

Rating: Subscribe for Listing Gains

Issue Offer

Offer for sale of 95,00,000 equity shares amounting to INR 902.5mn and fresh issue of 1,83,00,000 shares of amounting to INR 1,738.5mn

Issue Summary

Price Band INR	92-95
Face Value INR	5
Implied Market Cap INR mn.	8,839
Market Lot	157
Issue Opens on	Oct 8, 2024
Issue Close on	Oct 10, 2024
No. of share pre-issue	74,741,742
No. of share post issue	93,041,742
Listing	NSE, BSE

Issue Break-up %

QIB Portion	≤ 50
Retail Portion	≥ 35
NII Portion	≥ 15

Registrar

Link Intime India Pvt. Ltd.

Book Running Lead Managers

Corpwis Advisors Private Limited

Shareholding Pattern

	Pre-Issue	Post-Issue
Promoters	96.81%	67.56%
Public & Others	3.19%	32.44%

Objects of the issue

- Working Capital Requirements
- General Corporate Expense and unidentified inorganic acquisitions.

Garuda Construction and Engineering Ltd. is an end-to-end civil construction services provider for residential, commercial, residential cum commercial, infrastructure, and industrial projects, along with additional services for infrastructure and hospitality projects. They also undertake construction of concrete building structures and composite steel structures required for civil construction and also provide O&M, MEP services, and finishing works. Concrete building structures and composite steel structures are procured from underlying subcontractors based on specified designs, which may be mandated by overlying developers or by their own engineering teams. Currently, civil construction is being carried out for six (6) residential projects, two (2) commercial projects, one (1) industrial project, and one (1) infrastructure project. As of the date of filing they have an order book aggregating to INR 1,40,82.74mn. Garuda will now start directly venturing into contracts with unrelated third parties and are looking to enter into the larger role of a developer. Garuda currently has 12 ongoing projects of which 9 of them are in the MMR region.

Investment Rationale

Maximizing Profitability Through Asset Light Model: Garuda Construction and Engineering Limited maintains an asset-light model for its civil construction business, primarily relying on third-party subcontractors for equipment, materials, and labor. Majority of machinery is procured from third-party vendors on a rental basis, and the company intends to continue this approach. By deploying equipment and labor through third-party contractors at these locations, fixed costs are reduced, project execution becomes more cost-efficient, and profit margins are increased. This asset-light model is planned to remain a key feature of the company's operations.

Targeting High-Margin Projects with increasing Market Presence: Garuda Construction aims to undertake projects with potentially higher margins and to select initiatives that enhance the company's reputation, market penetration, and overall perception. The quality of construction and the strong relationships established with clients have been instrumental in building a robust order book. As of the date of filing the Prospectus, the total contract value of ongoing projects to INR 1,40,82.7mn, with projects distributed pan India. Notably, Garuda's debt-to-equity ratio is considered negligible, as the company operates virtually debt-free.

Enhanced margins with Lock-and-Key Projects: Projects classified as "lock-and-key" involve comprehensive building construction services, including MEP (Mechanical, Electrical, and Plumbing), finishing, and interior services. Currently, Garuda is engaged in one such lock-and-key project, which encompasses all stages of construction—from foundation to warm shell, MEP, finishing, and interiors. The provision of MEP, finishing, and interior services is regarded as cost-effective, as it allows indirect costs to be distributed across various projects. These cost efficiencies enable the company to unlock greater revenues from each project, making such services a significant value potential, particularly in lock-and-key projects. Garuda intends to pursue a greater number of lock-and-key projects in the future, including contracts for which it will bid and opportunities from its existing clientele.

Reducing Concentration Risk with Geographical Expansion: Garuda aims to expand its geographical footprint and grow its business across the country. Initially, projects were concentrated in MMR region, but the company has since broadened its clientele base to several regions, including New Delhi, Rajasthan, Karnataka, Tamil Nadu, Amritsar, and Arunachal Pradesh. Garuda intends to evolve into a multidisciplinary construction company, offering a diverse range of construction. This includes undertaking institutional, government, industrial, and residential projects in India, supported by their prior experience in the hospitality and government sectors.

Valuation and View : Garuda construction order book stood at INR 14bn (~9x of FY24 revenue) shows business visibility. The company is focused to operate remain asset light model, high margin projects and increasing the market presence. The company have also constructed some marquee projects like the Delhi Police HQ and Golden chariot hotel in Mumbai which showcases their execution capabilities. At the upper price band of INR 95, the issue is priced at a P/E of 24.24x post issue based on the FY24 post issue EPS of INR 3.92. We have a "Subscribe for listing gains' rating for the issue.

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Stock Rating Scale

BUY	>20%
ACCUMULATE	12% to 20%
HOLD	5% to 12%
NEUTRAL	-5% to 5%
REDUCE	-5% to -12%
SELL	<-12%

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