

# RETAIL EQUITY RESEARCH

## G R Infraprojects Ltd.

Construction & Engineering

Sensex: 52,485

Nifty: 15,722

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**Price Range Rs.828 - Rs.837**

### Focused road EPC player ...

G R Infraprojects Ltd (GRIL) is an integrated road engineering, procurement and construction (EPC) company with experience in design and construction of various road/highway projects across 15 States in India and having recently diversified into projects in the railway sector. Incorporated in 1995, GRIL's principal business operations are broadly divided into (i) civil construction activities, providing EPC services; (ii) development of roads, highways on a Build Operate Transfer (BOT) basis, including under annuity and Hybrid Annuity Model (HAM); and (iii) manufacturing activities.

- Spending on road construction is forecast to increase 1.6x over FY21-25, due to the government's focus on roads, and state and national highways.
- In FY21, GRIL Order Book remains robust at Rs.19,026cr (87% with NHAI) which is 2.4x FY21 revenue, provides revenue visibility for the next 2 to 3 years.
- The order book comprised of 16 EPC projects, 10 HAM projects and 3 other projects.
- As of date, it has 1 operational road project on a BOT (annuity) basis and 14 road projects under the HAM, out of which 5 projects are currently operational, 4 projects are under construction and construction is yet to commence on 5.
- GRIL invested Rs.1,300cr in the HAM projects and will invest Rs.1,200cr in the next two to three years through internal accruals or will raise equity in the secondary market.
- GRIL's total income and profit grew at a CAGR of 21.8% and 15.3%, respectively, between FY 19 to FY21, mainly on account of a healthy order book.
- GRIL saw highest increase in EBITDA over a period of 5-years from FY15 to FY20 at a CAGR of 63% among key EPC players.
- GRIL has EBITDA margin of 23.6%, led by superior execution capabilities & backward integration and PAT Margin of 12.2% in FY21.
- In FY21, the company's standalone debt is at Rs.13.5bn with a debt to equity of 0.3x, while consolidated D/E is 1.2x.
- At the upper price band of Rs.837, GRIL is available at PE of 8.5x (FY21) which appears reasonably priced compared to peers. We assign a Subscribe rating, with a long term perspective as growth in order book, pick up in execution, diversification to other sectors like railways provides visibility for future growth.

### Purpose of IPO

The offer comprises of offer for sale by the selling shareholders. The proceeds of the offer for sale shall be received by the selling shareholders. The object of the offer is to achieve the benefits of listing the Equity Shares on the Stock Exchanges.

### Key Risks

- Primarily dependent on road projects and derive majority of revenues from contracts with a limited number of government entities.
- Project portfolio concentrated in the northern States of India.

### Peer Valuation

Issue Details				
Date of Opening	7 <sup>th</sup> July, 2021			
Date of Closing	9 <sup>th</sup> July, 2021			
Total no. of Shares offered(cr)	1.2			
Post Issue No. of shares (cr)	9.67			
Price Band	Rs. 828- 837			
Face Value	Rs. 5			
Bid Lot	17 shares			
Minimum application for retail (upper price band for 1 lot)	Rs. 14,229			
Maximum application for retail (upper price band for 14 lot)	Rs. 1,99,206			
Listing	BSE & NSE			
Lead Manager	Equirus Capital, HDFC Bank, ICICI Securities, Kotak investment Banking, Motilal Oswal, SBI Capital Market.			
Registrars	KFintech Pvt Ltd.			
Issue size (upper price)				
Fresh Issue	0.0			
OFS	962.3			
<b>Total Issue</b>	<b>962.3</b>			
Shareholding (%)				
	Pre-Issue	Post Issue		
Promoter & Promoter group	88.0	86.5		
Public	12.0	13.5		
Total	100	100		
Issue structure		Allocation %	Size Rs.cr	
Retail	35	330.6		
Non-Institutional	15	141.7		
QIB	50	472.2		
Emp. Reservation	-	17.9		
<b>Total</b>	<b>100</b>	<b>962.3</b>		
Y.E March(Rs cr)*		FY19	FY20	FY21
Sales	5,283	6,373	7,844	
Growth (%)	-	20.6	23.1	
EBITDA	1,283	1,586	1,850	
Margin%	24.3	24.9	23.6	
PAT Adj	717	801	953	
Growth (%)	-	11.7	19.0	
EPS	74	83	99	
P/E (x)	11.3	10.1	8.5	
EV/EBITDA	8.1	7.2	6.9	
RoE (%)	32.1	26.5	24.0	

\*Consolidated.

Company	MCap (Rs cr)	Revenue (Rs cr)	EBITDA Margin (%)	EPS	Order Book(RsCr)	Order Book to Sales	P/E
GR Infraprojects Ltd	8,093	7,844	23.6	99	19,026	2.4	8.5
KNR Constructions Ltd	6,792	2,904	24.1	29	11,441	3.9	8.4
PNC Infratech Ltd	7,346	5,788	24.5	19	16,000	2.8	14.7
Dilip Buildcon Ltd	8,340	10,168	20.9	20	27,411	2.7	23.9
Ashoka Buildcon Ltd	3,122	4,992	30.8	10	8,170	1.6	11.3

Source: Geojit Research, Bloomberg; Valuations of GRIL are based on upper end of the price band, Financials as per FY21 Consolidated.



## Company Description

G R Infraprojects Limited was incorporated in December 1995 and have over 25 years of experience in executing EPC projects which have been in the road sector comprising construction and development of state and national highways, bridges, culverts, flyovers, airport runways, tunnels and rail over-bridges. Since 2006, they have executed more than 100 road construction projects. In 2018, they have been awarded two projects for the railways sector which include earthwork, construction of bridges and supply of materials and track linking and civil engineering works. As of December 31, 2020, their 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. They execute road projects as EPC contractors, construction services providers as well as through PPP model on a BOT basis, with a focus on HAM projects.

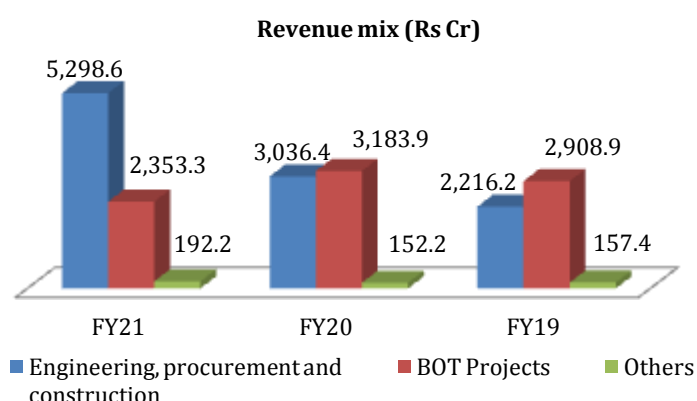
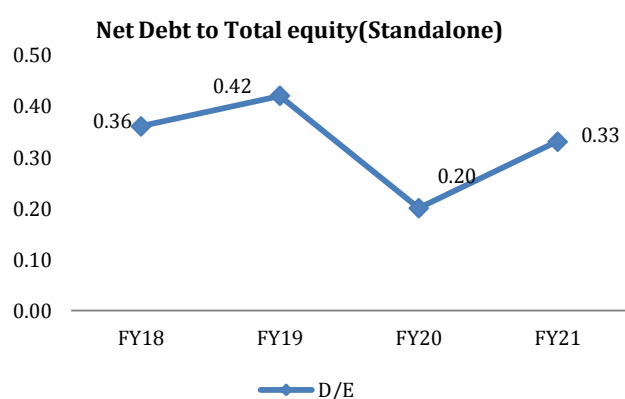
### Business operations

- Civil construction activities, under which GRIL provides EPC services.
- Development of roads and highways on a on a Build Operate Transfer (BOT) basis, including under annuity and Hybrid Annuity Model (HAM);
- Manufacturing activities, under which they process bitumen, manufacture thermoplastic road-marking paint and road signage and fabricate and galvanize metal crash barriers.
- EPC works including procuring and supply of optical fibre cable and accessories for a telecom infrastructure project and also two projects for the railways sector.

### Manufacturing Facilities

As part of the in-house integration model, GRIL has manufacturing facilities for processing of bitumen, thermoplastic road-marking paint and road signage and a fabrication and galvanization unit for metal crash barriers.

- Emulsion facility and fabrication unit – Udaipur, Rajasthan
- Emulsion facility – Guwahati, Assam
- Metal crash barrier fabrication and galvanization facility – Ahmedabad, Gujarat
- Emulsion facility – Sandila, Uttar Pradesh



Source: RHP, Geojit Research

### Competitive Strengths

#### ❖ Focused EPC player with road projects focus

GRIL has over 25 years of experience in executing EPC projects which have been in the road sector comprising construction and development of state and national highways, bridges, culverts, flyovers, airport runways, tunnels and rail over-bridges. Since 2006, they have executed more than 100 road construction projects.

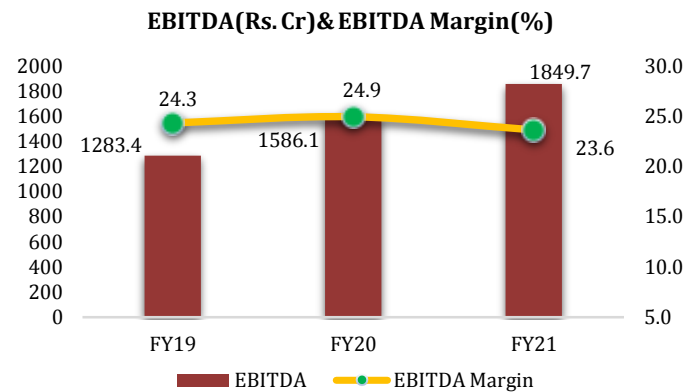
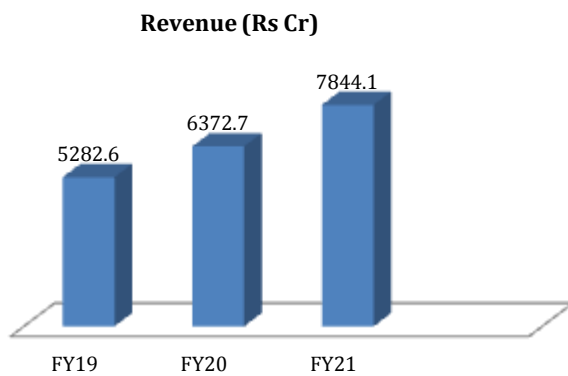
#### ❖ Established track record of timely execution

In addition, in Fiscals 2021, 2020, and 2019, of the total projects completed by GRIL, 50%, 50% and 80% of such projects were completed before the scheduled completion date.

#### ❖ In-house integrated model

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

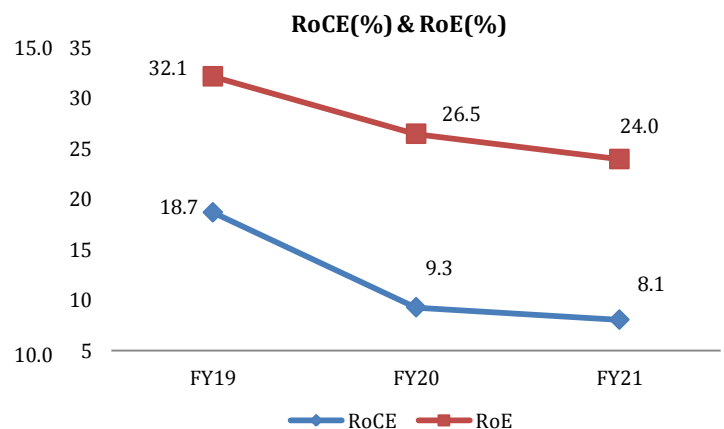
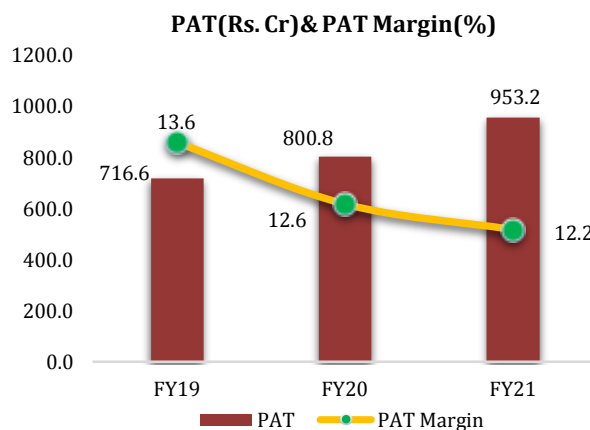
❖ **Strong financial performance**



Source: RHP, Geojit Research

### Business Strategies

- ❖ **Continued focus on the road EPC business-** Intends to maintain the focus on EPC contracts, GRIL plans to continue pursuing BOT projects (including toll projects), either independently or in partnership with other players
- ❖ **Pursue other segments within the EPC space-** Intends 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.
- ❖ **Leverage core competencies with enhanced in-house integration** –GRIL will develop design and engineering capabilities in-house, which may include fabrication of steel girders, rail over-bridges, fabrication of canopies for road infrastructure, highway traffic management systems and other road safety and traffic management solutions for road infrastructure.



Source: RHP, Geojit Research

### Promoter and promoter group

The Promoters of the Company are Vinod Kumar Agarwal, Ajendra Kumar Agarwal, Purshottam Agarwal and Lokesh Builders Private Limited. The Promoters hold 45,339,840 Equity Shares in aggregate, representing 46.89% of the pre- Offer issued, subscribed and paid-up Equity Share capital of the Company.

### Brief Biographies of Directors

- **Vinod Kumar Agarwal** is the Chairman and Whole Time Director on the Board and one of the Promoters of the company.
- **Ajendra Kumar Agarwal** is the Managing Director on the Board and one of the Promoters of the company
- **Vikas Agarwal** is the Whole Time Director on the Board.
- **Ramesh Chandra Jain** is the Whole Time Director on the Board.
- **Chander Khamesra** is a Non-Executive Independent Director on the Board.
- **Kalpana Gupta** is the Non-Executive Independent Director on the Board.
- **Rajendra Kumar Jain** is the Non-Executive Independent Director on the Board
- **Desh Raj Dogra** is an Additional Director (Non-Executive Independent Director) on the Board

## Consolidated Financials

### Profit & Loss Account

Y.E March (Rscr)	FY19	FY20	FY21
<b>Sales</b>	5283	6373	7844
% change	-	20.6	23.1
<b>EBITDA</b>	1283	1586	1850
% change	-	24	17
Depreciation	149	188.5	226
EBIT	1134	1398	1623
Interest	170	295	362
Other Income	43	51	63
Exceptional Items	-	-	-
<b>PBT</b>	1008	1154	1325
% change		15	15
Tax	291	353	371
Tax Rate (%)	29	31	28
<b>Reported PAT</b>	717	801	953
Adj	-	-	-
<b>Adj PAT</b>	717	801	953
% change	-	12	19
No. of shares (cr)	9.67	9.67	9.67
<b>Adj EPS (Rs)</b>	74	83	99

### Cash Flow

Y.E March (Rscr)	FY19	FY20	FY21
PBT	1,008	1,154	1,325
Non-cash adj.	285.5	445.8	547.7
Changes in W.C	-1,536.9	-1,866	-2,306
<b>C.F.O</b>	<b>-243.7</b>	<b>-266.6</b>	<b>-434</b>
Capital exp.	-470	-294.6	-516
Change in inv.	-336	106.7	-261
Sale of investment	3.6	8.8	7.5
Other invest.CF	18.7	35.3	39.2
<b>C.F - investing</b>	<b>-783.8</b>	<b>-143.7</b>	<b>-729.7</b>
Issue of equity	-	-	-1
Issue/repay debt	1,152	1,172	1,307
Dividends paid	-	-	-
Other finance.CF	-148	-293.5	-356.6
<b>C.F - Financing</b>	<b>1,004</b>	<b>883.7</b>	<b>949</b>
Chg. in cash	-23.6	473.5	-215
Closing cash	78.6	552	337

### Balance Sheet

Y.E March (Rscr)	FY19	FY20	FY21
Cash	716	948	831
Accounts Receivable	543	301	508
Inventories	614	767	1,058
Other Cur. Assets	1,520	1,866	1,345
Investments	678	1,807	3,689
Def. Tax Assets	124	78	85
Net Fixed Assets	927	1,024	1,340
CWIP	43	28	55
Intangible Assets	2	5	4
Other Assets	661	957	1,199
<b>Total Assets</b>	<b>5,829</b>	<b>7,783</b>	<b>10,116</b>
Current Liabilities	1,293	1,291	1,085
Provisions	38	49	120
Debt Funds	2,253	3,319	4,733
Minority Interests	-	-	-
Def. Tax Liabilities	16	98	198
Equity Capital	48.5	48.5	48.3
Reserves & Surplus	2,181	2,978	3,932
Shareholder's Fund	2,230	3,027	3,980
<b>Total Liabilities</b>	<b>5,829</b>	<b>7,783</b>	<b>10,116</b>
<b>BVPS (Rs)</b>	231	313	412

### Ratios

Y.E March	FY19	FY20	FY21
<b>Profitab. &amp; Return</b>			
EBITDA margin (%)	24.3	24.9	23.6
EBIT margin (%)	21.5	21.9	20.7
Net profit mgn.(%)	13.6	12.6	12.2
ROE (%)	32.1	26.5	24.0
ROCE (%)	18.7	9.3	8.1
<b>W.C &amp; Liquidity</b>			
Receivables (days)	37	34	21
Inventory (days)	63	59	55
Payables (days)	36	32	34
Current ratio (x)	3.1	4.2	6.2
Quick ratio (x)	1.0	1.0	1.2
<b>Turnover &amp; Lev.</b>			
Net asset T.O (x)	5.7	6.5	7.1
Total asset T.O (x)	0.9	0.9	1.1
Int. covge. ratio (x)	6.7	4.7	4.5
Adj. debt/equity (x)	1.0	1.1	1.2
<b>Valuation ratios</b>			
EV/Sales (x)	2.0	1.8	1.6
EV/EBITDA (x)	8.1	7.2	6.9
P/E (x)	11.3	10.1	8.5
P/BV (x)	3.6	2.7	2.0

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