

# IPO Snapshot

October 07, 2024

## Garuda Construction and Engineering Limited





**Issue Snapshot:**

Issue Open: October 08 – October 10, 2024

Price Band: Rs. 90 – 95

\*Issue Size: Up to 2,78,00,000 eq sh (Fresh issue of 1,83,00,000 eq sh + Offer for sale of 95,00,000 eq sh)

Reservation for:

QIB atleast 50% eq sh  
Non-Institutional upto 15% eq sh  
((including 1/3<sup>rd</sup> for applications between Rs.2 lakhs to Rs.10 lakhs))  
Retail upto 35% eq sh

Face Value: Rs 5

Book value: Rs 16.39 (April 30, 2024)

Bid size: - 157 equity shares and in multiples thereof

100% Book built Issue

**Capital Structure:**

Pre Issue Equity: Rs. 37.37 cr  
\*Post issue Equity: Rs. 46.52 cr

Listing: BSE & NSE

Book Running Lead Managers: Corpwis Advisors Private Limited

Sponsor Bank: HDFC Bank Ltd & ICICI Bank

Registrar to issue: Link Intime India Private Limited

**Shareholding Pattern**

Shareholding Pattern	Pre issue %	Post issue %
Promoter and Promoter Group	96.81	67.56
Public & Employees	3.19	32.44
<b>Total</b>	<b>100.0</b>	<b>100.0</b>

\*=assuming issue subscribed at higher band  
Source for this Note: RHP

**Background & Operations:**

Garuda Construction & Engineering Ltd. (GCEL) is a growing civil construction company with growth in revenue from operations. It provides end-to-end civil construction for residential, commercial, residential cum commercial, infrastructure and industrial projects and additional services for infrastructure and also hospitality projects, Wherein, civil construction includes construction of residential, hospitality, industrial, infrastructural and commercial buildings, construction of concrete building structures and composite steel structures which are required for the civil construction.

Its end-to-end civil construction starts with detailed route survey, designing, detailed engineering, mobilization of resources, micro scheduling of construction activities, obtaining construction permissions and conducting soil/water testing, hiring of contractor / manpower, procurement of material, lab testing, carrying out construction activities as per approved plan and finally handing over the project as per the agreed terms. Further, GCEL is also involved in sector pertaining to civil construction cum services. The construction of concrete building structures and composite steel structures are procured from underlying sub-contractors as per specified designs which may be mandated by overlying developers or by its own engineering teams. Further, the company also provides services such as operations and maintenance services ("O&M") and Mechanical, Electrical and Plumbing ("MEP") services and finishing works as a part of its construction services.

Historically, it has been majorly being an in-house construction company for Promoter Group and group related entities, where in the group entities and corporate Promoters bid for third party civil contracts as developers (private sector as well as where Government entities have a requirement where the bidding is as per publicly available tender documents and the Governments tendering process in certain cases) and sub-contract the construction work to the company as a contractual service. Going forward, GCEL is directly venturing into contracts with unrelated third parties and taking on a role of a professionally managed construction company. As of the date of filing this offer document, it had a strong order book worth Rs. 1408.27 cr. for 12 ongoing projects. As of the said date, it had 65employees on its payroll and is also hiring contract labourers as and when needed.

On the financial performance front, for the last three fiscals, the company has posted a total income/net profit of Rs. 77.03 cr. / Rs. 18.78 cr. (FY22), Rs. 161.02 cr. / Rs. 40.80 cr. (FY23), and Rs. 154.47 cr. / Rs. 36.44 cr. (FY24). For M1 of FY25 ended on April 30, 2024, it earned a net profit of Rs. 3.50 cr. on a total income of Rs. 11.88 cr.

**Objects of Issue:**

The Offer comprises of a Fresh Issue of upto 1,83,00,000 Equity shares, by GCEL and an Offer for Sale of upto 95,00,000 Equity shares by the Promoter Selling Shareholder.

**The Offer for Sale**

The respective portion of the proceeds from the Offer for Sale (which is, proceeds from the Offer for Sale of up to 95,00,000 Equity Shares shall be received by PKH Ventures Limited "Promoter Selling Shareholder"), after deducting its portion of the Offer related expenses and applicable taxes thereon. The Company will not receive any proceeds from the Offer for Sale.



**Fresh Issue**

The Company proposes to utilize the funds which are being raised towards funding the following objects and achieve the benefits of listing on the BSE Limited and National Stock Exchange of India:

- Working Capital Requirements
- General Corporate Expenses and unidentified inorganic acquisitions

**Utilisation of Net Proceeds**

GCEL proposes to utilise the Net Proceeds towards the following objects:

S.No	Particulars	Amount (in Rs. lakhs)
1	Working Capital Requirement	10000.00
2	General Corporate Expenses and unidentified inorganic acquisitions	*
	<b>Net Proceeds</b>	*

**Competitive Strengths**

- Exclusive and focused business approach.
- Established and proven track record Long-standing relationships with customers across industries
- Strong project management capacity and execution capabilities
- Strong financial performance and healthy balance sheet
- Visible growth through increasing order book
- Experienced Promoter, Directors & Management Team

**Business Strategy:**

- Thrust into the Construction and Development segment
- Increase focus on and execute greater number of projects on a lock-and-key basis
- Continue focusing on timely completion
- Continue to maintain an asset light model for business operations
- Expand geographical footprint
- Expand Construction activities across sectors

**Key Concerns**

- Though order book has substantial contracts with unrelated entities and for construction projects, GCEL do not have a large exposure to work orders or EPC contracts outside its Promoter Group entities and Group Companies and it has minimal experience in dealing with unrelated third-party entities and this will pose obstacles and challenges in its growth as a construction company. Further, if GCEL is unable to succeed as a developer or contractor outside of its promoter group entities and group companies its long-term growth, results of operation and profits could be limited
- The Company had negative cash flow in recent fiscals. Sustained negative cash flow could adversely impact the business, financial condition and results of operations.
- The Company is evolving from an intra-group contractor, providing construction services to group entities and Promoter Related entities (where its group entities and corporate Promoters bid for third party civil construction contracts) into a larger contractor and developer entering into contracts with unrelated third parties and faces challenges inherent in dealing with unknown and unrelated entities and previously unexplored construction industry space. In the event GCEL suffer losses, delays and other setbacks in such transactions, individually or in the aggregate, these will have an adverse effect on its financial condition and results of operation and also limit growth outside its Promoter Group related entities and Group Companies.
- Financial condition may be materially and adversely affected if GCEL fails to obtain new contracts or its current contracts are terminated or face delays in commencement.
- The Company enters into various contracts / sub-contract agreements with its customers or primary contractors for its construction projects. Such agreements contain conditions and requirements, the non-fulfilment of which could result in delays or inability to implement and complete its projects as contemplated.



- Rely on various third parties for their services and the supply of raw materials to its projects and factors affecting the performance of their obligations could adversely affect its reputation and business and revenues from its operations. Though under several EPC contracts GCEL is responsible for procuring and maintaining approvals, since it subcontracts the work in parts to several subcontractors, it is the subcontractors who maintain the approvals for all materials and labour and services as provided to the Company, hence exposing it to the risk of its sub-contractor default and non-compliance with applicable laws and regulations for the same.
- GCEL do not own Registered Office and has taken the same on leave and license basis from its promoter group entity, M/s Artemis Electricals and Projects Limited. Any revocation or adverse changes in the terms of the leave and license may have an adverse effect on the business, prospects, results of operations and financial condition.
- Changes in laws and regulations relating to the sectors/areas in which the Company operate.
- Inability to identify the new premises may adversely affect the operations, finances and profitability of the Company;
- Uncertainty regarding the real estate market, land prices, economic conditions and other factors beyond GCEL's control;
- Inability to identify or effectively respond to consumer needs, expectations or trends in a timely manner;
- Ability to successfully implement growth strategy and expansion plans, and to successfully launch and implement various projects;
- Delays in the execution of the projects, premature termination of the projects for which GCEL may not receive the payments;
- Conflict of Interest with affiliated companies, the promoter group and other related parties;
- Contingent liabilities could materially and adversely affect the business, results of operations and financial condition.
- Order Book may not clearly represent future results and actual revenue may be significantly less than the estimates reflected in its Order Book, which could adversely affect the results of operations;
- Operations necessitate substantial working capital. Should GCEL's cash flows be inadequate for meeting these needs, it could negatively impact its operational outcomes. Absence of large projects and dependence on small developers;
- The Company has undertaken a real estate project in Mumbai and propose to do the same in future. Given its lack of experience in real estate development and sales, if it fails to succeed as a developer, it could negatively affect its operational results and financial stability;
- Business success and profitability heavily rely on the dynamics of the Indian real estate market, especially in the Mumbai Metropolitan Region (MMR). Fluctuations in the MMR market could impact its ability to sell its projects and set unit prices effectively, potentially leading to adverse effects on its operational outcomes and financial health;
- Changes in government policies and regulatory actions that apply to or affect its business;
- There have been instances of delay in filing of GST, ESIC and PF returns of the Company. It may be subject to regulatory actions and penalties for any such delays and its business, financial condition and reputation may be adversely affected.
- Failure to successfully upgrade products and service portfolio, from time to time;
- Specific approvals and licenses are required for regular business operations. Failure to obtain, renew, or update these necessary registrations could negatively impact the business activities, operational results, and financial health;
- Rely on various third parties for services and the supply of raw materials to Contracts and factors affecting the performance of their obligations could adversely affect the Company's reputation and business and revenues from its operations.
- GCEL is subject to counterparty credit risk and any delay in receiving payments or non-receipt of payments may adversely impact results of operations.



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