

Company Overview

Incorporated In 1995, G R Infraprojects Ltd (GRIL) is an integrated road engineering, procurement and construction (EPC) company having recently diversified in the railway sector. The company's business operations include (1) civil construction activities, under which it provides EPC services (2) road projects on a Build Operate Transfer basis, including under annuity and Hybrid Annuity Model (HAM) and (3) manufacturing activities. Since 2006 the company has executed over 100 road construction projects across 15 states in India. As of March 31, 2021, their equipment base comprised over 7,000 construction equipment and vehicles. GRIL has developed an in-house integrated model with key competencies enabling them to deliver project services from start to end and facilitate execution of projects within scheduled timelines. As of March 31, 2021, the company had an Order Book of ₹ 19,025.81 crore comprising of 16 EPC projects, 10 HAM projects and 3 other projects. While the company executes a majority of the projects themselves, they also form project-specific joint ventures and consortiums with other infrastructure and construction companies.

Objects of the issue

The IPO proceed will be used towards the following purposes;

- ⇒ To make an offer for sale of up to 11,508,704 shares
- ⇒ To achieve the share listing benefits on the BSE & NSE

Investment Rationale

Focus on road projects with a strong track record of timely execution

GRIL has established itself as a strong EPC player with a capability to execute a range of construction projects. Their focus on road projects has enabled them to enter new markets with strong technical expertise and competitive pricing. The company has recently diversified by winning two projects for the railways sector in 2018. Over the years, the company has developed a strong track record by efficiently managing projects and executing them on time. High skilled & well trained manpower, efficient use of resources and an in-house integrated business model has enabled them to complete projects within timelines.

In-house integrated business model

GRIL's In-house integrated business model enables them to deliver projects from conceptualization till completion. It has a design & engineering team, 3 manufacturing units at Udaipur, Guwahati & Sandila for processing bitumen, thermoplastic road-marking paint, road signage and a fabrication & galvanization unit at Ahmedabad. Their manufacturing facilities has helped them to reduce dependence on external supplies for raw materials. As of March 31, 2021, then company has an equipment base of over 7,000 construction equipment and vehicles which further reduces dependence on third party equipment providers.

Valuation and Outlook

G R Infraprojects Ltd (GRIL) is an integrated road engineering, procurement and construction (EPC) company with experience in the design and construction of various road/highway projects across 15 states. Moreover, in-house integrated business model, experienced promoters & strong management team and strong order book bodes well for the company. Besides various government initiatives and infrastructure push may lead to further growth opportunities for the company. On the valuation front, considering the upper price band, diluted EPS and FY 21 earnings, the company is valued at 8.51x P/E which is at a discount when compared to its listed industry peers (i.e, KNR Construction - 26.59x, PNC Infratech- 20.45x, HG Infra-12.53x and Dilip Buildcon-26.28x). Considering the factors such as strong financial performance, established track record and revenue visibility we give a "SUBSCRIBE" rating on this issue for the long term.

Issue Details	
Offer Period	7th July - 9th July, 2021
Price Band	INR.828 to INR.837
Bid Lot	17
Listing	BSE&NSE
Issue Size (no. of shares in mn)	11.5
Issue Size (INR. in bn)	9.6
Face Value	5

Issue Structure	
QIB	50%
Retail	35%
NIB	15%
BRLM	HDFC Bank, ICICI Securities, Kotak Mahindra Capital, Motilal Oswal, SBI Capital Markets, Equirus Capital
Registrar	KFIN Technologies Pvt. Ltd.

Particulars	Pre Issue %	Post Issue %
Promoter	88.04	86.54
Public	11.96	13.46
Total	100	100

(Assuming issue subscribed at higher band)

Research Team - 022-61596407



Income Statement (In mn)

Particulars	FY19	FY20	FY21
Revenue			
Revenue From Operations	52,826	63,727	78,441
Total Revenue	52,826	63,727	78,441
Expenses			
Raw Material Consumed	1,134	1,062	1,113
Civil Construction Costs	34,614	41,513	53,132
Changes in Inventories of Finished Goods and Trading Goods	3	(23)	(44)
Employee Benefit Expense	3,499	4,494	4,576
Other Expenses	742	820	1,166
Total Operating Expenses	39,992	47,866	59,944
EBITDA	12,834	15,861	18,497
Depreciation and Amortisation Expense	1,490	1,885	2,262
Other Income	429	510	628
EBIT	11,773	14,486	16,863
Finance Costs	1,696	2,945	3,617
PBT	10,077	11,541	13,246
Current Tax	2,216	3,628	2,897
Reversal of Excess Provision for Tax of Earlier Years	-	-	(203)
Deferred Tax Charge	695	(95)	1,020
Total Tax	2,911	3,533	3,714
PAT	7,166	8,008	9,532
Diluted EPS	74	83	98

Source: RHP, BP Equities Research

Cash Flow Statement (In mn)

Particulars	FY19	FY20	FY21
Cash Flow from operating activities	(2,437)	(2,666)	(4,340)
Cash flow from investing activities	(7,838)	(1,437)	(7,297)
Cash flow from financing activities	10,039	8,837	9,486
Net increase/(decrease) in cash and cash equivalents	(236)	4,735	(2,151)
Cash and cash equivalents at the beginning of the period	1,023	787	5,521
Cash and cash equivalents at the end of the period	787	5,521	3,371

Source: RHP, BP Equities Research



Balance Sheet (In mn)

Particulars	FY19	FY20	FY21
Liabilities			
Share Capital	485	485	483
Other Equity	21,812	29,787	39,317
Net worth	22,297	30,272	39,800
Long-Term Borrowings	16,057	27,372	35,825
Other Financial Liabilities	229	261	244
Deferred Tax Liabilities (Net)	-	878	1,895
Long Term Provisions	82	82	82
Total Non-Current Liabilities	16,368	28,593	38,046
Trade Payables	5,167	5,548	7,344
Borrowings	2,540	312	2,881
Other Financial Liabilities	3,936	5,503	8,628
Other Current Liabilities	7,758	7,361	3,510
Short Term Provisions	66	144	230
Current Tax Liabilities (Net)	157	102	82
Total Current Liabilities	19,623	18,970	22,675
Non-Current Liabilities classified as Held for Sale	-	-	640
Total Equity & Liabilities	58,287	77,834	1,01,160
Assets			
Property, Plant & Equipment	8,984	9,964	13,134
Right of Use Assets	289	280	271
Capital Work in Progress	433	280	555
Investment Property	2	2	2
Goodwill on consolidation	0	0	-
Other intangible Assets	22	46	38
Financial Assets	4,232	16,170	31,155
Deferred Tax Assets (Net)	674	-	-
Current Tax Assets (Net)	570	776	850
Other Non-Current Assets	6,607	9,575	11,994
Total Non-Current Assets	21,813	37,093	57,999
Inventories	6,137	7,687	10,584
Investments	81	7	1,005
Trade Receivables	5,427	3,013	5,080
Cash and Cash Equivalents	1,939	5,513	2,297
Bank Balances	5,219	3,967	6,011
Other Financial Assets	2,837	2,400	5,297
Other Current Assets	14,833	18,156	12,233
Total Current Assets	36,474	40,741	42,506
Non-Current Assets classified as Held for Sale	-	-	656
Net Current Assets	16,852	21,771	19,832
Total Assets	58,287	77,834	1,01,161

Key Risks

- ⇒ Majority of the company's revenue is derived from their civil construction segment. Failure to obtain new contracts or termination of current contracts may adversely affect the financial condition.
- ⇒ The business is primarily dependent on road projects in India undertaken or awarded by governmental authorities. Any adverse changes in the central or state government policies may affect the business.
- ⇒ The continuing effect of the COVID-19 pandemic on the business is highly uncertain and cannot be predicted.

**Disclaimer Appendix****Analyst (s) holding in the Stock : Nil****Analyst (s) Certification:**

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