

**Rating: Subscribe**

**Issue Offer**

**OFS of 11,508,704 shares by Promoters group and public taking the total issue size at INR 962 cr.**

**Issue Summary**

Price Band (Rs)	828-837
Face Value (Rs)	5
Implied Market Cap (Rs Cr)	8,093
Market Lot	17
Issue Opens on	July,7, 2021
Issue Close on	July,9, 2021
No. of share pre-issue	96,689,010
No. of share post issue	96,689,010
Listing	NSE / BSE

**Issue Break-up (%)**

QIB Portion	50
NIB Portion	15
Retail Portion	35

**Book Running Lead Managers**

HDFC BANK , ICICI Securities  
Kotak Mahindra Capital, Motilal Oswal  
SBI Capital Markets, Equirus Capital

**Registrar**

KFin Technologies Pvt Ltd.

**Shareholding Pattern**

	Pre-Issue	Post-Issue
Promoters	88.04%	86.54%
Public & Others	11.96%	13.46%

**Objects of the issue**

- To achieve the share listing benefits on the BSE and NSE.
- To make an offer for sale of up to 11,508,704 shares, aggregating to INR 962cr

**G R Infraprojects** is an integrated road engineering, procurement, and construction company with experience in designing and construction activities and road/highway projects. It mainly undertakes civil construction projects under the EPC and BOT (Build Operate Transfer) basis in the road sector but 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.

The principal business operations are broadly divided into three categories:

- Civil construction activities, under which they provide EPC services;
- Development of roads, highways on a Build Operate Transfer ("BOT") basis, including under annuity and Hybrid Annuity Model ("HAM"); and
- Manufacturing activities, under which they process bitumen, manufacture thermoplastic road-marking paint, electric poles and road signage and fabricate and galvanize metal crash barriers

**Key Highlights**

- As of March 31, 2021, G R Infra had an Order Book of INR 19,025.81 crore comprising of 16 EPC projects, 10 HAM projects and 3 other projects
- G R Infra has developed an established track record of efficient project management and execution experience, involving trained and skilled manpower, efficient deployment of equipment and an in-house integrated model.
- Their in-house integrated model includes a design and engineering team, manufacturing facilities for processing of bitumen, thermoplastic road-marking paint and road signage, fabrication and galvanization unit, owned construction equipment and a fleet of transportation vehicles. As of March 31, 2021, their equipment base comprised over 7,000 construction equipment and vehicles and the aggregate gross block value of company's property, plant and equipment was INR 1,999.92 crore.

**Valuation and View:**

At a upper price band of INR 837 stock is trading at a EV/EBIDTA multiple of 6.1(x) to its FY21 EBIDTA of INR 1913 cr .We are recommending subscribe on IPO for long term pick as well as listing gains. We like company with its strong order book and good execution supported by its balance sheet.The cost competitiveness backed by strong ratios is a key component of their success. They have low execution costs, which is partly attributable to their integrated operations and investment in technology. Further, the scale of their operations provides them with a significant advantage in reducing costs and sustaining their cost advantage which helped them in developing superior ratio than peers. We are expecting company to trade at a premium to its peers post listing.

## Order Book

### Order Book:

Company's Order Book primarily comprised EPC and HAM projects in the road sector across the states of Uttar Pradesh, Madhya Pradesh, Maharashtra, Gujarat, Rajasthan, Andhra Pradesh, Bihar, Manipur, Odisha and Himachal Pradesh. In addition, their Order Book also includes railway projects in Andhra Pradesh and Madhya Pradesh and an optical fibre project spread across the states of Bihar, Odisha, West Bengal, Andaman and Nicobar Islands, Jharkhand and Sikkim. They have in the past also executed projects in Haryana, Punjab, Jharkhand and Meghalaya.

As of March 31, 2021, G R Infra had an Order Book of INR 19,025.81 crore and comprised 16 EPC projects, 10 HAM projects and 3 other projects as follows:

Client	Number of Contracts	Total Contract Value (INR Cr)	Order Book Value (INR Cr)	Percentage of Order Book (%)
<b>Governmental authorities and other entities funded by central or state governments</b>				
NHAI	21	22,493.2	16,583.8	87.2%
UPEIDA	2	2,934.5	828.7	4.4%
RVNL	2	1,085.0	557.6	2.9%
Others	3	1,459.8	986.4	5.2%
Total	28	27,972.5	18,956.4	99.6%
Private entities	1	572.8	69.5	0.4%
<b>Grand Total</b>	<b>28</b>	<b>28,545.3</b>	<b>19,025.8</b>	<b>100.0%</b>

Source: Company, Arianth Capital Research

Name of Project	Total Contract Value (INR Cr)	Order Book Value (INR Cr)	Percentage of Order Book (%)
Vadodara Mumbai Expressway in the State of Maharashtra on HAM under Bharatmala Pariyojana Ph II Pkg XIII	2,330.0	2,330.0	12.0%
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.	1,863.0	1,857.4	9.8%
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)	1,837.0	1,837.0	9.7%
4-laning of Bilaspur-Urga section of NH- 130A from design Ch 0.00 to Ch. 70.200 From NH-49 near Dheka Village to Bhaisma Village under Bharatmala Pariyojna Lot 3 Chhattisgarh Pkg-I Raipur-Dhanbad Economic Corridor in the State of Chhattisgarh on HAM	1,307.0	1,307.0	6.9%
Construction of Eight Lane Carriageway Starting near Major Bridge on Mej river to 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)	1,071.3	1,071.3	5.9%
<b>Total</b>	<b>8,408.3</b>	<b>8,402.7</b>	<b>44.2%</b>

Source: Company, Arianth Capital Research

### International operation:

In addition, they have been awarded a project for construction of Agaie-Katcha-Baro road (rigid pavement) in NigerState, Nigeria with a project length of approximately 52.30 km.

## Key Strengths

**Focused EPC Player:** The company historically had focused on the road projects while executing EPC projects and accordingly has established their expertise as an EPC player capable of executing a range of these construction projects that involve varying degrees of complexity. Their focused approach will enable them to benefit from future market opportunities and expand into new markets, and combined with their technical experience and pricing, will be critical in competing in the industry.

**Integrated Model :** The company undertakes their 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 in-house integrated model includes a design and engineering team, manufacturing facilities for processing of bitumen, thermoplastic road-marking paint and road signage, fabrication and galvanization unit for manufacture of metal crash barriers, owned construction equipment and a fleet of transportation vehicles.

Their manufacturing facilities help reduce their dependence on third party suppliers for the key materials i.e., bitumen emulsion, as well as other products required for completion of roads such as signages, overhead structures and toll canopies. As of March 31, 2021, their equipment base comprised over 7,000 construction equipment and vehicles that enabled them to be less dependent on third party equipment providers and efficiently manage their project execution schedules.

**Timely execution of project** G R Infra has developed an established track record of efficient project management and execution experience, involving trained and skilled manpower, efficient deployment of equipment and an in-house integrated model. These attributes have enabled them to compete projects prior to or by scheduled timelines.

**Strong financial performance and credit rating:** The significant growth of their business in the last 3 fiscal years has contributed significantly to their financial strength. The revenue from operations increased from INR 5,282.58 crore in Fiscal 2019 to INR 7,844.13 crore in Fiscal 2021 at a CAGR of 21.86% while the profit for the year increased from INR 716.64 crore in fiscal 2019 to INR 953.22 crore in Fiscal 2021 at a CAGR of 15.33%.

## Key Strategies

**Focus on road EPC business:** Over the next few years, the company will continue to focus on construction of their existing projects while seeking opportunities to expand their portfolio of road projects. While they intend to maintain their focus on EPC contracts, they plan to also continue pursuing BOT projects (including toll projects), either independently or in partnership with other players. They intend to draw on their experience, asset base, market position and ability to execute and manage multiple projects across various geographies, to further grow their portfolio of road and other EPC projects. A key element of their growth strategy is to seek to improve the performance and competitiveness of their existing activities.

**Financial growth along with monetization of asset:** The company intends to continue their practices of strict cost control through (i) ownership and maintenance of modern construction equipment and centralizing procurement of major construction equipment and raw materials; (ii) Selective approach for project ; and (iii) cautious expansion into new businesses or new geographical areas. Further, they intend to continue exploring alternate means of generating cash flows, including by the divesting their stake in their road infrastructure projects as they have done in the past. They may also continue to explore other means of raising capital, including, among others, through the setting up appropriate infrastructure investment trusts.

**Pursue other segments within the EPC space :** The company continues to focus on development and construction of road projects, as part of their growth strategy, they intend to diversify into, and will continue to bid for, projects related to the railways sector, including earthwork, construction of bridges and supply of materials and track linking, and laying of optical fibre cables. Expanding into new functional areas will allow them to consolidate their position in the infrastructure sector and effectively leverage their experience in executing EPC projects

**Operational Efficiency:** Given the nature of their industry, cost competitiveness is a key component of their success. They have low execution costs, which is partly attributable to their integrated operations and investment in technology. Further, the scale of their operations provides them with a significant advantage in reducing costs and sustaining their cost advantage.

## Key Risks

- Impact of Covid 19 pandemic on Business Operation
- Heavy dependence on civil construction
- Inability to execute exactly as per order book
- Legal proceedings
- Sharp surge in raw material prices

## Legal proceeding

A company petition ("Petition") was filed before the National Company Law Tribunal, New Delhi ("NCLT"), by Vaibhav Jalan against JKM Infra Projects Limited ("JKM"), its directors, Company, and Vinod Kumar Agarwal, among others ("Respondents"), seeking (i) investigation into the affairs of JKM in terms of Section 213(b)(i) of the Companies Act, 2013, (ii) directions for initiation of an investigation by the Serious Fraud Investigation Office against the Respondents, and (iii) the passing of an order against the Respondents for committing fraud under Section 447 of the Companies Act, 2013. It was alleged, through the petition, that JKM had colluded with our Company to facilitate various unlawful activities. Company and Vinod Kumar Agarwal have filed an application with the NCLT for, among others, the removal of their name from the Petition. The matter is currently pending.

The Regional Labour Commissioner (Central), Jaipur, has filed a complaint against Purshottam Agarwal, in his capacity as a (former) Director of our Company, before the Judicial Magistrate, Jaipur, (the "Magistrate") alleging certain violations under the Building and Other Construction Workers (Regulation of Employment and Conditions of Service) Act, 1996 and the Building and Other Construction Workers (Regulation of Employment and Conditions of Service) Central Rules, 1998 with respect to the project involving the extension and strengthening of the runway in the premises of AGM (Civil) Airport Authority of India, Jaipur. The matter is currently pending.

## Peer Comparison

Company (in INR Cr)	CMP (INR)	Revenue	EBITDA	EBITDA M (%)	PAT	D/E (x)	EPS (INR)	RoE (%)	P/E (x)	EV/EBITDA (x)
GR Infra Projects Ltd^	837	7,844	1,913	24%	953	1.13	98.3	23.95%	8.5	6.1
Ashoka Buildcon Ltd	112	4,992	1,536	31%	273	9.95	9.8	44.16%	11.4	5.7
Dilip Buildcon Ltd	570	10,168	2,128	21%	418	2.82	31.9	12.30%	17.9	7.8
KNR Constructions Ltd	237	2,904	699	24%	375	0.37	14.5	19.06%	16.4	10.4

Financials are as on FY21; ^ at upper price band

Company (in Cr.)	Order book as of 31st Dec' 2020 ( INR Cr)	% of order book from Roads	Sectors
GR Infra Projects Ltd	22254.0	98.3%	Roads, Bridges, Railways, Airport, Manufacturing activities relating to construction
Ashoka Buildcon Ltd	9151.5	75.6%	Roads, Railways, Power, Bridges, City Gas Distribution (CGD)
Dilip Buildcon Ltd	26141.0	43.7%	Roads, Mining, Irrigation, Metro, Airport, Bridges, Tunnel
KNR Constructions Ltd	7663.7	55.0%	Bridges, Roads, Irrigation projects, urban development

Source: Company, Arianth Capital Research

## Management

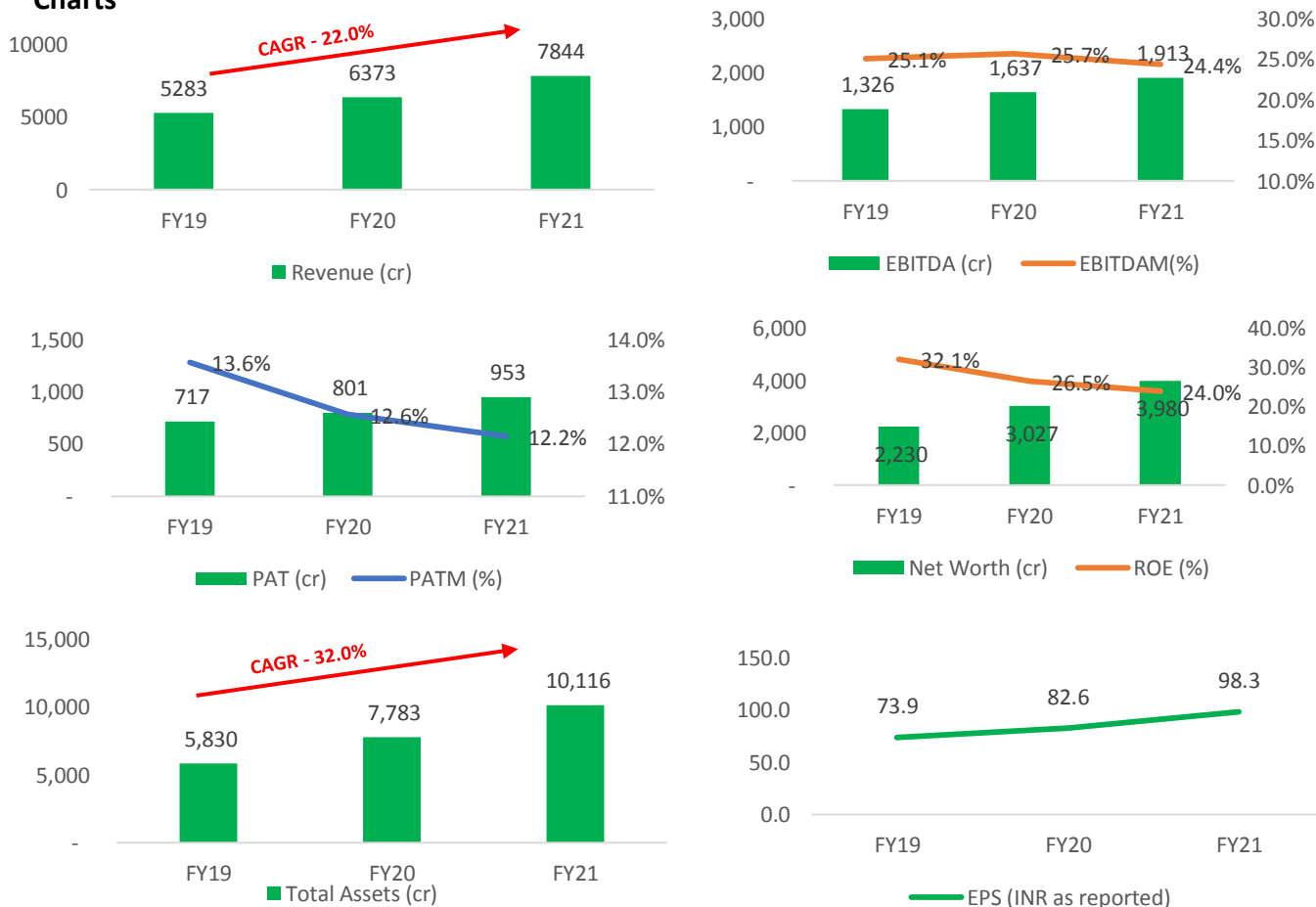
Key Person	Description
<b>Mr Vinod Kumar Agarwal</b>	Mr Vinod Kumar Agarwal is the Chairman and Whole Time Director of the company, having 25 years of experience in the road construction Industry, responsible for strategy & policy formulation of the company and business process in the company like planning, tendering and bidding.
<b>Mr Ajendra Kumar Agarwal</b>	Mr Ajendra Kumar Agarwal is the Managing Director of the company, having experience over 25 years in the road construction industry, responsible for overall function of the company especially technical and operational aspects, heads in house design team and budgeting, planning and monitoring process.
<b>Mr Anand Rathi</b>	Mr Anand Rathi is the Chief Financial Officer of the company, having several years of experience in finance and accounts, responsible for strategy of the company, building financial models, financial research and analysis and evaluating optimum financing options.

## Financial Performance

Particulars (in cr)	FY19	FY20	FY21
Revenue	5,283	6,373	7,844
EBITDA	1,326	1,637	1,913
EBITDAM(%)	25.1%	25.7%	24.4%
PAT	717	801	953
PATM (%)	13.6%	12.6%	12.2%
EPS (INR as reported)	73.9	82.6	98.3
Net Worth	2,230	3,027	3,980
Total Debt	1,860	2,768	4,494
Total Assets	5,830	7,783	10,116
ROE (%)	32.1%	26.5%	24.0%

Source: Company, Arianth Capital Research

## Charts



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Stock Rating Scale	Absolute Return
BUY	>20%
ACCUMULATE	12% to 20%
HOLD	5% to 12%
NEUTRAL	-5% to 5%
REDUCE	-5% to -12%
SELL	<-12%

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