

One Stop Investment Avenue



**GEPL**  
**CAPITAL**

# IPO Note

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## SRM Contractors LIMITED

March 26, 2024





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**Details of the Issue**

Price Band	₹ 200 to ₹ 210
Issue Size	₹ 130.20 Cr
Face Value	₹ 10
Bid Lot	70
Listing on	BSE, NSE
Post Issue Mcap	₹ 481.83 Cr
Investment Range	₹ 14,000 - ₹ 14,700

**Important Indicative Dates (2024)**

Opening	26 - Mar
Closing	28 - Mar
Basis of Allotment	01 - Apr
Refund Initiation	02 - Apr
Credit to Demat	02 - Apr
Listing Date	03 - Apr

**Lead Manager**

Interactive Financial Services Ltd

**Offer Details**

Offer Size	₹ 130.20 Cr
Fresh Issue	₹ 130.20 Cr
OFS	-

Type	In Rs Cr	No of Shares (Mn)		% of Issue
		Upper	Lower	
QIB	65	3.25	3.1	50
NIB	33	1.62	1.55	15
Retail	16	0.81	0.77	35
Em- ploy.	-	-	-	-
Total	130	5.69	5.42	100

**Invest Now****Company Profile**

Established in 2008, SRM Contractors Limited is a construction and development firm specializing in infrastructure projects in the Union Territories of Jammu and Kashmir and Ladakh. The company operates as an EPC contractor and undertakes unit-price contracts for various construction activities, including roads, bridges, tunnels, slope stabilization works, and other civil construction projects. The company's main business verticals are:

1. Road Projects
2. Tunnel Projects
3. Slope Stabilization Works
4. Miscellaneous Civil Construction Activities

As of Mar 2024, SRM Contractors Limited has successfully completed 37 infrastructure construction projects, with a total contract value of Rs. 77,088.00 lakhs. These projects include 31 road construction projects, 3 tunnel projects, 1 slope stabilization project, and 2 miscellaneous construction works. Among these projects, 29 were undertaken independently by the company, while 8 were executed through project-specific joint ventures. As of January 31, 2024, the company has a workforce of 275 full-time employees comprising specialists and workers dedicated to delivering high-quality construction services.

**Business Highlights & Services**

Company is an established engineering firm specializing in road, bridge, tunnel, and slope stabilization projects in Jammu & Kashmir and Ladakh. Its expertise extends to both EPC contracts and item rate-based construction, including sub-contracting for infrastructure projects. With a proven track record in challenging terrains, they are a key player in the region's infrastructure development. Company holds ISO 9001:2015 certification and class A contractor registration with Jammu & Kashmir's Public Work Department. Their pre-qualification allows them to independently bid on government-funded projects up to ₹30,000 lakhs for roads (including bridges) and ₹50,000 lakhs for tunnel EPC contracts. Leveraging their success in road and tunnel construction, they have expanded into standalone bridges, larger slope stabilization, and miscellaneous civil projects in response to increased infrastructure development in Jammu & Kashmir and Ladakh, with recent contracts extending to Uttarakhand for slope stabilization work.

As an EPC contractor, it provides comprehensive services encompassing detailed engineering, procurement of materials and equipment, construction, execution, and operation/maintenance per contract terms. With a robust workforce, resources, machinery, and engineering expertise, it handles multiple projects concurrently, fostering strong client relationships and winning new contracts. It operates independently or collaborates via joint ventures to meet specific project eligibility criteria, including subcontracting for major infrastructure entities.

Over the years, it has significantly expanded their project execution capabilities, moving from smaller projects like the Sakhi-Maidan-Kalai road widening in District Poonch, Jammu and Kashmir, with a cost of ₹773.88 lakhs in 2011 to larger endeavors like the realignment project on the Zozila-Kargil-Leh road in Ladakh, awarded in 2023 at a cost of ₹20,568.28 lakhs. Their portfolio includes 38 completed infrastructure projects worth ₹1,41,165.62 lakhs, covering roads, tunnels, slope stabilization, and other civil works.

As of January 31, 2024, The order book comprises 21 projects totaling ₹11,9931.33 lakhs, showcasing their sustained growth in securing and executing diverse infrastructure projects.



Among these ongoing projects, road construction projects represent the majority in terms of both quantity and value, followed by tunnel projects, slope stabilization works, and other construction activities. This trajectory underscores their commitment to expanding their presence and capabilities in the infrastructure sector.

The company's current focus is on bidding for and executing projects related to road construction (including bridges), tunnel works, slope stabilization, and other civil construction activities in the Union Territories of Jammu & Kashmir and Ladakh, as well as the state of Uttarakhand. Recently, it has also secured contracts for slope stabilization work in Uttarakhand, slope rehabilitation works in Arunachal Pradesh, and slope protection work in Himachal Pradesh. Major clients include NHIDCL, MoRTH, KRCL, ERA Jammu, BRO, PWD J&K, Northern Railway, Irrigation & Flood Control Department J&K, and JKRRDA. The company also takes on sub-contracting assignments from other major infrastructure and construction entities operating in Jammu & Kashmir.

The company owns and operates a fleet of 228 equipment and machinery, including over 100 major units like boomers, shotcrete machines, excavators, and batching plants, enabling self-reliance and timely project execution. With an in-house stone crushing unit and a central procurement team, it minimizes dependency on external suppliers for materials and services, supporting efficient project management. The workforce of 275 skilled and on-site employees contributes to successful project delivery.

### Order Book

Company's Order Book as of a particular date represents the estimated revenues from the unexecuted portions of all the existing contracts. Further, company's Order Book as of a particular date is calculated on the basis of the aggregate contract value of their on-going construction projects as of such date reduced by the value of work executed by us until such date.

Client Name	Date of Award of Contract	Order Book Value (? in Cr)
BRO	Jun-19,2023	190.36
BRO	Apr-15,2023	20.23
BRO	Jun-24,2022	34.22
Third Party	Apr-10,2022	40.33
Third Party	Apr-10,2022	14.76
PWD, J&K	Feb-26,2022	8.36
ERA, Jammu	Jan-07, 2021	15.18
ERA, Jammu	Jan-13, 2020	15.57
NHIDCL	Nov-18,2018	23.64
JKRRDA	Sep-20,2018	6.47
JKRRDA	Sep-20,2018	1.38
BRO	jul-13,2023	14.51
BRO	Aug-20,2022	98.73
Third Party	Apr-15,2022	19.14
KRCL	Feb-20,2020	11.26
Irrigation & Flood Control department, j&K	Sep-22,2017	32.56
BRO	Sep-08,2023	15.27
Third Party	Apr-1,2022	34.85
Third Party	Feb -16,2023	31.49
MoRT&H	Jan-06,2024	81.98
North Indian railways	Jun-10,2019	2.92
<b>Total</b>		<b>713.21</b>

### Utilization of IPO Proceeds

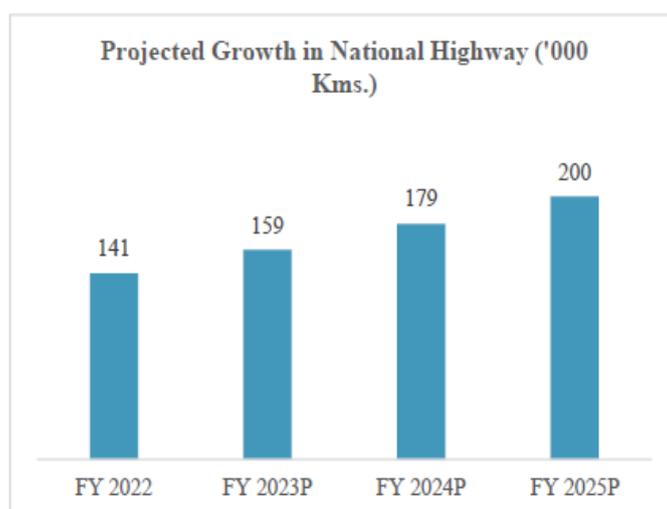
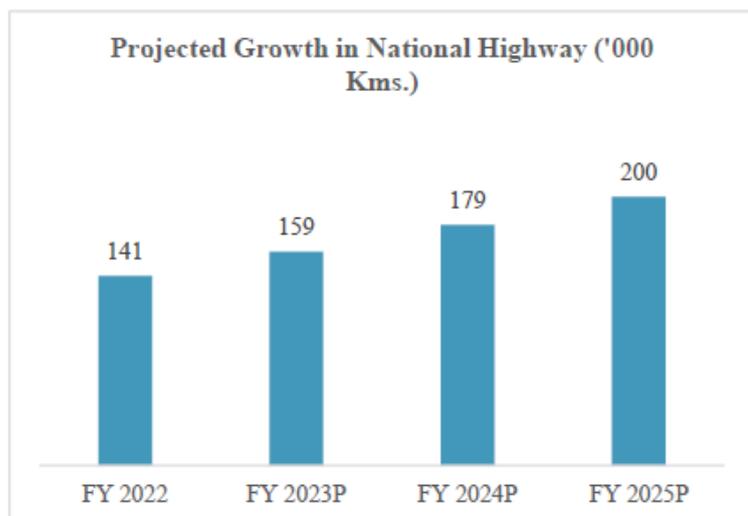
The company propose to utilize the Net proceeds of fresh issue towards funding of the objective:

- Funding capital expenditure requirements for the purchase of equipment/machinery .
- Full or part repayment and/or prepayment of certain outstanding secured borrowings availed by the company
- Funding the working capital requirements of the company
- Investment in Project Specific Joint Venture Projects.



### Industry Outlook

India's economic growth hinges on robust infrastructure development, with flagship policies like the National Infrastructure Pipeline (NIP) and PM Gati Shakti driving improvements. The Union Budget FY 2023 saw a 35% increase in capital expenditure to nearly INR 7.5 lakh crore, highlighting the government's focus. The Ministry of Road Transport and Highways (MoRTH) received substantial budget hikes, reaching INR 270,000 crore in FY 2024 from INR 83,000 crore in FY 2020, signaling aggressive infrastructure commitments. The road sector, vital for economic expansion, is set for significant growth, especially in tunnel construction, supporting sectors like roads, hydropower, urban rail, irrigation, and water management. With India aiming for \$5 trillion economy status by 2025, investments of \$4.51 trillion by 2030 are earmarked, with NIP allocating Rs 20.34 trillion for highways by 2025. Jammu & Kashmir leads in upcoming tunnel projects, part of its broader infrastructure push. Ladakh, crucial for security and tourism, is also witnessing substantial road and tunnel developments. SRM Contractors Limited plays a pivotal role in executing infrastructure projects in these regions, leveraging its expertise in challenging terrains.



### Peers Comparison

Name of the company	Face Value (₹)	Total Income (₹ Cr)	EPS	NAV (₹)	P/E	RoNW(%)
SRM Contactors Ltd	10	300.65	90.82	37.72	NA	30.14
<b>Peers Group</b>						
Man Infra Ltd	2	880.96	4.47	30.60	46.87	14.61
ITD Cementation India Ltd	1	4,700	7.23	72.04	46.56	10.4
Likhitha Infra Ltd	5	358.61	15.22	63.39	17.42	24



### Companies Competitive Strength

- Proven track record of efficient execution of roads, tunnels and slope stabilisation works in the difficult terrain of union territory of Jammu and Kashmir.
- Business model of selecting and clustering of their projects in the union territories of Jammu & Kashmir and Ladakh.
- Continuous Focus on equipment ownership.
- Strong financial performance.
- In-house integrated model.
- Experienced Promoters with strong management team.

### Key Strategies Implemented by Company

- Bid for, win and operate hybrid annuity model-based projects .
- Expansion of fleet of machinery and equipment.
- Focus on rationalizing their indebtedness.
- Further enhance their project execution capabilities.
- Develop and maintain strong relationships with their clients and project specific joint venture partners.
- Leverage core competencies with enhanced in-house integration.

Particulars (INR Cr)	6MFY24	FY23	FY22	FY21
Equity Share Capital	16.7	16.7	1.5	1.5
Reserves	67.5	46.4	42.9	25.3
Net Worth as Stated	84.2	63.2	44.4	26.8
Revenue From Operations	242.3	300.7	265.5	162.0
Revenue Growth%		13%	64%	
EBITDA	30.2	32.4	26.3	15.8
EBITDA Margins%	12%	11%	10%	10%
Net Profit/Loss for the Period	21.1	18.8	17.6	8.3
Net Profit/Loss %	9%	6%	7%	5%
EPS (Rs)	12.58	90.82	1154	543
ROCE%	29%	35%	42%	31%
ROE%	25%	35%	49%	36%

### Valuations and Recommendation:

- Based on annualized FY24 earnings to post-IPO paid-up equity capital of the company, The issue is priced at a P/E of 17.15x times earnings. Thus the issue appears fairly priced compared to peers.
- SRM Contractors Limited is a leading construction firm excelling in road, bridge, tunnel, and slope stabilization projects in Jammu & Kashmir and Ladakh. With impressive financial growth from FY21 to FY23 - 22% CAGR in revenue, 31% CAGR in PAT, and stable double-digit margins - the company boasts a significant order book of INR 713 crore as of December 2023, ensuring medium to long-term growth. MoRTH has substantially increased its budget to INR 270,000 crore for FY 2024, signaling a strong commitment to infrastructure development. Jammu & Kashmir and Ladakh are focal points for upcoming tunnel and road projects, and SRM Contractors Limited plays a pivotal role in executing these projects, leveraging its expertise in challenging terrains. Hence, We recommend “Subscribe” rating to the issue.



## Notes

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