

# Vishnu Prakash R Punglia Ltd.

Construction | India

IPO | 23 August 2023

## Design and Construction Company

**SUBSCRIBE** 

### About the Company

Vishnu Prakash R Punglia Limited was incorporated in 1986 and the company is in business of designing and constructing infrastructure projects for the Central and State Governments, autonomous bodies, and private bodies across 9 States and 1 Union territory in India. The company has design and engineering, procurement, project management and quality management teams along with a fleet of 499 construction equipment and vehicles. Its in-house teams deliver projects from design to completion which reduces dependency on third parties for key materials such as RMC, stone aggregates, bitumen and services such as design and engineering, transportation and logistics. It undertakes assignments independently or whenever required, through its joint ventures (JVs). While the company executes the majority of the projects itself, it also forms project-specific joint ventures and consortiums with other infrastructure and construction entities. As of Jul'23, the company had an Order Book of ~Rs38bn. As of Mar'23, it had 929 employees and also hires contract labourers when needed. The company is coming up with an IPO comprising fully of a fresh issue of 31.2mn shares, aggregating to ~Rs3.1bn.

### Multiple Business Verticals

The company's principal business operations are broadly divided into four categories: **i) Water Supply Projects (WSP)** which involves supply, laying and testing of pipelines, construction of water tanks, reservoirs, water treatment plants, related electro-mechanical and instrumentation works, and hydro-testing of cluster distribution system and village distribution system among others. **ii) Railway Projects** involves laying of railway tracks, construction of platforms, bridges, rail-over-bridges etc. **iii) Road Projects** involves construction or strengthening of roads, bridges and highways on EPC mode and **iv) Irrigation Network Projects** – in which the company surveys, designs, constructs, operates and manages irrigation network including construction of tunnels, canals and raw water reservoirs among others.

### Registration with Various Departments

VPRP has been accredited with various registrations as a contractor with various departments and agencies including Jodhpur Development Authority (Rajasthan), Public Health Engineering Department (Rajasthan), Roads and Building Department (Gujarat) and Public Works Department (Chhattisgarh) among others. The company also undertake construction of sewerage treatment plants, sewerage pipelines, sewer tank drain, construction, and commissioning of tube settlers and construction of multi-storey RCC framed structures, tunnels and warehouses. While the company executes majority of the projects themselves, it also forms project-specific JVs and consortiums with other infrastructure and construction entities.

### Financials in Brief

On the financial front, PTL has reported a turnover of Rs4,876.7mn, Rs7,873.9mn and Rs11,714.6mn for FY21, FY22 and FY23 respectively. The company reported profit of Rs189.8mn, Rs448.5mn and Rs906.4mn for the respective periods. It has recorded a healthy Revenue, EBITDA and PAT CAGR of 55%, 86% and 119% respectively over FY21-23. For the last three fiscals, the company has reported an average EPS of Rs5.5 and an average RoNW of 24.6%.

### Our View

On FY23 financials, the IPO is valued at 10.2x P/E, 9x EV/EBITDA and 1.2x EV/Sales. VPRPL has gradually increased their capabilities in terms of the size of projects executed. The infrastructure sector which is a key driver for the Indian economy, is likely to provide several growth opportunities to the company. Moreover, with the Union budget 2023-23, the company stands to benefit from various government initiatives in infrastructure, waster waste management, road and highway Industry. **In view of diversified business verticals, strong financials, multiple growth opportunities and a healthy order book, we recommend a SUBSCRIBE to the issue.**

### IPO Details

Price Band (Rs)	94-99
Face Value (Rs)	10
Issue Open/Closing Date	24-Aug-23/28-Aug-23
Fresh Issues (mn)	31.2
OFS (mn)	-
Total Issue (mn)	31.2
Minimum Bid Qty. (Nos)	150
<b>Issue Size (Rs bn)*</b>	<b>3.09</b>
QIB / HNI / Retail	75%/15%/10%
<b>Implied Market Cap (Rs bn)*</b>	<b>12.3</b>

\*At higher band

### Object of the Issue

- ▶ Funding capex.
- ▶ Funding working capital.
- ▶ General corporate purposes.

### Strengths

- ▶ Visible growth opportunities through a robust order book.
- ▶ Strong player in water supply projects.
- ▶ Healthy financial performance.

### Key Risk

- ▶ Exposed to various implementation and other risks like time and cost overruns.
- ▶ Certain outstanding litigations.
- ▶ Adverse impact in Rajasthan where the business primarily is concentrated.

Shareholding (%)	Pre-Issue	Post-Issue
Promoters	90.5	67.8
Others	9.6	32.2

### Key Financials

(Rs mn)	FY21	FY22	FY23
Revenue	4,857	7,856	11,684
EBITDA	454	869	1,566
EBITDA Margin (%)	9.3	11.1	13.4
PAT	190	448	906
PAT Margin (%)	3.9	5.7	7.8
EPS (Rs)	2.0	4.8	9.7
P/E (x)	49.5	20.6	10.2
EV/EBITDA (x)	29.0	15.8	9.0
EV/Sales (x)	2.7	1.7	1.2
Net Worth	1,136	1,587	3,145
RoE (%)	16.7	28.3	28.8
Gross Debt	1,108	1,766	2,504
Net Block	554	815	1,348
Net Asset Turnover (x)	8.8	9.6	8.7

Source: RHP; Note: \* based on FY23 annualized nos

Senior Research Analyst:

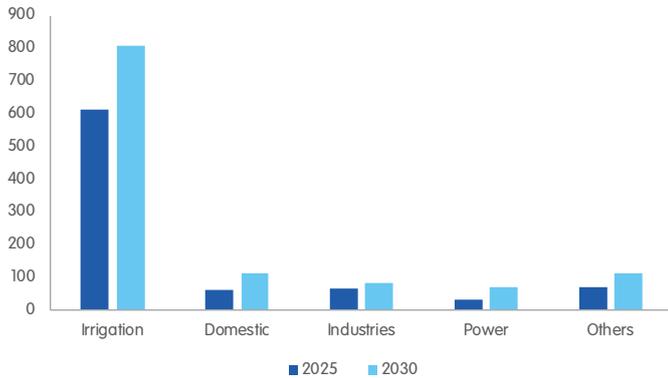
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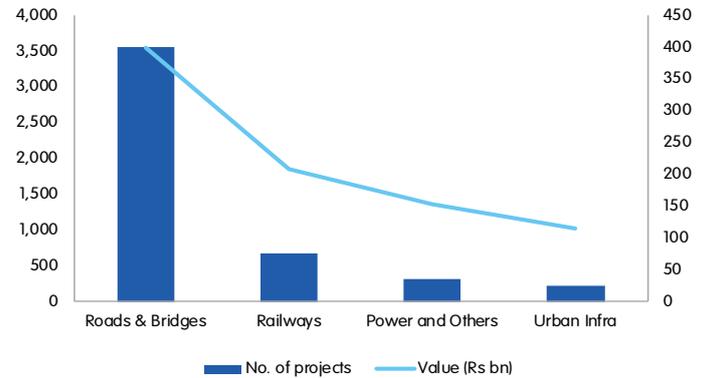
## Industry Data

Exhibit 1: Market Size for Water Requirement (Bn Cubic Meters)



Source: Dynamic Ground Water Resource Assessment 2022, RHP

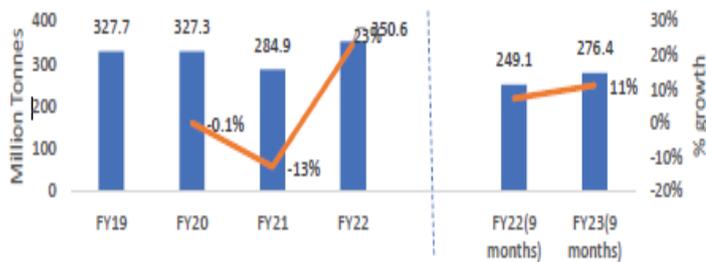
Exhibit 2: Sector-Wise Break-Up of Capex (2020-25)



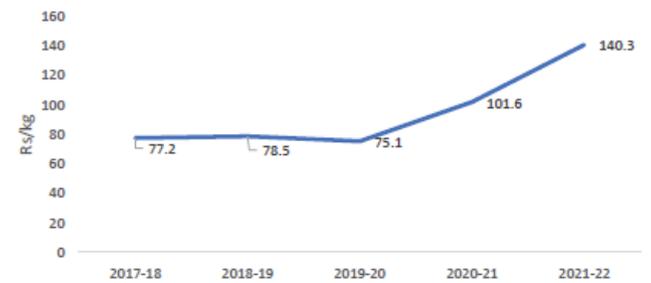
Source: Department of Economic Affairs, RHP

Exhibit 3: Infrastructure Raw Material Scenario

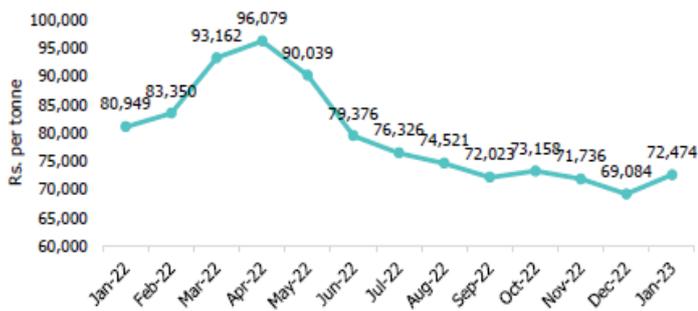
Cement production (MT)



Domestic average price of Poly Vinyl Chloride

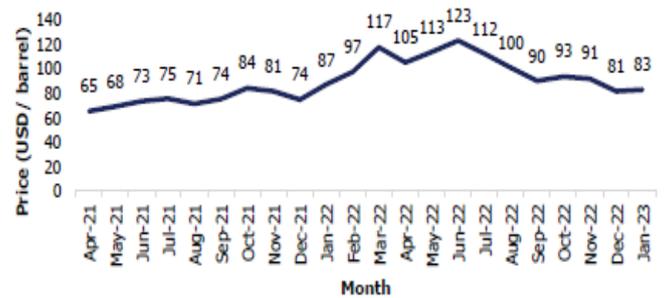


Domestic average finished steel prices



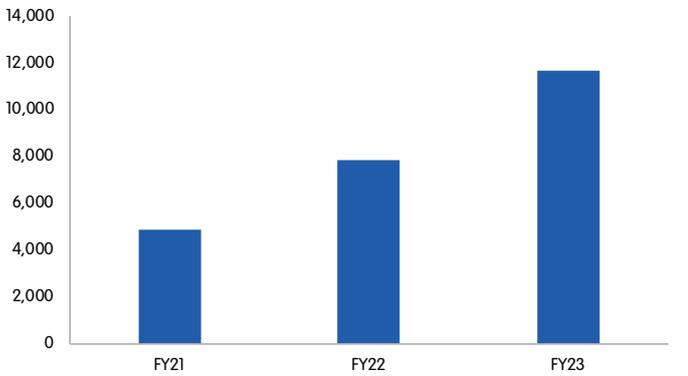
Source: CMIE, RHP

Price movement of crude oil



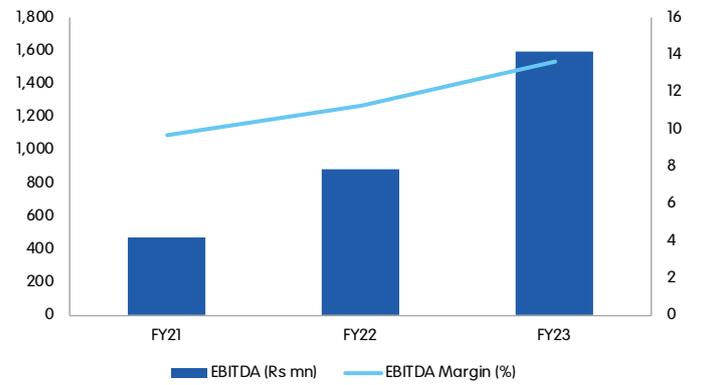
## Company Data

Exhibit 4: Revenue Trend (Rs mn)



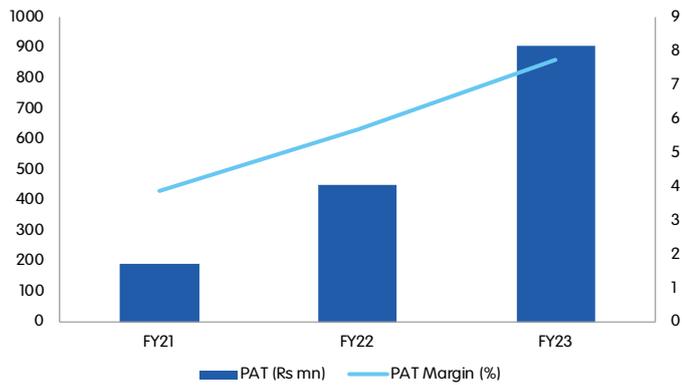
Source: RHP

Exhibit 5: EBITDA Trend



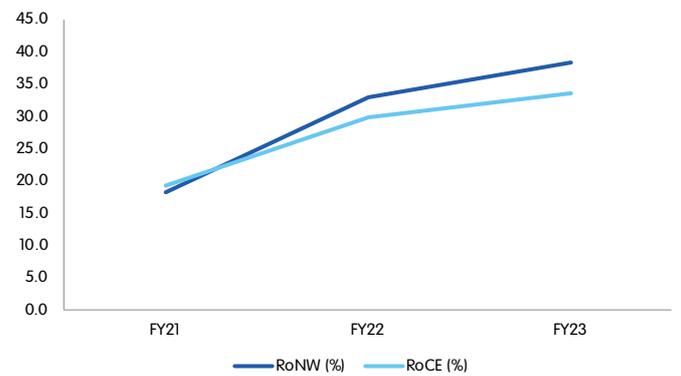
Source: RHP

Exhibit 6: PAT Trend



Source: RHP

Exhibit 7: ROE & ROCE



Source: RHP

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