from ₹ 716.6 crore in FY19 to ₹ 953.2 crore in FY21 at a CAGR of 15.3%.

GRIL's credit rating and relationship with its lenders enables them to raise financing in a timely manner, which helps in maintaining the requisite leverage from the operations. As of March 31, 2021, the company's total borrowings were ₹ 4,495.0 crore. Following is the credit rating:

Exhibit 9: Credit Rating from CARE*

Facilities	Amount	Ratings
Long term bank facilities	₹ 325 crore	CARE AA; Stable
Long term/ Short term bank facilities	₹ 3,400 crore	CARE AA; Stable/ CARE A1+
Short term Bank facilities	₹ 50 crore	CARE A1+

Source: ICICI Direct Research, RHP; *letter dated January 11, 2021

Exhibit 10: Credit Rating from CRISIL*

Particular	Details
Total Bank loan Facilities Rated	₹ 2,050 crore
Long term Rating	CRISIL AA/Stable
Short term Rating	CRISIL A1+
₹ 275 crore Non-Convertible Debentures	CRISIL AA/Stable
₹ 200 crore Non-Convertible Debentures	CRISIL AA/Stable

Source: ICICI Direct Research, RHP; *letter dated October 27, 2020

Strategies

Continued focus on road EPC business

GRIL continues to maintain and strengthen its market position of EPC business in India. Over the next few years, the company intends to continue to focus on construction of existing projects while seeking opportunities to expand portfolio of road projects. Additionally, GRIL plans to continue pursuing BOT projects (including toll projects), either independently or in partnership with other players. As of the date, the company have one operational road project on a BOT (annuity) basis and 14 road projects awarded under the HAM model, of which five are currently operational, four projects are under construction and construction is yet to commence on five of these projects. The company intends to draw on its experience, asset base, market position and ability to execute and manage multiple projects across various geographies, to further grow portfolio of road and other EPC projects. Further, to fuel its growth strategy, the company intends to invest in latest equipment and technology to support expanding operations. The company also seeks to purchase equipment from domestic and foreign manufacturers and continue strategy of minimal reliance on hired or leased equipment. It believes investment in modern equipment ensures continuous and timely availability of equipment critical to its business while investments in technology makes more efficient and accurate. Also, its strategy of focusing on further developing existing markets as well as expanding into new markets with high growth potential is likely to enable it to effectively target growth opportunities, widen revenue base, as well as reduce the risk of volatile market conditions and price fluctuations resulting from concentration of resources in a particular geographic region.

Pursue other segments within EPC space

GRIL believes infrastructure development will be a major driver for growth of the Indian industry in the foreseeable future due to ever increasing levels of the government's focus and investment in infrastructure in India. While it continues to focus on development and construction of road projects, it also intends to diversify into 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 company believes that expanding into new functional areas will allow them to consolidate position in the infrastructure sector and effectively leverage its experience in executing EPC projects. This will also help them in gaining experience in such sectors and be well positioned to strategically expand in these sectors in future.

Leverage core competencies with higher in-house integration

In-house integration has been an integral part of GRIL's growth over the years. It seek to focus on further enhancing its in-house competencies by expanding into various functional aspects of projects thereby eliminating dependence on third parties. Depending on the nature of projects that the company may bid for and win in future, GRIL may also develop design and engineering capabilities in-house, which may include fabrication of steel girders, rail over-bridges, fabrication of canopies for road infrastructure, highway traffic management systems and other road safety and traffic management solutions for road infrastructure. Developing specialised in-house capabilities further is also likely to reduce dependence on third parties, thereby avoiding risks and minimising costs associated with outsourcing. Additionally, as part of its diversification strategy into other sectors, GRIL plans to set up in-house facilities to assist in timely execution of these projects while maintaining construction quality, similar to current in-house integrated model in the road EPC space.

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

Information technology is a part of almost every aspect of operations. GRIL intends to strengthen its IT systems and other internal processes to reduce manual intervention, improve reliability and efficiency of business. In order to achieve this, the company has implemented an 'Enterprise Resource Planning' system across operations and departments and continues to take steps to strengthen the same. Further, the scale of its operations provides significant advantage in reducing costs and sustaining cost advantage. The company also believes that operational efficiency, i.e., maintaining quality, minimising costs and ensuring timely completion of projects depends largely on the skill and workmanship of its employees. As competition for qualified personnel and skilled labour is increasing among construction companies in India and the company seeks to attract, train and retain qualified personnel and skilled labour by increasing focus on training staff in basic and advanced engineering and construction technology and skills. The company also seek to offer its 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.

Financial discipline coupled with strategy to monetise assets

GRIL intends to continue its practices of strict cost control through (i) ownership and maintenance of modern construction equipment and centralising procurement of major construction equipment and raw materials; (ii) careful selection of projects; and (iii) cautious expansion into new businesses or new geographical areas. Further, in its efforts to avoid over-leveraging balance sheet, the company intends to continue exploring alternate means of generating cash flows, including by the divesting stake in road infrastructure projects as it has done in the past. The company may also continue to explore other means of raising capital, including, among others, through the setting up appropriate infrastructure investment trusts.

Key risks and concerns

Business highly dependent on road projects

GRIL's business is primarily dependent on road projects in India undertaken or awarded by governmental authorities and other entities funded by the Government of India or state governments. Currently, the company derives majority of revenues from contracts with a limited number of government entities, including NHAI and MoRTH. As of March 31, 2021, 99.63% of the company's overall order book was attributable to contracts awarded by government authorities and other entities funded by central or state governments. Such concentration of business on a few projects or clients may have an adverse effect on results of operations and result in a significant reduction in the award of contracts.

Delays in completion of projects may lead to termination of concession, other EPC agreements or cost overruns

GRIL's projects are required to achieve commercial operation no later than the scheduled commercial operation dates specified under the relevant concession and EPC agreements, or by the end of the extension period, if any is granted by the concessioning authority or an employer in case of EPC projects. The company provides performance securities for completion of the construction of projects within a specified timeframe. Subject to certain customary exceptions such as (i) occurrence and continuance of force majeure events that are not within the control of the concessionaire, or (ii) delays that are caused due to reasons solely attributable to the concessioning authority or the EPC employer, failure to adhere to contractually agreed timelines or extended timelines could require company to pay liquidated damages as stipulated in the concession and other EPC agreements or lead to encashment and appropriation of the bank guarantee or performance security. The concessioning authority or the client may also be entitled to terminate the concession or EPC agreement in the event of delay in completion of the work if the delay is not on account of any of the agreed exceptions.

Effect of Covid-19 pandemic highly uncertain, cannot be predicted

COVID-19 has spread throughout the world causing governments, companies and various jurisdictions to impose restrictions, such as lockdowns, quarantines, closures, cancellations and travel restrictions. While the effects of these restrictions are expected to be temporary, the duration of the business disruptions in India and internationally, and related financial impact cannot be reasonably estimated at present. Additionally, the impact of the Covid-19 pandemic on GRIL's business continues to depend on a range of factors that includes a) ability of the various parties such as contractors, manpower, equipment suppliers, raw material suppliers, consultants, independent engineers, lenders, independent engineers, authorities to carry out their work effectively in a timely manner, b) abilities of the state governments to be able to contain the spread of the pandemic, c) ability to bill GRIL's clients on a timely basis due to the inability or delay in the independent verification of completion of works, d) ability to carry out construction work on the similar scale, e) ability to recover any losses in revenue during the period for which the lockdown was implemented in the country and f) temporary shutdown of manufacturing facilities due to government restrictions.

Financial Summary (Consolidated)

Exhibit 10: Profit & loss statement			
	(₹ crore)		
(₹ Crore)	FY19	FY20	FY21
Net Sales	5,282.6	6,372.7	7,844.1
Total revenues	5,325.5	6,423.7	7,906.9
Raw Material Expense	3,575.2	4,255.2	5,420.2
Employee benefit expenses	349.9	449.4	457.6
Other Expenses	74.2	82.0	116.6
EBITDA	1,283.4	1,586.1	1,849.7
Margin (%)	24.3	24.9	23.6
Interest	169.6	294.5	361.7
Depreciation	149.0	188.5	226.2
Other income	42.9	51.0	62.8
PBT	1,007.7	1,154.1	1,324.6
Taxes	291.1	353.3	371.4
PAT	716.6	800.8	953.2

Source: RHP, ICICI Direct Research

Exhibit 11: Balance Sheet			
	(₹ crore)		
₹ crore	FY19	FY20	FY21
Share Capital	48.5	48.5	48.3
Reserves & Surplus	2,181.2	2,978.7	3,931.7
Net Worth	2,229.7	3,027.2	3,980.0
Secured Loan	1,605.7	2,737.2	3,582.5
Unsecured Loan	254.0	31.2	288.1
Loan Funds	1,859.7	2,768.4	3,870.6
Other Long Term Liabilities	22.9	26.1	88.1
Minority Interest	-	-	-
Deferred Tax liability	-	87.8	189.5
Long Term Provisions	8.2	8.2	8.2
Total Liabilities	4,120.4	5,917.6	8,136.4
Net Block	927.3	1,024.4	1,340.5
Net Intangibles	2.2	4.6	3.8
CWIP	43.3	28.0	55.5
Investment Property	0.2	0.2	0.2
Deferred Tax Assets	67.4	-	-
Non-current Investments	1.6	1.0	2.1
Other non-current assets	1,077.2	2,568.5	4,378.4
Current Tax Assets	57.0	77.6	85.0
Current Investments	8.1	0.7	100.5
Inventories	613.7	768.7	1,058.4
Sundry Debtors	547.7	306.3	508.0
Cash & Bank Balances	715.8	948.0	830.8
Loans & Advances	37.1	50.5	56.7
Other current assets	1,730.0	2,005.0	1,696.2
Current Assets	3,652.5	4,079.2	4,250.6
Trade Payable	516.7	554.8	734.4
Other Current Liabilities	798.6	754.6	367.2
Other Financial Liabilities	386.4	542.0	854.8
Short term provision	6.6	14.4	23.0
Current Liabilities	1,708.3	1,865.8	1,979.4
Net Current Assets	1,944.2	2,213.4	2,271.3
Total Assets	4,120.4	5,917.6	8,136.7

Source: RHP, ICICI Direct Research

Exhibit 12: Cash flow statement		(₹ crore)		
(₹ Crore)	FY19	FY20	FY21	
Net CF from operating activities	(243.7)	(266.6)	(434.0)	
Net CF from Investing activities	(783.8)	(143.7)	(729.7)	
Net CF from Financing activities	1,003.9	883.7	948.6	
Net Cash flow	(23.6)	473.5	(215.1)	
Opening Cash	102.3	78.7	552.1	
Closing Cash/ Cash Equivalent	78.7	552.1	337.1	

Source: RHP, ICICI Direct Research

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