

SRM Contractors Ltd

Conquering tough terrain, one project at a time.




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SRM Contractors Ltd. (SCL) is an engineering construction and development company engaged primarily in the construction of roads (including bridges), tunnels, slope stabilization works and other miscellaneous civil construction activities in the Union Territories of Jammu & Kashmir and Ladakh. It undertakes construction works both as an EPC contractor and on an item rate basis for infrastructure projects. The Company also undertakes sub-contracting assignments of infrastructure construction projects. It has a track record of successful execution of road, tunnel and slope stabilization projects in the difficult terrain of union territories of Jammu & Kashmir and Ladakh.

The Company has emerged as a key player in infrastructure construction industry in the Union Territories of Jammu & Kashmir and Ladakh and has developed technical capabilities to execute projects in hilly/ challenging terrain in the region. SCL is an ISO 9001:2015 certified company and is also registered as class A contractor with Public Work (R&B) Department, Jammu & Kashmir. It is pre-qualified to bid independently on projects, tendered by departments of governmental authorities and other entities funded by the Govt, of contract value up to Rs. 300 cr. and Rs. 500 cr. for EPC contracts pertaining to construction of roads (including bridges) and for construction of tunnel respectively. As a result of the growth of its road and tunnel construction business as well as the recent government initiatives and support to develop the infrastructure of union territories of Jammu & Kashmir and Ladakh, the company has further forayed into executing other infrastructure projects such as standalone bridges, larger slope stabilization works and other miscellaneous civil construction activities in order to capitalize on such rising opportunities. Recently, the company has also been awarded a contract for slope stabilization work in the state of Uttarakhand.

At the IPO price of INR 210 (upper price band), SRM Contractors is valued at PE multiple of 6.9 times.

Key Financial Data (INR Cr, unless specified)

	Revenue	EBIT	PAT	EBITDA (%)	PAT (%)	Adj. EPS (Rs.)	Adj BVPS (Rs.)	RoE (%)	RoIC (%)	EV/EBIT DA (X)	P/BV (X)	P/E (X)
FY21	160	17	8	10.3	5.2	13.3	43.3	30.8	29.5	8.6	9.9	15.7
FY22	264	30	18	11.4	6.7	28.3	71.6	39.6	42.1	4.7	7.5	7.4
FY23	300	38	19	12.8	6.2	30.2	101.9	29.7	36.8	3.9	5.9	6.9

Industry	Construction
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Issue Details

Listing	BSE & NSE
Open Date	26 th March 2024
Close Date	28 th March 2024
Price Band	INR 200-210
Face Value	INR 10
Market Lot	70 shares
Minimum Lot	1 Lot

Issue Structure

Fresh Issue(%)	100
Issue Size (INR cr)	INR 130.20
Issue Size (Shares)	62,00,000
QIB Share (%)	≤ 50%
Non-Inst Share (%)	≥ 15%
Retail Share (%)	≥ 35%
Pre issue sh (nos)	1,67,44,200
Post issue sh (nos)	2,29,44,200
Post issue MCap (INR cr)	481.8

Shareholding (%)	Pre (%)	Post (%)
Promoter	99.92	72.92
Public	0.08	27.08
TOTAL	100	100

Issue Structure and Offer Details

The proposed issue of SRM Contractors Ltd is a entirely a fresh issue of 62,00,000 shares aggregating to Rs 130.20 crores. The price band for the issue is in the range of INR 200-210 and the bid lot is 70 shares and multiples thereof.

Issue Structure	
Investor Category	Allocation
QIB	Not more than 50.00% of the Net offer
NIB	Not less than 15.00% of the Offer
Retail	Not less than 35.00% of the Offer

Number of shares based on a higher price band of INR 210

Source: Company Reports

Financial summary

Fig in INR Cr (unless specified)	FY21	FY22	FY23	Fig in INR Cr (unless specified)	FY21	FY22	FY23
Income Statement				Per share data & Yields			
Revenue	160.1	263.6	300.3	Adjusted EPS (INR)	13.3	28.3	30.2
<i>YoY Growth (%)</i>		<i>64.7</i>	<i>13.9</i>	Adjusted Cash EPS (INR)	21.7	38.3	42.8
Raw Material Cost	59.6	87.0	101.9	Adjusted BVPS (INR)	43.3	71.6	101.9
<i>RM Cost to Sales (%)</i>	<i>37.2</i>	<i>33.0</i>	<i>33.9</i>	Adjusted CFO per share (INR)	22.9	15.7	21.0
Employee Cost	6.9	8.7	11.3	CFO Yield (%)	10.9	7.5	10.0
<i>Employee Cost to Sales (%)</i>	<i>4.3</i>	<i>3.3</i>	<i>3.8</i>	Adjusted FCF per share (INR)	8.2	9.9	(0.8)
Other Expenses	77.0	137.7	148.7	FCF Yield (%)	3.9	4.7	(0.4)
<i>Other Exp to Sales (%)</i>	<i>48.1</i>	<i>52.2</i>	<i>49.5</i>	Solvency Ratio (X)			
EBITDA	16.6	30.2	38.3	Total Debt to Equity	1.2	0.7	0.7
<i>Margin (%)</i>	<i>10.3</i>	<i>11.4</i>	<i>12.8</i>	Net Debt to Equity	0.4	0.3	0.3
<i>YoY Growth (%)</i>		<i>82.2</i>	<i>27.0</i>	Net Debt to EBITDA	0.7	0.4	0.5
Depreciation & Amortization	5.2	6.2	7.8	Return Ratios (%)			
EBIT	11.4	24.0	30.5	Return on Equity	30.8	39.6	29.7
<i>Margin (%)</i>	<i>7.1</i>	<i>9.1</i>	<i>10.2</i>	Return on Capital Employed	14.8	23.8	20.7
<i>YoY Growth (%)</i>		<i>110.8</i>	<i>27.0</i>	Return on Invested Capital	29.5	42.1	36.8
Other Income	1.9	1.9	0.4	Working Capital Ratios			
Bill discounting & other charges	2.4	2.6	5.8	Payable Days (Nos)	96	38	14
Fin Charges Coverage (X)	4.7	9.2	5.3	Inventory Days (Nos)	11	12	13
Exceptional Item	0.0	0.0	0.0	Receivable Days (Nos)	51	22	19
PBT	10.8	23.3	25.0	Net Working Capital Days (Nos)	-34	-4	18
<i>Margin (%)</i>	<i>6.8</i>	<i>8.8</i>	<i>8.3</i>	Net Working Capital to Sales (%)	(9.4)	(1.0)	4.9
<i>YoY Growth (%)</i>		<i>115.0</i>	<i>7.5</i>	Valuation (X)			
Tax Expense	2.6	5.7	6.3	P/E	15.7	7.4	6.9
<i>Tax Rate (%)</i>	<i>23.6</i>	<i>24.6</i>	<i>25.2</i>	P/BV	4.8	2.9	2.1
PAT	8.3	17.6	18.7	EV/EBITDA	8.6	4.7	3.9
<i>Margin (%)</i>	<i>5.2</i>	<i>6.7</i>	<i>6.2</i>	EV/Sales	0.9	0.5	0.5
<i>YoY Growth (%)</i>		<i>112.4</i>	<i>6.7</i>	Cash Flow Statement			
Min Int/Sh of Assoc	0.0	0.0	0.0	PBT	10.8	23.3	25.0
Net Profit	8.3	17.6	18.7	Adjustments	8.1	4.6	11.5
<i>Margin (%)</i>	<i>5.2</i>	<i>6.7</i>	<i>6.2</i>	Change in Working Capital	(2.2)	(12.4)	(17.2)
<i>YoY Growth (%)</i>		<i>112.4</i>	<i>6.7</i>	Less: Tax Paid	(2.6)	(5.7)	(6.3)
Balance Sheet				Cash Flow from Operations	14.2	9.7	13.0
Share Capital	1.5	1.5	16.7	Net Capital Expenditure	(11.0)	(5.5)	(17.9)
Total Reserves	25.3	42.9	46.4	Change in Investments	(2.3)	(0.4)	(1.0)
Shareholders Fund	26.8	44.4	63.2	Cash Flow from Investing	(13.3)	(5.9)	(18.9)
Long Term Borrowings	19.6	17.7	25.8	Change in Borrowings	7.0	(0.4)	15.6
Deferred Tax Assets / Liabilities	0.2	0.7	1.5	Less: Finance Cost	(2.4)	(2.6)	(5.8)
Other Long Term Liabilities	0.0	0.0	0.0	Proceeds from Equity	0.0	0.0	0.0
Long Term Trade Payables	0.0	0.0	0.0	Buyback of Shares	0.0	0.0	0.0
Long Term Provisions	0.0	0.0	0.0	Dividend Paid	0.0	0.0	0.0
Total Liabilities	46.6	62.8	90.4	Cash flow from Financing	4.5	(3.0)	9.8
Net Block	30.0	29.4	39.5	Net Cash Flow	5.5	0.8	4.0
Capital Work in Progress	0.0	0.0	0.0	Forex Effect	0.0	0.0	0.0
Intangible assets under development	0.0	0.0	0.0	Opening Balance of Cash	10.4	15.9	16.7
Non Current Investments	0.0	0.0	0.0	Closing Balance of Cash	15.9	16.7	20.7
Long Term Loans & Advances	0.0	0.0	0.0				
Other Non Current Assets	0.0	0.0	0.0				
Net Current Assets	16.6	33.5	51.0				
Total Assets	46.6	62.8	90.4				

Source: Ventura Research

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