

# Udayshivakumar Infra Limited

Infrastructure | India

IPO | 17 March 2023

## EPC Contractor focused on Karnataka

### About the Company

Udayshivakumar Infra Limited is engaged in the business of construction of roads including national highways, state highways, district roads, Smart roads under PM's Smart City Mission projects, Smart roads under municipal corporations, Bruhat Bengaluru Mahanagara Palike (BBMP) and local area roads in various taluka places in the State of Karnataka. Company's project portfolio consists of construction of bridges across major and minor rivers, Railway Over Bridges (ROB), major and minor irrigation and canal projects and industrial areas in Karnataka. Since FY15, the company has completed 30 projects having an aggregate contract value of Rs6.8bn, which includes 16 roads, 5 bridges, 6 irrigation and 3 civil construction works. As on December 31, 2022, the company is executing 30 ongoing projects which include 10 roads, 7 smart roads, 1 bridge, 8 irrigation projects, 3 civil construction works and 1 toll plaza with an aggregate order book value of Rs8.5bn. The company has also emerged as L1 (lowest bidder) in projects comprising of 14 roads, 1 toll plaza and 1 irrigation works with an aggregate order book value of Rs4.4bn. Thus, the total order book (Awarded + L1) stands at Rs12.9bn as of 9MFY23. The company is coming out with an IPO of Rs660mn comprising entirely of fresh issue. The price band is Rs33-35 while the post-issue market cap is seen at Rs1.94bn at higher band. The funds will be utilised for funding incremental working capital requirements of the company and for general corporate purposes.

### Focused on Roads, Flyovers and Bridge Construction

Company's focused approach on the construction of road, bridges and irrigation projects over the years has enabled it to bid for various projects involving construction of road, bridges and irrigation projects. Since FY15, the company has completed 30 projects having an aggregate contract value of Rs6.8bn, which includes 16 roads, 5 bridges, 6 irrigation and 3 civil construction works. The company is currently L1 in 14 road, 1 toll plaza and 1 irrigation project.

### Strong Execution Capabilities with Backward Integration

The company's in-house engineering and design team of 27 engineers have the necessary skills and expertise in preparing detailed architectural and structural designs based on the conceptual requirements of the clients. The in-house engineering and design team also reduces the dependence on outsourcing engineering and design work to third party consultants. Over the years, the company has acquired a fleet of modern construction machinery and equipment to support the construction of their projects. As on December 31, 2022, the equipment base comprises of 111 construction equipments, 46 dumpers, 51 other construction vehicles and 7 Ready Mix Concrete (RMC) Plants out of which 1 is taken on lease. Also, it has access to 1 stone quarry owned by M/s. Udayshivakumar Stone Crusher. The company has also set up a central procurement team that procures major materials and engineering items required for the projects. This in-house integrated model reduces dependence on third party suppliers for key raw materials and services required in the development and construction of the projects and facilitates project execution within scheduled timelines.

### Financials

During FY20-22, its revenue declined by 2% CAGR while EBITDA was flat. PAT grew at a CAGR of 8% due to lower finance costs. For 1HFY23, its revenue stood at Rs1,066mn while EBITDA stood at Rs168mn, EBITDA margin increased to 15.7% in 1HFY23 from average margin of 12.1% during FY20-FY22. Return ratios have declined with RoE and RoCE declining by 460bps and 237bps respectively to 17.8% and 15.4% over FY20-22. Receivable days have steadily declined from 111 days in FY20 to 63 days in FY22. Net D/E has also declined from 0.7x in FY20 to 0.2x in FY22.

### Our View

On FY23 annualized financials, the IPO is valued at 9.7x P/E at the upper price band. The company has a healthy order book of Rs8.5bn. Additionally the company has emerged as L1 in projects worth Rs4.4bn, thus taking the total order book to Rs12.9bn as of 9MFY23. Moreover, the company has formed a 75:25 JV with another construction company that will allow the company to bid for projects having strict technical and financial prerequisites. The backward integration in terms of captive equipment and machinery fleet and in-house engineering and design team reduces execution risk and delays. **Considering the healthy business prospects for infra sector, company's low D/E ratio, improving margins and valuation comfort at 9.7x P/E on annualised FY23 financials, we recommend SUBSCRIBE to the issue.**

**SUBSCRIBE** 

#### IPO Details

Price Band (Rs)	33 - 35
Face Value (Rs)	10
Issue Open/Closing Date	20-Mar-23/23-Mar-23
Fresh Issues (mn)	18.9
OFS (mn)	-
Total Issue (mn)	18.9
Minimum Bid Qty. (Nos)	428
<b>Issue Size (Rs bn)*</b>	<b>0.66</b>
QIB / HNI / Retail	10%/30%/60%
<b>Implied Market Cap (Rs bn)*</b>	<b>1.9</b>

\*At higher band

#### Object of the Issue

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

#### Key Risk

- ▶ Primarily dependent on the projects undertaken or awarded in the state of Karnataka.
- ▶ Business may be adversely affected if new infrastructure projects are not awarded.
- ▶ Actual revenue earned may be significantly less than the estimates reflected in order book.
- ▶ Company has been subjected to search and seizure in the past by the Income Tax authorities.
- ▶ May experience insufficient cash flows to meet required payments on debt and working capital.
- ▶ Projects are exposed to various implementation and execution risks including time and cost overruns.
- ▶ Outstanding litigations involving the company.
- ▶ Exposed to liabilities arising from defects during construction.
- ▶ Increases in the prices of construction materials, fuel, labour and equipment.

Shareholding (%)	Pre-Issue	Post-Issue
Promoters	100.0	65.9
Others	-	34.1

#### Key Financials

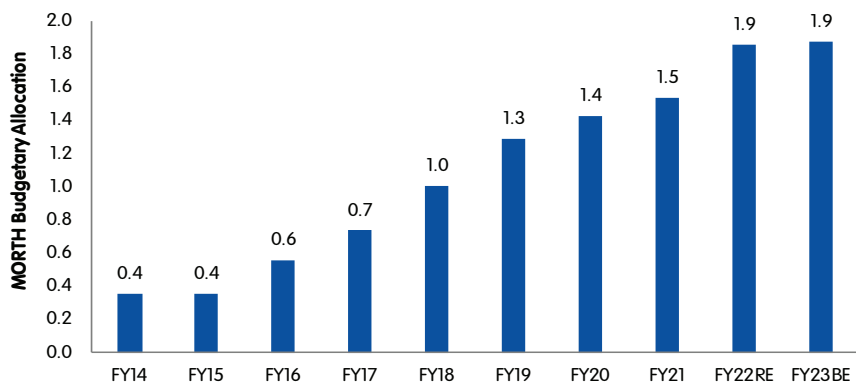
(Rs mn)	FY20	FY21	FY22
Revenue	1,936	2,104	1,856
EBITDA	243	229	241
EBITDA Margin (%)	12.5	10.9	13.0
PAT	105	93	121
PAT Margin (%)	5.4	4.4	6.5
EPS (Rs)	1.9	1.7	2.2
P/E (x)	18.5	20.8	15.9
EV/EBITDA (x)	9.4	9.6	8.5
EV/Sales (x)	1.2	1.0	1.1
Net Worth	469	562	683
RoE (%)	22.4	16.6	17.8
Gross Debt	340	306	265
Net Block	312	256	256
Net Asset Turnover (x)	6.2	8.2	7.3

Source: RHP

**Research Analyst:**  
Sumeet Shah

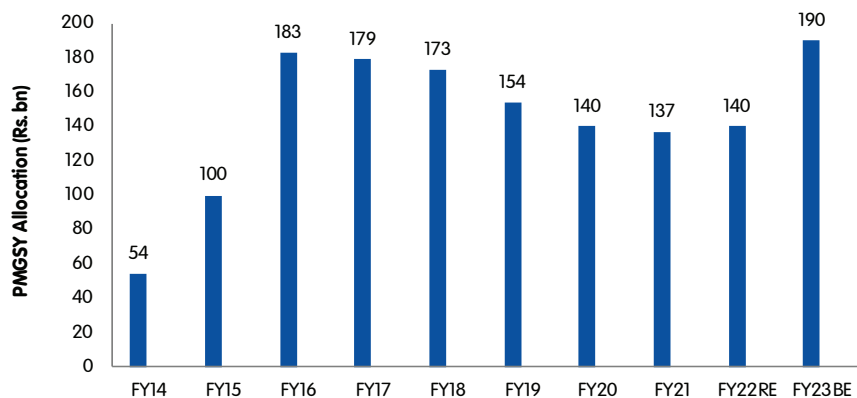
Contact : (022) 41681371 / 9819300133  
Email : sumeet.shah@relianceada.com

**Exhibit 1: Budgetary Allocation for Capital Expenditure in National Highways (in Rs Lakh Crores)**



Source: RHP, Ministry of Road, Transport and Highways, CRISIL Research

**Exhibit 2: Budgetary Allocation to the PMGSY (Rs bn)**



Source: RHP, Ministry of Rural Development, CRISIL Research

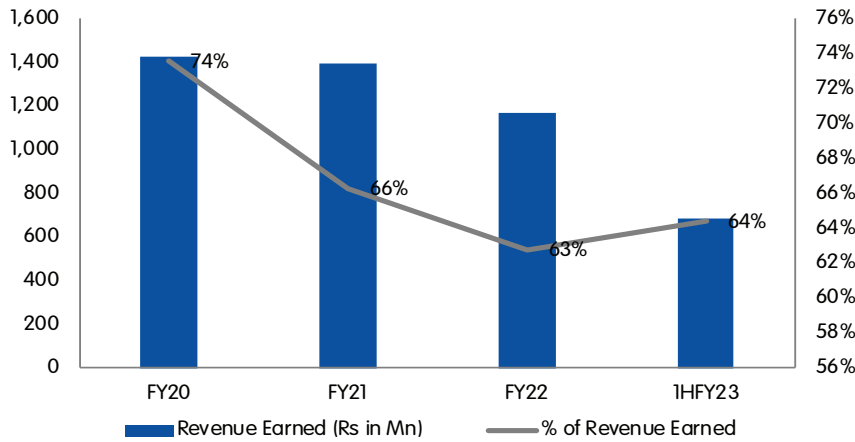
**Exhibit 3 : Growth of Road Network in India**

Break-down of road length across different regions (in KMs) as of Dec 2021								
KM	FY15	FY16	FY17	FY18	FY19	FY20	FY21	FY22
National highways	97,991	101,011	114,158	126,350	132,500	132,995	136,440	140,995
State highways	167,109	176,166	175,036	186,908	186,528	194,900	176,818	171,039
Other Roads	52,07,044	5,326,116	5,608,477	5,902,539	6,067,269	6,165,660	5,902,539	6,059,813
Total	54,72,144	56,03,293	58,97,671	62,15,797	63,86,297	64,93,555	6,215,797	6,371,847

Source: RHP, Morth Annual Report, CRISIL Research

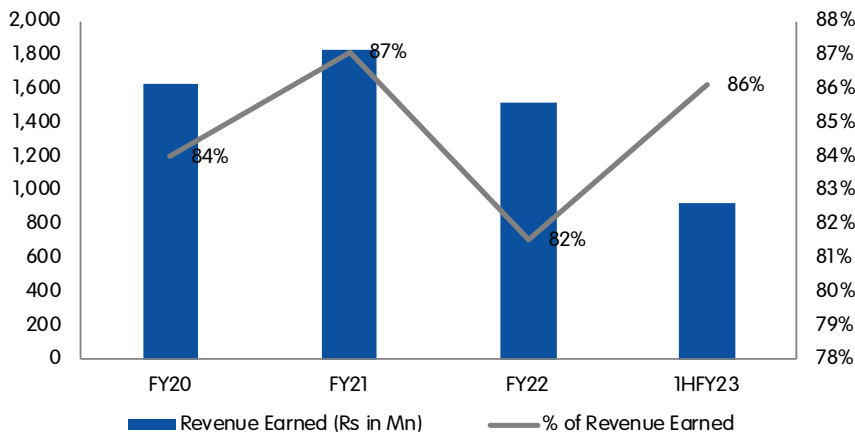
## Company Data

Exhibit 4: Revenue Earned from Top Five Clients



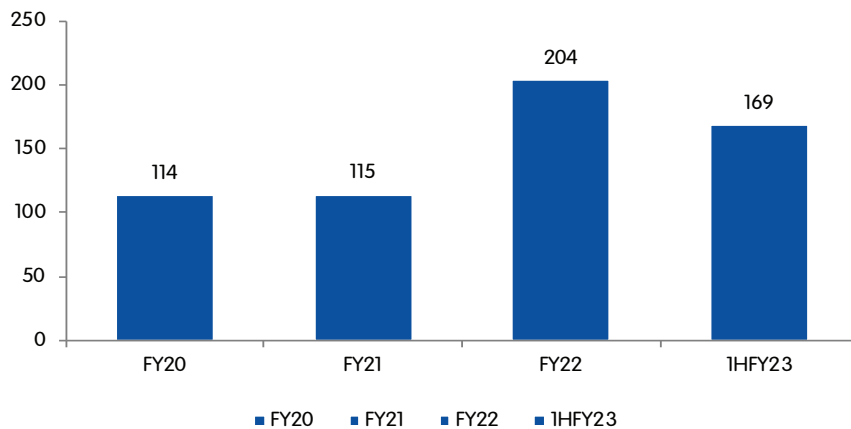
Source: RHP

Exhibit 5: Revenue Earned from Top Ten Clients



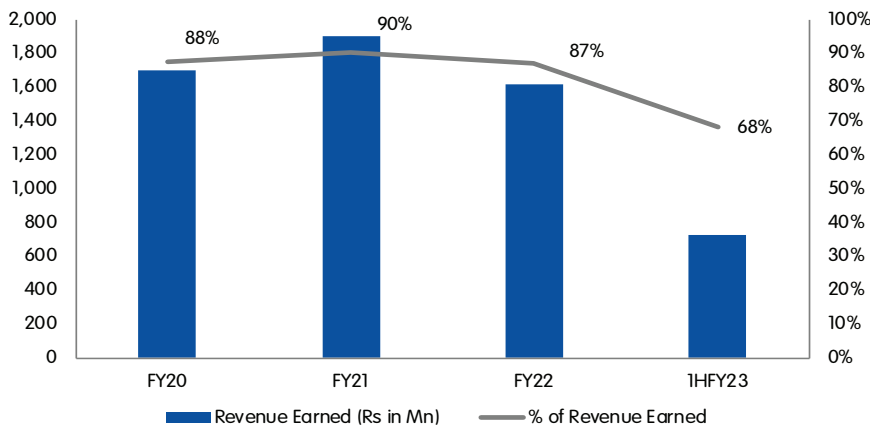
Source: RHP

Exhibit 6: Total Number of Clients



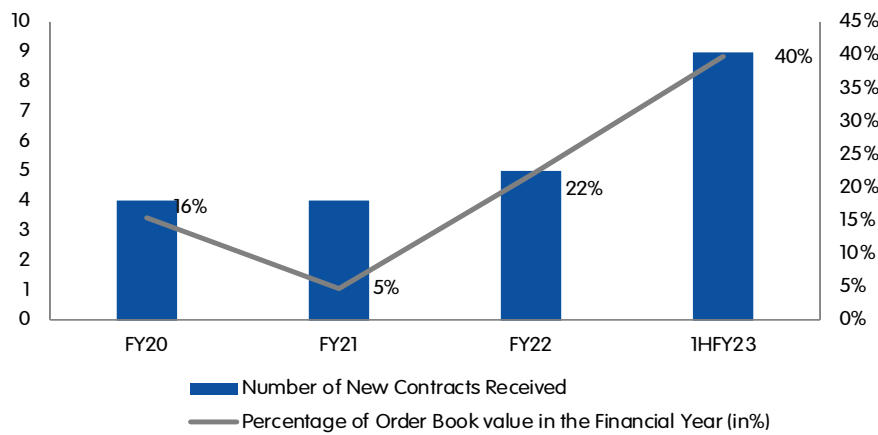
Source: RHP

Exhibit 7: Revenue Generated from Civil Construction Segment



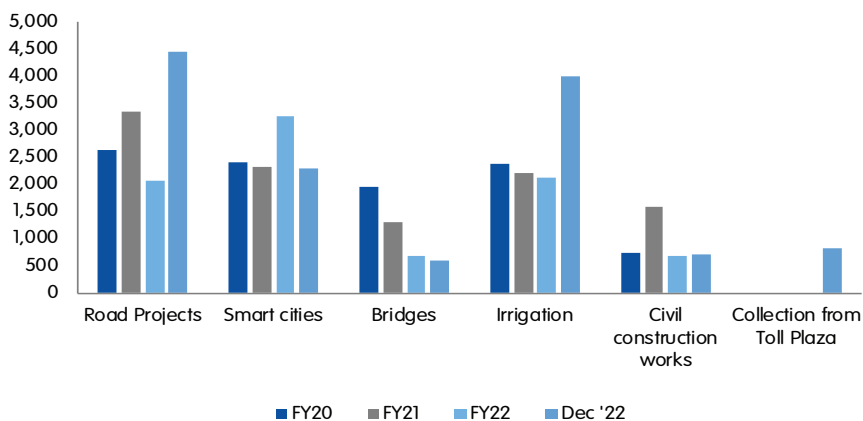
Source: RHP

Exhibit 8: New contracts Received by the Company



Source: RHP

Exhibit 9: Order Book Mix (Rs mn)



Source: RHP

## Disclaimer:

Reliance Securities Limited (RSL), the broking arm of Reliance Capital is one of the India's leading retail broking houses. Reliance Capital is amongst India's leading and most valuable financial services companies in the private sector. Reliance Capital has interests in asset management and mutual funds, life and general insurance, commercial finance, equities and commodities broking, wealth management services, distribution of financial products, private equity, asset reconstruction, proprietary investments and other activities in financial services. The list of associates of RSL is available on the website [www.reliancecapital.co.in](http://www.reliancecapital.co.in). RSL is registered as a Research Analyst under SEBI (Research Analyst) Regulations, 2014

**General Disclaimers:** This Research Report (hereinafter called 'Report') is prepared and distributed by RSL for information purposes only. The recommendations, if any, made herein are expression of views and/or opinions and should not be deemed or construed to be neither advice for the purpose of purchase or sale of any security, derivatives or any other security through RSL nor any solicitation or offering of any investment /trading opportunity on behalf of the issuer(s) of the respective security(ies) referred to herein. These information / opinions / views are not meant to serve as a professional investment guide for the readers. No action is solicited based upon the information provided herein. Recipients of this Report should rely on information/data arising out of their own investigations. Readers are advised to seek independent professional advice and arrive at an informed trading/investment decision before executing any trades or making any investments. This Report has been prepared on the basis of publicly available information, internally developed data and other sources believed by RSL to be reliable. RSL or its directors, employees, affiliates or representatives do not assume any responsibility for, or warrant the accuracy, completeness, adequacy and reliability of such information / opinions / views. While due care has been taken to ensure that the disclosures and opinions given are fair and reasonable, none of the directors, employees, affiliates or representatives of RSL shall be liable for any direct, indirect, special, incidental, consequential, punitive or exemplary damages, including lost profits arising in any way whatsoever from the information / opinions / views contained in this Report.

**Risks:** Trading and investment in securities are subject to market risks. There are no assurances or guarantees that the objectives of any of trading / investment in securities will be achieved. The trades/ investments referred to herein may not be suitable to all categories of traders/investors. The names of securities mentioned herein do not in any manner indicate their prospects or returns. The value of securities referred to herein may be adversely affected by the performance or otherwise of the respective issuer companies, changes in the market conditions, micro and macro factors and forces affecting capital markets like interest rate risk, credit risk, liquidity risk and reinvestment risk. Derivative products may also be affected by various risks including but not limited to counter party risk, market risk, valuation risk, liquidity risk and other risks. Besides the price of the underlying asset, volatility, tenor and interest rates may affect the pricing of derivatives.

**Disclaimers in respect of jurisdiction:** The possession, circulation and/or distribution of this Report may be restricted or regulated in certain jurisdictions by appropriate laws. No action has been or will be taken by RSL in any jurisdiction (other than India), where any action for such purpose(s) is required. Accordingly, this Report shall not be possessed, circulated and/or distributed in any such country or jurisdiction unless such action is in compliance with all applicable laws and regulations of such country or jurisdiction. RSL requires such recipient to inform himself about and to observe any restrictions at his own expense, without any liability to RSL. Any dispute arising out of this Report shall be subject to the exclusive jurisdiction of the Courts in India.

**Disclosure of Interest:** The research analysts who have prepared this Report hereby certify that the views /opinions expressed in this Report are their personal independent views/opinions in respect of the securities and their respective issuers. None of RSL, research analysts, or their relatives had any known direct /indirect material conflict of interest including any long/short position(s) in any specific security on which views/opinions have been made in this Report, during its preparation. RSL's Associates may have other potential/material conflict of interest with respect to any recommendation and related information and opinions at the time of publication of research report. RSL, its Associates, the research analysts, or their relatives might have financial interest in the issuer company(ies) of the said securities. RSL or its Associates may have received a compensation from the said issuer company(ies) in last 12 months for the brokerage or non brokerage services. RSL, its Associates, the research analysts or their relatives have not received any compensation or other benefits directly or indirectly from the said issuer company(ies) or any third party in last 12 months in any respect whatsoever for preparation of this report.

The research analysts has served as an officer, director or employee of the said issuer company(ies)?: No

RSL, its Associates, the research analysts or their relatives holds ownership of 1% or more, in respect of the said issuer company(ies).?: No

**Copyright:** The copyright in this Report belongs exclusively to RSL. This Report shall only be read by those persons to whom it has been delivered. No reprinting, reproduction, copying, distribution of this Report in any manner whatsoever, in whole or in part, is permitted without the prior express written consent of RSL.

RSL's activities were neither suspended nor have defaulted with any stock exchange with whom RSL is registered. Further, there does not exist any material adverse order/judgments/strictures assessed by any regulatory, government or public authority or agency or any law enforcing agency in last three years. Further, there does not exist any material enquiry of whatsoever nature instituted or pending against RSL as on the date of this Report.

Important These disclaimers, risks and other disclosures must be read in conjunction with the information / opinions / views of which they form part of.

**RSL CIN:** U65990MH2005PLC154052. SEBI registration no. (Stock Broker: INZ000172433, Depository Participants: CDSL IN-DP-257-2016 IN-DP-NSDL-363-2013, Research Analyst: INH000002384); AMFI ARN No.29889.