

Issue Details

Listing	BSE & NSE
Open Date	7 th July, 2021
Close Date	9 th July, 2021
Price Band	Rs.828-837
Market Lot	17 shares
Minimum Lot	1 Lot

GR Infraprojects Ltd (GRIL) mainly undertakes civil construction projects under the EPC and BOT (Build Operate Transfer) basis in the road sector. It has also diversified into manufacturing activities of thermoplastic road-making paints, electric poles, road signages, and fabricating metal crash barriers.

Till April 2021, it has completed 100+ road construction projects successfully, and currently, 4 BOT projects are under construction. The company owns 3 manufacturing facilities at Udaipur (Rajasthan), Guwahati (Assam), and Sandila (Uttar Pradesh) and has a fabricating and galvanization unit at Ahmedabad, Gujarat.

Issue Structure

Offer for sale	100%
Issue Size	Rs.963 cr
Total shares in cr	1.15
QIB share (%)	≤ 50%
Non Inst share (%)	≥ 15%
Retail share (%)	≥ 35%

Over FY19-21, GRIL's revenues/ EBITDA / PAT grew at a CAGR of 21.9%/ 20.1% / 15.3% to Rs.7,844.1 cr / Rs.1,849.7 cr / Rs. 953.3 cr, respectively. It derives most of its revenues from Civil construction. The company received a bonus of Rs. 280 Cr for projects completed earlier than stipulated.

The portfolio of operational projects consists of:

- BOT project – Reengus Sikar Expressway (43.89 km in length)
- Five HAM projects –
 - GR Phagwara Expressway (80.82 km in length),
 - Nagaur Mukundgarh Highways (393.71 km in length),
 - Varanasi Sangam Expressway (72.38 km in length),
 - Porbandar Dwarka Expressway (117.74 km in length),
 - GR Akkalkot Solapur Highway (38.95 km in length).

It has four under construction HAM projects: -

- GR Gundugolanu Devarapalli Highway (69.88 km in length),
- GR Sangli Solapur Highway (45.6 km in length),
- GR Dwarka Devariya Highway (71.89 km in length),
- GR Aligarh Kanpur (70.98 km in length),

and the Five HAM projects which were awarded and are to be commenced: -

- GR Ena Kim Expressway (36.93 km in length),
- GR Shirsad Masvan Expressway (27.12 km in length),
- GR Bahadurganj Araria Highway (44.98 km in length),
- GR Galgalia Bahadurganj Highway (49 km in length),
- GR Bilaspur Urga Highway (70.2 km in length).

Shareholding Pattern

	Pre (%)	Post(%)
Promoters	88.04	86.54
Public	11.96	13.46

Key Financials (in ₹ crores)

	Sales	EBITDA	Net Profit	EBITDA (%)	Net Profit (%)	EPS ₹	BV ₹	RoE (%)	RoCE (%)	P/E (x)	P/BV (x)	EV/EBITDA (x)
FY19	5,282.5	1,283.4	716.7	24.3	13.6	73.9	230.0	32.1	18.7	11.3	3.6	7.4
FY20	6,372.7	1,586.1	800.8	24.9	12.6	82.5	312.2	26.5	16.1	10.1	2.7	6.5
FY21	7,844.1	1,849.7	953.3	23.6	12.2	98.3	411.6	24.0	13.7	8.5	2.0	6.4

PE,P/BV and EV/EBITDA are calculated at upper price band

The cumulative order book as on 31st March, 2021 stands at ~Rs. 19,025 Cr. Of this, projects awarded by NHAI constitute 87.2% of the total order book.

Valuation

At the upper band of Rs. 837, the company is valued at 8.5x FY21 PE on a post-issue basis.

❖ Key Highlights

Strong R&D and product development capabilities

GRIL has substantial experience in undertaking R&D activities as part of its manufacturing operations. The R&D team helps in identification of appropriate complex technicals that are suitable for commercialization. The R&D team comprises engineers, masters and civil engineering.

The company's ability to manufacture complex products is among the key factors that has contributed to its growth over the years. It is an integrated road EPC company with experience in design and construction of various road/highway projects in 15 states in India. Apart from their main business activity of civil construction of roads and related infrastructure, they are undertaking the following activities:

- EPC works including procuring and supply of optical fibre cable and accessories for a telecom infrastructure project and also two projects for the railways sector;
- Operation of a wind mill having an installed capacity of 1.25 MW, in Jaisalmer, Rajasthan; and
- Construction and development of a group housing society comprising of row houses and other residential units at Udaipur, Rajasthan.

The company's ongoing projects are:

- Construction of 8-lane access-controlled expressway from Km 26.582 to Km 50.700 of the Main Expressway and Km 0.0 to Km 3.00 of SPUR Shirsad to Masvan Section of the Vadodara Mumbai Expressway in the State of Maharashtra on HAM under Bharatmala Pariyojana Ph II Pkg XIII .
- 4-laning of Aligarh-Kanpur section from Km. 289.000 (Design Chainage 302.108) to Km. 356.000 (Design Chainage 373.085) (Package-IV from Naviganj – Mitrasen) of NH-91 in the state of Uttar Pradesh on Hybrid Annuity mode under Bharatmala Pariyojana.

- Construction of Eight lane access controlled Expressway from Km 217.500 to Km 254.430 of Vadodara Mumbai Expressway Ena to Kim Section in the state of Gujarat On HAM under Bharatmala Pariyojana 1 (Pkg VI).
- Construction of Eight Lane Carriageway Starting near the Major Bridge on Mej river to the junction with 5H-37A (ch.331.030-359.170) Section of Delhi – Vadodara Access Controlled Green Field Alignment (NH-148N) EPC mode under Bharatmala Pariyojana in the state of Rajasthan (Delhi _Vadodara Pkg 12).
- Upgradation of the Highway starting from the junction with NH-44 at Panipat connecting Kairana, Shamli, Muzaffarnagar, Miranpur, Bijnor and terminating at its junction with NH-74 at Kotawali to two/four lane with paved shoulder configuration (Pkg no. NH/IAHE/47, Category-II) -Shamli to Muzaffarnagar Pkg-II of NH-709AD.

Diversified portfolio of niche and quality specialized products

They undertake construction business in an integrated manner as they have developed key competencies and resources in-house to deliver a project from conceptualization until completion. Their manufacturing facilities for processing of bitumen are located in Udaipur, Rajasthan, Sandila, Uttar Pradesh and Guwahati, Assam and fabrication and the galvanization unit for manufacturing metal crash barriers and electric poles is located at Ahmedabad, Gujarat. The thermoplastic road-marking paint and road signage manufacturing unit, located in Udaipur, Rajasthan, caters to the key components that are required in the construction and development of projects.

Their equipment base comprises over 7,000 construction equipment and vehicles that enables them to be less dependent on third party equipment providers and efficiently manage their project execution schedules. With this they intend to capture a larger proportion of the value chain in the road development business, including EPC margins, developer returns and operation and maintenance margins.

Key raw materials, such as bitumen and diesel, transported from manufacturing plants and refineries to project sites are withheld for captive consumption, which tends to reduce pilferage and adulteration.

The company intends to maintain their primary focus on EPC contracts, as well as plans to undertake BOT projects (including toll projects), either independently or in partnership with other players.

They are simultaneously investing in the latest equipment and technology to support the expanding operations.

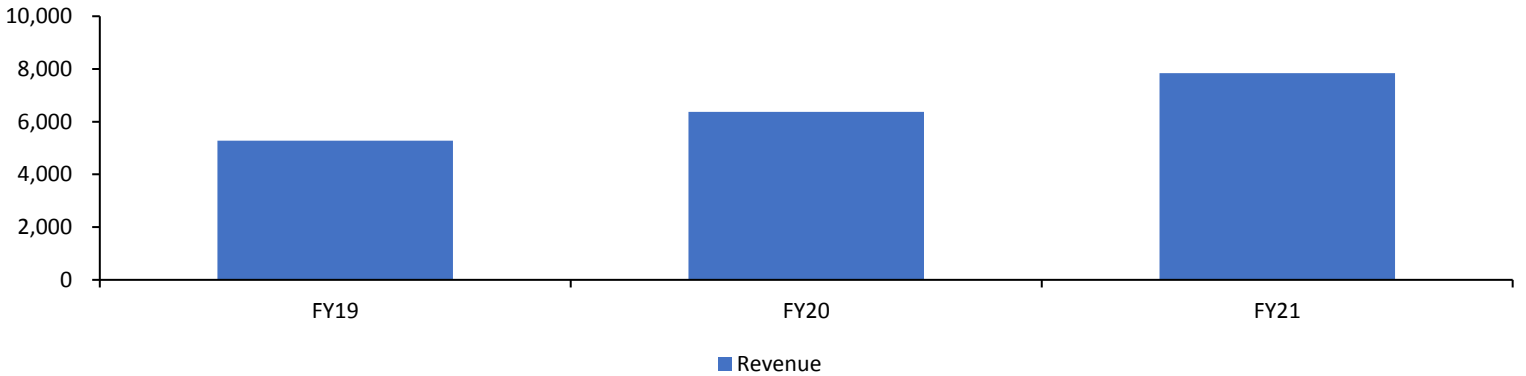
Infrastructure development will be a major driver for growth of the Indian industry in the foreseeable future due to ever increasing levels of the Government's focus and investment in infrastructure in India.

INR 280 Cr Early Completion Bonus

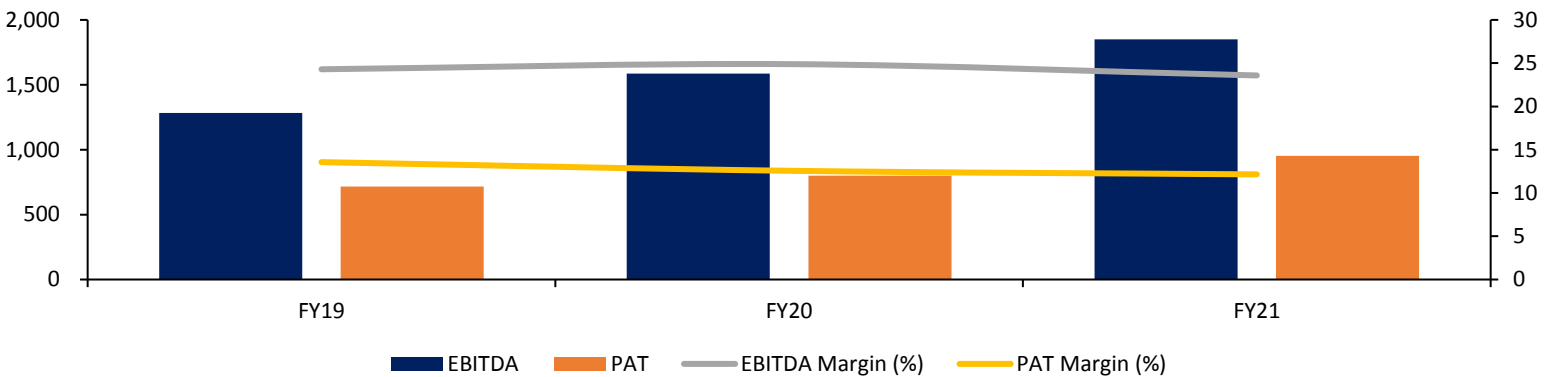
Project	Completed earlier than scheduled (in days)	Gross Bonus Received
Nagaur Mukundgarh Project	394	119.65
Porbandar Dwarka Project	299	53.58
Shillong Bypass Project	318	43.21
Hisar Dabwali Package 2	106	19.44
Hisar Dabwali Package 1	115	16.47
Faridkote - Kotakpura Project	90	15.42
Jowai - Ratacherra Project	46	6.87
Phagwara Ruonagar Project	38	5.38
Total		280.02

GRIL story in charts

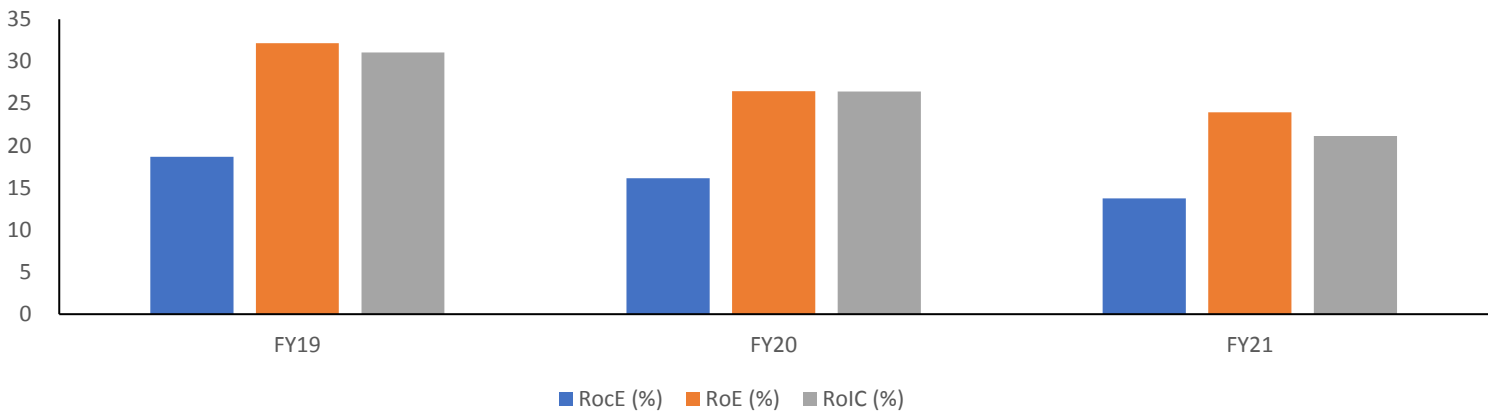
INR in cr

Revenues have grown at 22% CAGR over FY19-21


INR in cr

EBITDA/PAT has grown at 20.1/15.3% CAGR over FY19-21


INR in cr

RoE/RoCE/RoIC has declined over FY19-21


Source: Company Reports and Ventura Research

❖ Key risk and concern areas

Intense competition in the industry

Increase in competition for EPC

HAM being pursued by only a few players, the share of EPC projects in overall road contracts is the highest. For EPC projects, a developer is eligible to bid if its bid capacity is more than the bid value. Bid capacity is calculated based on the highest annual revenue earned through EPC projects in any of the last five years. Thus, a lower bid value ensures more eligible bidders, thereby increasing project competitive intensity. These factors make EPC attractive for low-ticket projects, and therefore, increase competition.

Cost escalations

Increases in the prices of construction materials, fuel, labour and equipment could have an adverse effect on the business, results of operations and financial condition. There is a risk of rising and fluctuating steel, bitumen and cement prices, which are determined by demand and supply conditions in the global and Indian markets as well as government policies. EPC services are mostly on the basis of a fixed price or a lump sum for the project as a whole, which may not always include escalation clauses covering any increased costs.

Increase in working capital/debtor days

Amid uncertain times of Covid-19 pandemic with state government's tight fiscals, working capital/debtor days in the near term may increase further.

❖ Issue Structure and Offer Details

The proposed issue size of GRIL is ~Rs.963 cr consisting of offer for sale. The price band for the issue is in the range of Rs.828-837 and the bid lot is 17 shares and multiples thereof.

Issue Structure at upper price band		
Category	No. of shares offered	No of shares Offered
QIB	Not more than 5,641,851	Not more than 50% of public issue
Non-Institutional Bidders	Atleast 1,692,556	Atleast 15% of public issue
Retail	Atleast 3,949,297	Atleast 35% of public issue

* No of shares based on higher price band of Rs.837

Source: Company Reports & SEBI

Shareholding Pattern		
Category	Pre-issue	Post-issue
Promoters	88.04%	86.54%
Public	11.96%	13.46%

Source: Company Reports and SEBI

Financial Analysis

Figures in INR Crores	FY19	FY20	FY21	Figures in INR Crores	FY19	FY20	FY21
Income Statement				Per share data & Yield			
Revenue	5,282.6	6,372.7	7,844.1	Adjusted EPS (Rs)	73.9	82.6	98.3
YoY Growth (%)		20.6	23.1	Adjusted CEPS (Rs)	89.3	102.0	121.6
Raw Material Cost	3,575.2	4,255.2	5,420.1	Adjusted BVPS (Rs)	230.0	312.2	410.5
YoY Growth (%)		19.0	27.4	CFO per share (Rs)	(25.1)	(27.5)	(44.8)
Employee Cost	349.9	449.4	457.6	FCF per share (Rs)	(96.4)	(24.3)	(97.3)
YoY Growth (%)		28.4	1.8	FCF Yield (%)	(11.5)	(2.9)	(11.6)
Other Expenses	74.2	82.0	116.6				
YoY Growth (%)		10.6	42.2	Solvency Ratio (X)			
EBITDA	1,283.4	1,586.1	1,849.7	Total Debt to Equity	1.0	1.1	1.1
YoY Growth (%)		23.6	16.6	Net Debt to Equity	0.6	0.7	0.9
Margins (%)	24.3	24.9	23.6	Net Debt to EBITDA	1.1	1.4	2.0
Depreciation & Amortization	149.0	188.5	226.2	Interest Coverage Ratio	6.7	4.7	4.5
EBIT	1,134.4	1,397.6	1,623.5				
YoY Growth (%)		23.2	16.2	Return Ratios (%)			
Margins (%)	21.5	21.9	20.7	Retrun on Equity	32.1	26.5	24.0
Other Income	42.9	51.0	62.8	Return on Capital Employed	18.7	16.1	13.7
Finance Cost	169.6	294.5	361.7	Return on Invested Capital	31.0	26.4	21.2
PBT	1,007.7	1,154.1	1,324.7				
YoY Growth (%)		14.5	14.8	Working Capital			
Margins (%)	19.1	18.1	16.9	Inventory Days	63	66	71
Reported Tax	291.1	353.3	371.4	Receivable Days	37	17	24
Tax Rate	28.9	30.6	28.0	Payable Days	53	48	49
PAT	716.7	800.8	953.3	Net Working Capital Days	47	36	45
YoY Growth (%)		11.7	19.0				
Margins (%)	13.6	12.6	12.2	Valuation (X)			
				P/E Ratio	11.3	10.1	8.5
Balance Sheet				P/BV Ratio	3.6	2.7	2.0
Share Capital	48.5	48.5	48.3	EV/EBITDA	7.4	6.5	6.4
Total Reserves	2,181.2	2,978.7	3,931.7	EV/Sales	1.8	1.6	1.5
Shareholders' Fund	2,229.7	3,027.2	3,980.0				
Non Controlling Interest	0.0	0.0	0.0	Cash Flow Statement			
LT Borrowings	1,605.7	2,737.2	3,582.5	Profit Before Tax	1,007.7	1,154.1	1,324.7
LT Lease Liabilities	22.9	22.2	21.9	Adjustments	(925.5)	(1,191.9)	(1,070.4)
Other LT Financial Liabilities	0.0	3.9	2.6	Change in Working Capital	(34.9)	124.5	(316.8)
LT Provisions	8.2	8.2	8.2	Less: Tax Paid	(291.1)	(353.3)	(371.4)
Deferred Tax Liabilities	0.0	87.8	189.5	Cash Flow from Operations	(243.7)	(266.6)	(434.0)
Total Liabilities	3,866.4	5,886.4	7,784.6	Net Capital Expenditure	(812.7)	(181.1)	(769.7)
Gross Block	1,221.7	1,489.4	1,999.9	Change in Investments	28.9	37.4	40.1
Less: Accumulated Depreciation	323.3	493.0	686.5	Cash Flow from Investing	(783.8)	(143.7)	(729.7)
Net Block	898.4	996.4	1,313.4	Proceeds from Issue of Equity	0.0	0.0	(1.4)
Capital WIP	43.3	28.0	55.5	Payment of Lease Liabilities	(10.0)	(12.6)	(13.0)
Other Intangible Assets	2.2	4.6	3.8	Change in LT Borrowings	857.6	1,131.5	845.3
Right of Use Assets	28.9	28.0	27.1	Change in ST Borrowings	8.5	(62.9)	470.4
Other LT Financial Assets	423.2	1,617.0	3,115.5	Less: Finance Cost	(166.3)	(290.7)	(358.9)
Deferred Tax Assets	67.4	0.0	0.0	Change in Other Liabilities	314.1	118.4	6.3
Non Current Tax Assets	57.0	77.6	85.0	Cash Flow from Financing	1,003.9	883.7	948.6
Other Non Current Assets	660.7	957.5	1,199.4	Net Cash Flow	(23.6)	473.5	(215.1)
Net Current Assets	1,685.4	2,177.3	1,985.0	Opening Balance of Cash	102.3	193.9	551.3
Total Assets	3,866.4	5,886.4	7,784.6	Closing Balance of Cash	78.7	667.4	336.3

Source: Company Reports & Ventura Research

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