

Garuda Construction and Engineering Ltd.

IPO Note



NOT RATED

Engineering Excellence, Shaping Tomorrow's Infrastructure

Garuda Construction and Engineering Ltd (Garuda) is a prominent player in the construction and infrastructure sector, specializing in providing end-to-end solutions for civil, structural, and mechanical engineering projects. The company offers a comprehensive range of services including design, construction, and maintenance of industrial buildings, residential complexes, commercial spaces, and large infrastructure projects. Garuda is known for its expertise in handling complex projects with precision and efficiency, utilizing state-of-the-art technology and modern engineering practices.

Garuda's client portfolio spans multiple industries, such as real estate, manufacturing, energy, and public infrastructure. The company takes pride in partnering with prestigious clients like L&T, Tata Projects, Reliance Infrastructure, Adani, and various governmental bodies. Garuda has successfully executed projects across India, and its reputation for delivering projects on time and within budget has earned it a strong foothold in the construction industry.

With a dedicated team of engineers, architects, and project managers, Garuda ensures high-quality standards at every stage of the project, from planning and design to execution and maintenance. The company operates from its head office in Hyderabad, Telangana, and has a network of regional offices and construction sites across the country, allowing it to manage and execute projects in different geographies efficiently.

Garuda is committed to sustainability and innovation, implementing green building practices and utilizing eco-friendly materials wherever possible to minimize environmental impact while delivering world-class infrastructure solutions.

Industry	Construction
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Scrip Details

Listing	BSE & NSE
Open Date	Oct 08, 2024
Close Date	Oct 10, 2024
Price Band	INR 92 – 95
Face Value	INR 5.0
Market Lot	157 Shares
Minimum Lot	1

Issue Structure (%)

Issue Size (INR cr)	INR 246.1
Issue Size (Shares)	27,800,000
QIB Share (%)	≤50%
Non-Inst Share (%)	≥35%
Retail Share (%)	≥15%
Pre Issue shares	74,741,742
Post Issue shares	93,041,742
Post Issue Market Cap (in cr)	883.9

Shareholding (%)	Pre (%)	Post (%)
Promoter	96.8	67.6
Public	3.2	32.4
TOTAL	100	100

Key Consolidated Financial Data (INR Cr, unless specified)

	Revenue	EBITDA	PAT	EBITDA (%)	PAT (%)	Adj EPS (₹)	RoE (%)	ROCE (%)	EV/EBITDA (X)	P/E (X)	P/BV (X)
FY22	77.0	27.2	18.8	35.3	24.4	2.0	44.9	37.8	32.7	47.1	21.2
FY23	160.7	55.4	40.5	34.5	25.2	4.4	49.4	49.0	15.8	21.7	10.7
FY24	154.2	49.8	36.4	32.3	23.6	3.9	30.6	30.4	17.7	24.3	7.4

Source: Ventura Research & Company update

Issue Structure and Offer Details

Garuda Construction and Engineering Ltd. IPO is a book built issue of INR 264.10 cr. consisting of a fresh issue of 18,300,000 shares, amounting to INR 173.85 cr., and an offer for sale for 9,500,000 shares, amounting to INR 90.25 cr.

Issue Structure	
Investor Category	Allocation
QIB	Not more than 50.00% of the Offer
NII (HNI)	Not less than 35.00% of the Offer
Retail	Not less than 15.00% of the Offer

Number of shares based on a higher price band of INR 95

Source: Company Reports

Objects of the Issue

The Company proposes to utilize the Net Proceeds towards the following objects:

1. Working Capital Requirements.
2. General Corporate Expenses and Unidentified Inorganic Acquisitions.

Risks

1. Mr. Pravin Kumar Brijendra Kumar Agarwal, the promoter of Garuda, is involved in a criminal proceeding initiated by Airport Police Station which is currently pending before the Hon'ble Metropolitan Magistrate at Andheri, Mumbai. Any such proceedings, or any adverse action as a result of such proceedings, may affect the reputation of the promoter and subsequently that of the business.
2. Garuda had negative cash flow in recent fiscals. Sustained negative cash flow could adversely impact our business, financial condition and results of operations.
3. The previous IPO filed by Garuda's promoter group PKH Venture Limited was not subscribed leading to withdrawal of the IPO.
4. The revenue of Garuda Construction and Engineering Limited experienced a 4% decrease, while the profit after tax (PAT) saw an 11% drop from the financial year ending with March 31, 2024 to March 31, 2023.

Financial Summary

Fig in INR Cr (unless specified)	FY22	FY23	FY24	Fig in INR Cr (unless specified)	FY22	FY23	FY24
Income Statement				Per share data & Yields			
Revenue	77.0	160.7	154.2	Adjusted EPS (INR)	2.0	4.4	3.9
YoY Growth (%)	7.0	108.6	(4.1)	Adjusted Cash EPS (INR)	2.1	4.4	4.0
Raw Material Cost	0.0	0.0	0.0	Adjusted BVPS (INR)	4.5	8.9	12.8
RM Cost to Sales (%)	0.0	0.0	0.0	Adjusted CFO per share (INR)	1.4	1.3	(0.7)
Employee Cost	1.2	1.6	2.8	CFO Yield (%)	1.5	1.4	(0.8)
Employee Cost to Sales (%)	1.6	1.0	1.8	Adjusted FCF per share (INR)	1.4	1.3	(0.7)
Other Expenses	48.6	103.7	101.6	FCF Yield (%)	1.5	1.4	(0.8)
Other Exp to Sales (%)	63.1	64.6	65.9	Solvency Ratio (X)			
EBITDA	27.2	55.4	49.8	Total Debt to Equity	0.3	0.0	0.0
Margin (%)	35.3	34.5	32.3	Net Debt to Equity	0.1	(0.1)	(0.0)
YoY Growth (%)	132.8	104.0	(10.1)	Net Debt to EBITDA	0.2	(0.1)	(0.0)
Depreciation & Amortization	0.3	0.5	0.4	Return Ratios (%)			
EBIT	26.9	54.9	49.4	Return on Equity	44.9	49.4	30.6
Margin (%)	34.9	34.1	32.0	Return on Capital Employed	37.8	49.0	30.4
YoY Growth (%)	136.1	104.4	(10.0)	Return on Invested Capital	57.5	72.0	42.3
Other Income	0.0	0.3	0.3	Working Capital Ratios			
Bill discounting & other charges	2.1	0.4	0.0	Payable Days (Nos)	193	142	146
Fin Charges Coverage (X)	12.9	143.2	1,999.4	Inventory Days (Nos)	13	15	17
Exceptional Item	0.0	0.0	0.0	Receivable Days (Nos)	143	175	417
PBT	24.8	54.8	49.6	Net Working Capital Days (Nos)	-37	48	289
Margin (%)	32.2	34.1	32.2	Net Working Capital to Sales (%)	(10.2)	13.2	79.1
YoY Growth (%)	101.7	121.2	(9.4)	Valuation (X)			
Tax Expense	6.0	14.3	13.2	P/E	47.1	21.7	24.3
Tax Rate (%)	24.2	26.1	26.6	P/BV	21.2	10.7	7.4
PAT	18.8	40.5	36.4	EV/EBITDA	32.7	15.8	17.7
Margin (%)	24.4	25.2	23.6	EV/Sales	11.5	5.5	5.7
YoY Growth (%)	102.4	115.8	(10.1)	Cash Flow Statement			
Min Int/Sh of Assoc	0.0	0.3	0.0	PBT	24.8	54.8	49.6
Net Profit	18.8	40.8	36.4	Adjustments	11.7	0.8	57.4
Margin (%)	24.4	25.4	23.6	Change in Working Capital	(17.6)	(29.1)	(100.6)
YoY Growth (%)	102.4	117.2	(10.7)	Less: Tax Paid	(6.0)	(14.3)	(13.2)
Balance Sheet				Cash Flow from Operations	12.9	12.3	(6.8)
Share Capital	12.5	12.5	37.4	Net Capital Expenditure	(1.2)	(0.3)	(0.1)
Total Reserves	29.3	70.2	81.6	Change in Investments	0.0	(1.8)	2.7
Shareholders Fund	41.8	82.6	119.0	Cash Flow from Investing	(1.2)	(2.1)	2.5
Long Term Borrowings	0.0	0.2	0.1	Change in Borrowings	(3.0)	(11.8)	0.0
Deferred Tax Assets / Liabilities	(0.5)	(0.4)	(0.4)	Less: Finance Cost	(2.1)	(0.4)	(0.0)
Other Long Term Liabilities	9.5	9.5	0.0	Proceeds from Equity	0.0	0.0	0.0
Long Term Trade Payables	0.0	0.0	0.0	Buyback of Shares	0.0	0.0	0.0
Long Term Provisions	0.0	0.0	0.1	Dividend Paid	0.0	0.0	0.0
Total Liabilities	50.9	91.8	118.8	Cash flow from Financing	(5.1)	(12.2)	(0.0)
Net Block	2.2	1.9	1.6	Net Cash Flow	6.7	(2.0)	(4.3)
Capital Work in Progress	2.2	2.2	2.2	Forex Effect	0.0	0.0	0.0
Intangible assets under development	0.0	0.0	0.0	Opening Balance of Cash	0.2	6.9	4.8
Non Current Investments	0.0	0.0	0.0	Closing Balance of Cash	6.9	4.8	0.6
Long Term Loans & Advances	24.7	25.2	22.8				
Other Non Current Assets	0.0	0.0	0.0				
Net Current Assets	21.8	62.5	92.1				
Total Assets	50.9	91.8	118.8				

Source: Ventura Research

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