

Recommendation	Subscribe	
Price Band	Rs. 94 – 99	
Bidding Date	24 – 28 Aug	
Book Running Lead Manager	Pantomath Capital Advisors, Choice Capital Advisors	
Registrar	LINK Intime India	
Sector	Construction	
Minimum Retail Application- Detail At Cut off Price		
Number of Shares	150	
Minimum Application Money	Rs. 14850	
Payment Mode	ASBA	
Financials (Rs Cr)	FY22	FY23
Total Income	786	1168
EBITDA	87	157
Adj PAT	45	91
Valuations (FY23)	Upper Band	
Market Cap (Rs Cr)	1,234	
Adj EPS	7.3	
PE	13.6	
EV/ EBITDA	9.0	
Enterprise Value (Rs Cr)	1,414	
Post Issue Shareholding Pattern		
Promoters	67.8%	
Public	32.2%	
Offer structure for different categories		
QIB (Including Mutual Fund)	50%	
Non-Institutional	15%	
Retail	35%	
Post Issue Equity (Rs. in Cr)	124.64	
Issue Size (Rs in Cr)	309	
Face Value (Rs)	10	
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BACKGROUND

VPRP is an EPC company mainly focused in Water Supply Projects (WSPs) which constitutes 78% of its outstanding order book. It is also present in projects related to railways, roads and irrigation. Rajasthan constitutes the largest share in its order book at 62%. The company's in-house integrated model ensures that products and services required for development and construction of a project meet quality standards and are delivered in a timely manner, thus reducing contractual risks associated with third party suppliers. Its revenue has grown at a CAGR of 55% from FY21-23, with the help of a robust order book. As of July 15, 2023, VPRP has an order book of Rs. 3,800 Cr which is 3.3x its FY23 revenue of Rs. 1168 Cr.

Objects and Details of the Issue:

The public issue consists of fresh issue of equity shares aggregating upto Rs. 309 Cr. The net proceeds from the fresh issue will be utilised towards: (i) Funding working capital requirements (Rs. 150 Cr) and (ii) Capex for purchase of equipments/machineries (Rs. 62 Cr).

Investment Rationale:

- Strong tailwinds in infrastructure to support growth
- Focused player in Water Supply Projects (WSPs)
- Diversification towards other segments
- In-house integrated model
- Track record of strong growth; Robust order book provides visibility for future growth as well

Valuation and Recommendation:-

VPRP's niche focus on WSP (Water Supply Projects), low revenue base and demonstrated track record of high growth with margin expansion along with reasonable valuations makes the issue attractive compared to listed peers. With strong industry tailwinds likely to persist in water related projects, railways and roads, we believe VPRP is a decent proxy play on the infrastructure industry offering high growth with good profitability. Thus we recommend to Subscribe to the IPO.

Financials (Rs Cr.)	FY21	FY22	FY23
Net Revenues	486	786	1186
Growth	-	62%	49%
EBIDTA	45	87	157
EBITDA Margins	9.3%	11.1%	13.4%
Adjusted PAT	19	45	91
EPS (Post Issue)	1.5	3.6	7.3
ROCE	19%	25%	27%
EV/Sales	2.9	1.8	1.2
EV/EBITDA	31.2	16.3	9.0
P/E	65.0	27.5	13.6

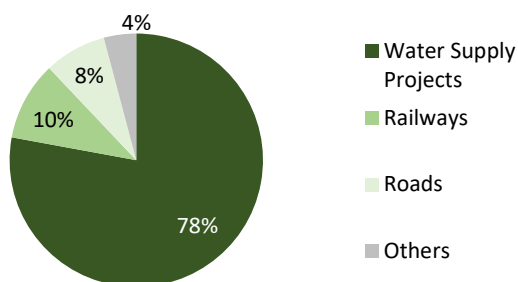
Source: Company data, NBRR

Company Background

VPRP (Vishnu Prakash R Punglia Ltd.) is an EPC company having principal operations in four segments (i) Water Supply Projects (WSP); (ii) Railway Projects; (iii) Road Projects and (iv) Irrigation Network Projects. VPRP has inhouse teams for all functions including captive fleet of 499 construction equipment and vehicles. Its in-house teams deliver projects from design to completion. This reduces its dependency on third parties for key materials such as ready-mix concrete, stone aggregates, bitumen and services such as design and engineering, transportation and logistics required in the development and construction of projects. VPRP has not undertaken any sub-contracting assignments till date.

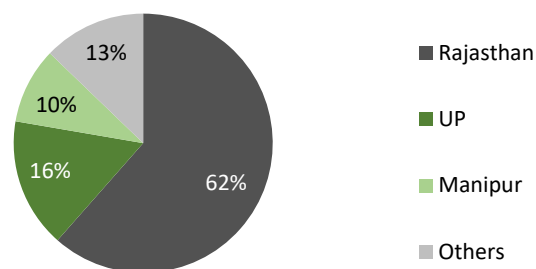
VPRP has gradually increased its capabilities in terms of the size of projects executed. For e.g., in 2002 it was awarded a WSP (water supply project) by the Public Health Engineering Department (PHED), Manipur worth Rs. 2 Cr and the same client awarded a WSP worth Rs. 433 Cr in 2021. As of July 15, 2023, VPRP has an order book of Rs. 3,800 Cr which is 3.3x its FY23 revenue of Rs. 1168 Cr.

Segment wise order book mix



Source: RHP

State wise order book mix



Source: RHP

Investment Rationale

Strong tailwinds in infrastructure to support growth for all construction players including VPRP

The Government had launched the National Infrastructure Pipeline (NIP) to augment the growth of infrastructure sector. Historically, more than 80% of the country's infrastructure spending has gone towards funding for transportation, electricity and water & irrigation. The NIP entails investments to the tune of Rs. 111 Lac Crore to be undertaken by the Central Government, State Governments and the private sector during FY20-25. This in turn is expected to offer significant opportunities to construction players in India.

In recent times, there has been an increased number of schemes introduced by the Government towards improving water supply as well as water sewage infrastructure in India. Schemes like JJM (Jal Jeevan Mission), Jal Shakti, Atal Bhujal Yojana have been set up in the last 7 years. **In FY24 budget, allocation for JJM/National Drinking Water Mission has increased to Rs. 70,000 Cr, an increase of 27% from FY23.** Budget allocation for railways continues to grow in double digits in recent years and stood at Rs. 2.4 Lac Cr in FY24 budget which is 5.2x higher than the average budget during the period 2009-14 of ~Rs. 46,000 Cr. Capital expenditure on roads and highways is projected to be Rs. 2.5 Lac Crore in the Union Budget for FY24, which is 25% higher than that of FY23.

Focused player in Water Supply Projects (WSPs) which constitutes 78% of order book

VPRP has over 36 years of experience in executing more than 75 WSPs comprising of construction and development of pipelines, water tanks, reservoirs, tunnels, water treatment plants and irrigation projects. Over the years, the company has gained experience for execution of WSPs and has developed financial strength and managerial capabilities, thereby encouraging it to venture into new segments like railways, roads and various other segments. As on July 15, 2023, WSPs constituted 78% of VPRP's total order book. With continued focus of the Central and State Governments on 'Jal Jeevan Mission' and AMRUT scheme, VPRP intends to maintain and strengthen its position in execution of WSPs on a turnkey basis in India.

Diversification towards other segments

While VPRP continues to focus on construction of WSPs as part of its growth strategy, it intends to expand into (i) projects related to railways including earthwork, construction of bridges and supply of materials and track linking, railway station platforms, administrative buildings, rail over-bridges and station quarters; (ii) projects related to road sector like construction of highways, bridges, culverts, flyovers, subways; (iii) projects related to irrigation like dams, canals, tunnels and pressured pipe system; and (iv) other sectors like sewerage, industrial effluent treatment plants, etc. on EPC basis. Expanding into new functional areas will allow VPRP to consolidate its position in the Infrastructure space and effectively leverage its experience in executing EPC projects.

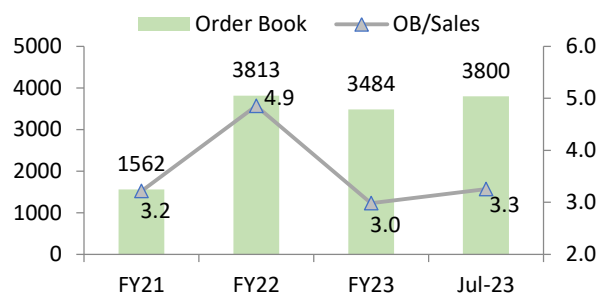
In-house integrated model

VPRP's in-house integrated model, helps reduce its dependency on third parties for key materials required to execute its projects in a cost effective manner. It also facilitates timely transportation of these materials to project sites through vehicles owned by VPRP with GPS tracking devices, reducing pilferage. VPRP's equipment fleet comprises of 499 construction equipment and vehicles and its aggregate gross block (property, plant, equipment) was Rs. 136 Cr as on FY23. The company's in-house integrated model ensures that products and services required for development and construction of a project meet quality standards and are delivered in a timely manner, thus reducing contractual risks associated with third party suppliers.

Track record of strong growth; Robust order book provides visibility for future growth as well

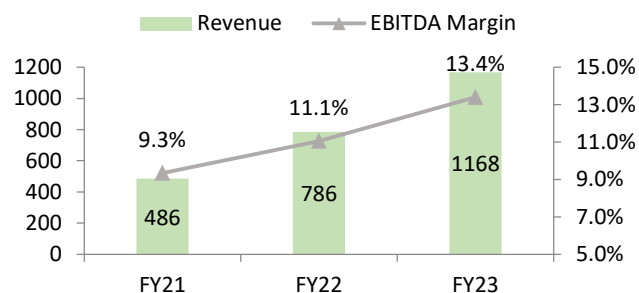
VPRP's order book has grown at a CAGR of 49% over FY21-23. As of July 15, 2023, VPRP has an order book of Rs. 3,800 Cr which is 3.3x its FY23 revenue of Rs. 1168 Cr. This strong growth in order book has translated into strong revenue growth of 55% CAGR over FY21-23. Further, with the increase in size and complexity of projects being executed, the Gross and EBITDA margins have also expanded by 410 bps each over FY21-23.

Order Book (Rs Cr)



Source: RHP

Revenue (Rs Cr) & EBITDA Margins



Source: RHP

Concerns

Geographical concentration risk with higher share from Rajasthan: VPRP's business is concentrated in the state of Rajasthan which constitutes 61.5% of its outstanding order book as of July 15, 2023. Any adverse impact in this region may adversely affect its business, results of operations and financial condition.

Segmental concentration risk with major share from WSP (water supply projects): 78% of the outstanding order book is in the WSP segment. The share of WSP segment in total revenue has increased from 79% in FY21 to 85% in FY23. High exposure to the WSP segment may expose it to risks associated with business concentration and adversely affect its business.

Change in Union Government: 99% of the order book comprises of Government projects. A change in the Union Government in the upcoming elections could result in a slowdown in the ongoing capex cycle which could impact VPRP.

Valuation and Recommendation

VPRP's niche focus on WSP (Water Supply Projects), low revenue base and demonstrated track record of high growth with margin expansion along with reasonable valuations makes the issue attractive compared to listed peers. With strong industry tailwinds likely to persist in water related projects, railways and roads, we believe VPRP is a decent proxy play on the infrastructure industry offering high growth with good profitability. Thus we recommend to Subscribe to the IPO.

Listed Comparable Peers

FY23 Figures	VT Wabag	PNC	NCC	KNR	Avg	VPRP
<u>Order Book Mix</u>						
Water & allied	100%	43%	9%	23%	44%	78%
Roads/Railways/Airports	0%	42%	20%	77%	35%	18%
Others (Bldg, Mining, etc)	0%	15%	71%	0%	22%	4%
Revenue	2,325	7,061	15,553	3,744	7,171	1,168
CAGR (FY20-23)	10%	13%	20%	19%	16%	46%
EBITDA Margin	12.7%	13.5%	9.4%	19.3%	13.7%	13.4%
Asset Turns (x)	1.6	1.6	2.2	7.7	3.3	2.1
ROCE	23%	21%	20%	27%	23%	27%
Cash Conversion Cycle	180	127	107	149	141	112
EV/EBITDA	10.6	7.4	6.7	7.6	8.1	9.0
P/E	15.8	11.5	15.7	11.3	13.6	13.6

Source: Company Data, NBRR

Financials

P&L (Rs. Cr)	FY21	FY22	FY23
Net Revenue	486	786	1168
% Growth	-	62%	49%
Raw Materials	422	674	968
% of Revenues	87.0%	85.8%	82.8%
Employee Cost	10	15	27
% of Revenues	2.1%	1.9%	2.3%
Other expenses	8	10	18
% of Revenues	1.6%	1.2%	1.5%
EBITDA	45	87	157
EBITDA Margin	9.3%	11.1%	13.4%
Depreciation	4	4	7
Other Income	2	2	3
Interest	18	24	30
Exceptional item			
PBT	26	60	122
Tax	7	16	32
Tax rate	26.1%	25.7%	26.0%
Adj PAT	19	45	91
% Growth	-	136%	102%
EPS (Post Issue)	1.5	3.6	7.3

Ratios & Others	FY21	FY22	FY23
EBITDA Margin (%)	9.3%	11.1%	13.4%
PAT Margin (%)	3.9%	5.7%	7.8%
ROE (%)	17%	28%	29%
ROCE (%)	19%	25%	27%

Turnover Ratios	FY21	FY22	FY23
Debtors Days	75	54	62
Inventory Days	79	82	98
Creditor Days	71	55	64
Asset Turnover (x)	2.2	2.3	2.1

Valuation Ratios	FY21	FY22	FY23
Price/Earnings (x)	65.0	27.5	13.6
EV/EBITDA (x)	31.2	16.3	9.0
EV/Sales (x)	2.9	1.8	1.2
Price/BV (x)	10.9	7.8	3.9

Source: Company Data, NBRR

Balance Sheet (Rs. Cr)	FY21	FY22	FY23
Share Capital	28.1	28.1	93.4
Reserve & Surplus	85	131	221
Networth	114	159	315
Total Loans	111	177	250
Other non-curr liab.	3	3	4
Trade payable	94	118	206
Other Current Liab	10	41	50
Total Current Liab.	104	159	257
Total Equity & Liab.	331	498	825
Fixed Assets & CWIP	48	72	131
Investments	7	10	10
Other non Curr. assets	7	4	11
Other Financial Assets	0	2	9
Inventories	105	177	313
Cash	4	13	15
Bank	23	25	55
Debtors	100	117	198
Other Current/Loans & Adv	35	77	84
Total Assets	331	498	825

Cash Flow (Rs. Cr)	FY21	FY22	FY23
EBITDA	45	87	157
Provisions & Others	0	0	1
Op. profit before WC	46	87	158
Change in WC	(5)	(71)	(141)
Less: Tax	6	20	25
CF from operations	35	(3)	(8)
Addition to assets	(4)	(31)	(66)
(Purchase)/Sale of invst.	(3)	0	(35)
Int & Div Received	2	1	3
CF from Investing	(5)	(30)	(98)
Proceeds from issue of shar	-	-	65
Proceeds/Repayment of bo	(11)	66	74
Dividend & Intt paid	(18)	(24)	(30)
CF from Financing	(29)	42	108
Net Change in cash	1	9	2
Cash at beginning	4	4	13
Cash at end	4	13	15

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