

The Issue

Type of Issue	Issue size Rs. Mn
Fresh Issue	3,088
Total	3,088
Post issue mkt cap*	12,340
Lot size	150 shares

*At Upper Price Band

Issue Break-Up

Reservation for	% of Issue
QIB	50%
NII	15%
Retail	35%
Total	100%

Indicative Offer Timeline
Indicative Date

Bid/Offer Opening Date	24 Aug, 2023
Bid/Offer Closing Date	28 Aug, 2023
Finalization of the Basis of Allotment	31 Aug, 2023
Credit of shares	04 Sep, 2023
Listing Date	05 Sep, 2023

Use of Proceeds

Purchase of machinery/equipment, working capital requirements, general corporate purposes.

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Play on India's water supply market

Company Overview: Vishnu Prakash R Punglia Ltd (VPRPL) is an integrated EPC company with established track record of 36 years and presence across nine states and one Union territory in India. Their operations are strategically divided into four main categories Water Supply Projects (WSP), Railway Projects, Road Projects, and Irrigation Network Projects.

The company's in-house teams handles design and engineering, procurement, project management, and quality management. Complementing these teams is a robust fleet of 499 construction equipment and vehicles. This strengthens VPRPL to oversee projects from their inception to completion, significantly reducing their dependency on third parties and enhance execution.

VPRPL undertakes projects on an EPC basis, which may or may not include operation and maintenance services. Their comprehensive service portfolio includes detailed engineering of the project, procurement of key materials, project execution at the sites with overall project management up to the commissioning of these projects.

Over the years, VPRPL has demonstrated a consistent growth trajectory in terms of the size of projects executed. For instance, in 2021 they were awarded a Water Supply Project worth Rs 4,332mn as compared to a project worth Rs 20mn in 2002. As of July 15, 2023, the company boasts an impressive Order Book of Rs 37,995mn.

VPRPL is also well-positioned to benefit from various government initiatives in infrastructure and waste management. These initiatives represent significant opportunities for growth and expansion for the company in the coming years.

Valuation and Outlook

At the upper price band, the IPO is attractively priced at a **P/E of 13.6x** on FY23 EPS (post-issue), which is at a **~42% discount** to its **peers' average of 23.4x**. Their growth is evident in their earnings improvement, which grew at a CAGR of 118.5% to **Rs. 906mn**. The company posted 2yr revenue CAGR of 55.1% to **Rs. 11,684mn** on account of strengthening order book and execution capacity. The order pipeline for the segment in which it operates is robust. The company's primary WSP business is witnessing tailwinds, due to several contracts tendered by government agencies (110mn HH with tap water connections, vs 350mn HH). Further, the huge order wins of Rs 3,800mn in Railways, augurs well for future order biddings. We recommend **SUBSCRIBE** for the issue.

Vishnu Prakash R Punglia Limited

Vishnu Prakash R Punglia Limited's key financial summary

Financial summary (Rs. Mn)	FY21	FY22	FY23
Revenue	4,857	7,856	11,684
Adj. EBITDA	473	886	1,596
Adj. EBITDA margin (%)	9.7%	11.3%	13.6%
PAT	190	448	906
PAT margin (%)	3.9%	5.7%	7.7%
P/E	64.9	27.5	13.6

Pre-issue and post-issue holding structure

Shareholding pattern	Pre-issue	Post-issue*
	Holding (%)	Holding (%)
Promoter & Promoter Group	90.45%	67.81%
Public	9.55%	32.19%
Total	100.0%	100.0

* At upper price band

Key Risks:

- 99% of their revenue comes from projects undertaken from Government entities or agencies, contracts of which usually contain terms that favour the clients. Any change in the Government policies or focus may affect their ability to get timely payments. This would also have adverse affect on their revenue growth.
- As on 31st March, 2023, trade receivables and Inventories form 61.8% of their current assets and net worth. Failure to manage the same would have a negative effect on their net sales, profitability, cash flow and liquidity.
- OCF/Debt ratio in FY22 and FY23 were negative. Further increase in debt without sustained free cash flows may adversely impact the financial condition and growth of the Company.
- Their top 5/10 clients contributes 80.9%/93% of revenue. The loss of business from any of their clients may have an adverse effect on business, financial condition, results of operations, and prospect.

Competitive Strengths:

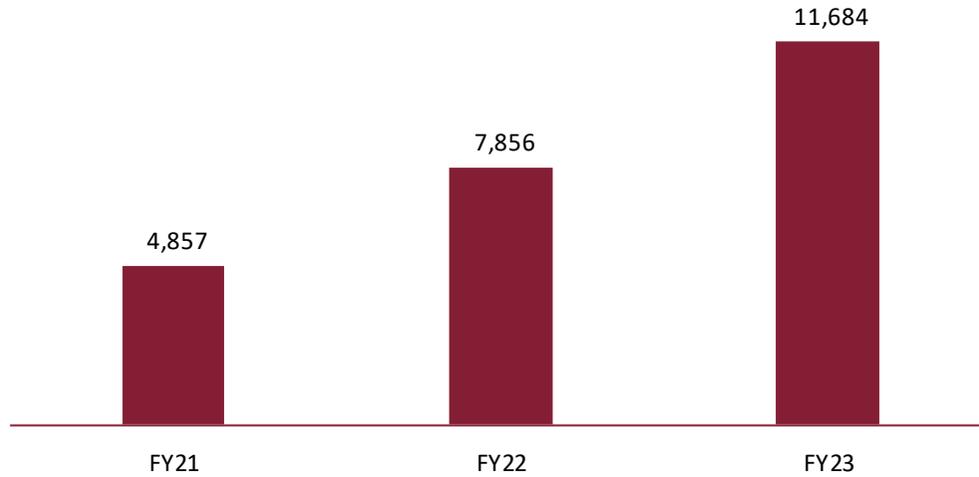
- Strong track record of projects execution and management in the EPC construction industry.
- VPRPL's in-house integrated model helps reduce their dependency on third parties for key materials required to execute projects, such as, ready-mix concrete, stone aggregates, and processed bitumen, in a cost effective manner.
- Established relationships with marquee client base due to the company's performance and ability to successfully execute projects. VPRPL has undertaken infrastructure projects from various departments of the Central and State Governments across multiple locations and segments.
- Focused player in Water Supply Projects, with over 36 years of experience in construction and development of pipelines, water tanks, reservoirs, tunnels, overhead tanks, water treatment plants and irrigation projects.

Business Strategies:

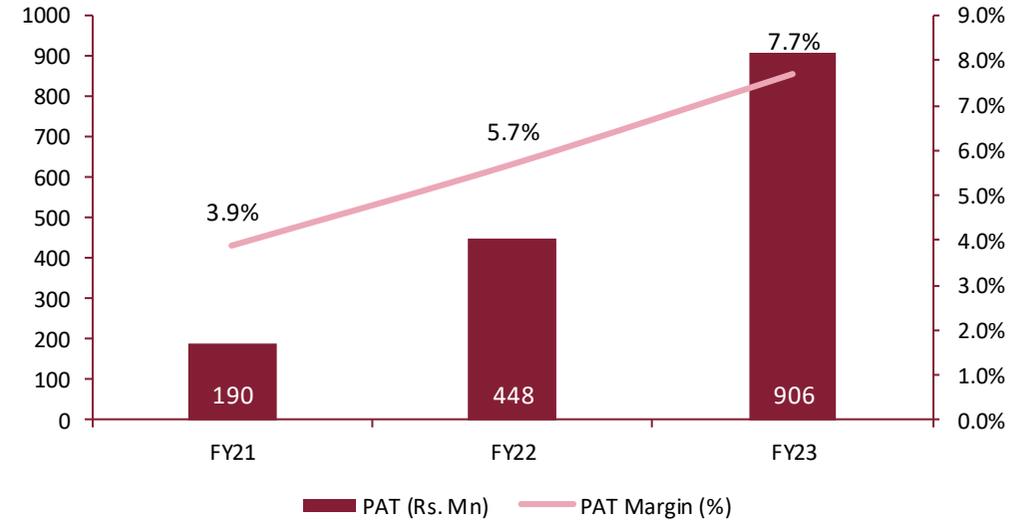
- Geographical diversification of projects to reduce the company's reliance on specific geographical areas and allow them to capitalize on growth opportunities across various states in India.
- Focusing on high value contracts and investment in latest equipment to accommodate the increasing scale and complexity of projects undertaken in recent years.
- Increasing competitiveness through quality execution, cost reduction and continuous training of manpower as the company strives towards reducing their execution cost without compromising on the quality of work.
- Maintaining and strengthening the company's position in execution of Water Supply Projects (WSPs), in line with the Central and State Governments' focus on 'Jal Jeevan Mission' and AMRUT scheme.

Vishnu Prakash R Punglia Limited

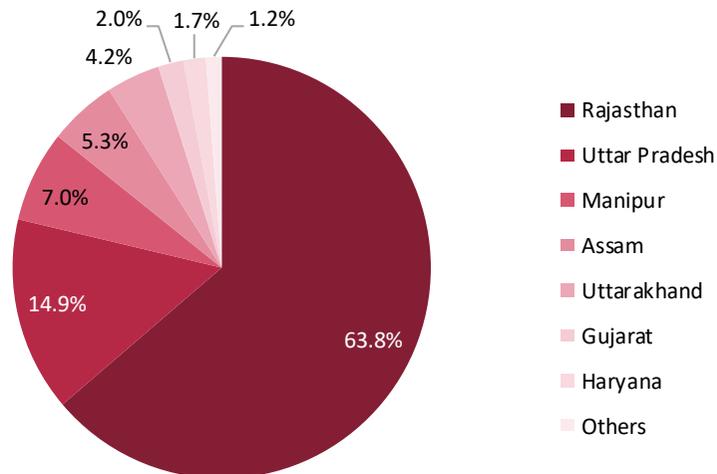
Revenue from operations (Rs. Mn)



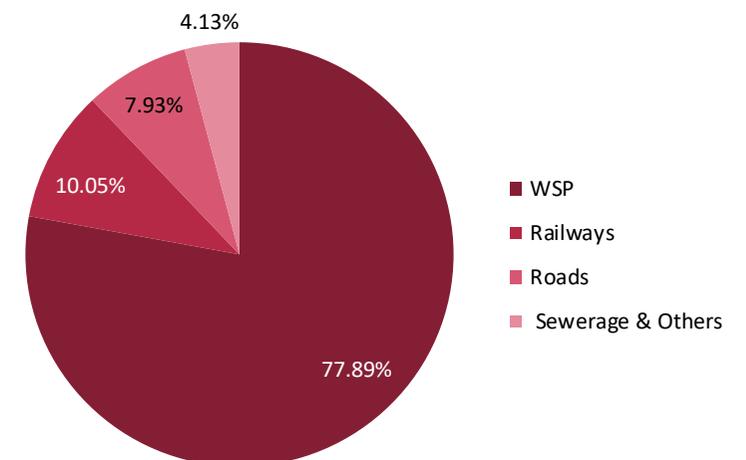
PAT (Rs. mn) and PAT Margin (%)



State-wise Order book (FY23)



Segment-wise Order book (FY23)

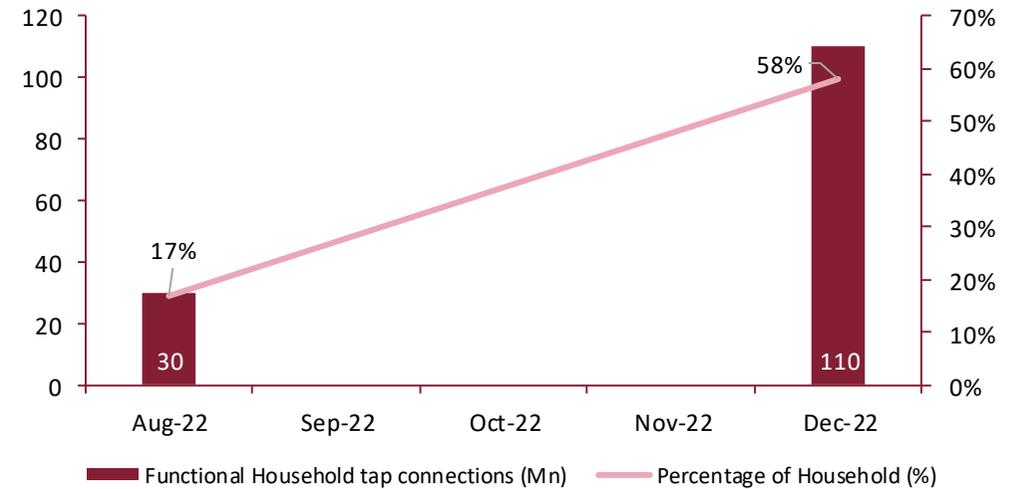


Industry Outlook

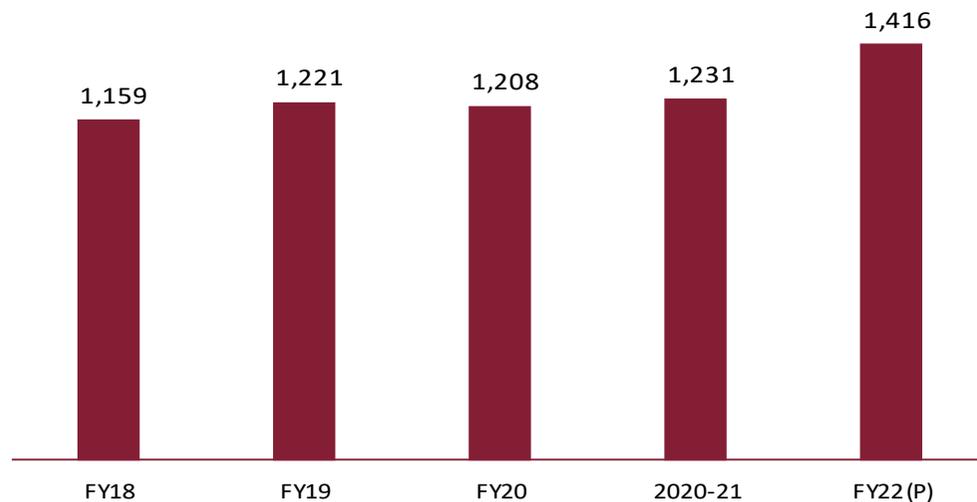
Market size for water requirement for different uses (in Bn Cubic Meters)

Uses	Scenario (2025)	Scenario (2050)
Irrigation	611	807
Domestic	62	111
Industries	67	81
Power	33	70
Others	70	111
Total	843	1,180

Number of Households with tap water connection



Freight (Million Tonnes)



Sector-wise break-up of capex of Rs 111 Tn for FY20-25

Sector	Projects (No.)	Value of Projects (Rs. Bn)
Roads and Bridges	3,564	400
Railways	679	208
Power & Others	325	154
Urban Infra	227	115

INDSEC Rating Distribution

BUY : Expected total return of over 15% within the next 12-18 months.

HOLD : Expected total return between 0% to 15% within the next 12-18 months.

SELL : Expected total return is negative within the next 12-18 months.

NEUTRAL: No investment opinion, stock under review.

Note: Considering the current pandemic situation, the duration for the price target may vary depending on how the macro scenario plays out. Therefore, the duration which has been mentioned as a period of 12-18 months for upside/downside target may be higher for certain companies.

DISCLOSURE

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