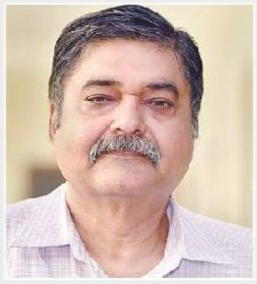


# GR Infra: Value for money

Company has a healthy order book of over ₹19,000 crore



Arun Kejriwal

**G**R Infra Projects Limited is tapping the capital markets with its offer for sale (OFS) in a price band of Rs828-837. The issue is for 1,15,08,704 shares and the

size of the issue would be Rs 1,191 crore. The issue opens on Wednesday (July 7) and closes on Friday (July 9).

The company is engaged in infrastructure sector and is developing roads under the BOT and HAM models.

It has a healthy order book of over Rs19,000 crore currently. The order book consists of 16 EPC projects, 10 HAM projects and three other projects. The company has plants which process bitumen, manufacture thermoplastic road marking paint, electric poles and road signage and also fabricate and galvanise metal crash barriers. They have facilities for these in Udaipur, Uttar Pradesh and Guwahati. This helps in better and timely execution. The company has won early completion bonuses of Rs 280 crore. The company reported revenues of Rs7,244 crore in the year ended March 2021 and a net profit of Rs780.60 crore. It enjoys healthy margins as compared to its peers of 19.50 per cent at the EBITDA level and 10.59 per cent as net margins. The EPS is Rs 98.31 and the PE multiple based on this EPS is 8.42-8.51. The price multiple based on competitor's valuation is reasonable and attractive. The company is very favourably compared to its peer set on all parameters and stands out as one of the best. The peer set comprises of Ashoka Buildcon, Dilip Buildcon, Hindustan Construction, KNR Construction, PNC Infra and Sadbhav Engineering. In terms of revenues, only Dilip Buildcon is marginally higher, while in terms of EBITDA margins, KNR Construction is marginally ahead. In terms of PBT



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margins, net margins and ROCE, G R is ahead of its peer set. The company scores in its better working capital management and has lower debtor days, lower payable days and comparable inventory days. This results in a better net working capital cycle. The company has not raised capital for a long time and in 2017 had sold stake in two of its subsidiaries, Jodhpur Pali and Shillong expressway. The proceeds from this helped the company meet its requirements of funds and continue work unhindered. Currently the company is working on 29 projects spread over 12 States. Almost 85 per cent of the projects are from NHAI. The major orders include Vadodara-Mumbai expressway two packages, Aligarh-Kanpur project, Bilaspur-Urga Project and Delhi-Vadodara.



Considering the focus of the government in increasing better connectivity through infrastructure, the prospects for the road development industry augur well. The successful implementation of HAM as a business model and its wide acceptance amongst the industry players has helped timely execution of projects. It also ensures that the delays are eliminated on two counts. Firstly, the government ensures that 90 per cent of land availability is completed before the zero date of the project.

Of course this land requisition is the norm for EPC and BOT projects as well. Secondly, the HAM project has to complete financial closure before work begins on the project. This ensures that HAM projects are the preferred choice for developers.

GR Infra projects Limited is an attractive investment opportunity and investors, who are allotted shares would make decent returns in the issue. The share is good not only for listing gains, but also to continue to remain invested post-listing.

*(The author is the founder of Kejriwal Research and Investment Services, an advisory firm)*