

# G R Infraprojects

Estimate change 

TP change 

Rating change 

**CMP: INR1,410**

**TP: INR1,630 (+16%)**

**Buy**

## Robust execution despite a seasonally weak quarter

### Execution to improve further going ahead

Bloomberg	GRINFRA IN
Equity Shares (m)	97
M.Cap.(INRb)/(USDb)	135.2 / 1.7
52-Week Range (INR)	2277 / 1250
1, 6, 12 Rel. Per (%)	NA
12M Avg Val (INR M)	300

#### Financials & Valuations (INR b)

Y/E Mar	2022	2023E	2024E
Sales	79.2	86.8	99.8
EBITDA	12.8	14.8	17.5
PAT	7.6	8.8	10.7
EBITDA (%)	16.2	17.0	17.5
EPS (INR)	78.7	91.4	110.4
EPS Gr. (%)	-2.5	16.1	20.9
BV/Sh. (INR)	451.3	542.7	653.1

#### Ratios

Net D/E	0.2	0.1	0.1
RoE (%)	19.1	18.4	18.5
RoCE (%)	16.5	16.7	17.3
Payout (%)	0.0	0.0	0.0

#### Valuations

P/E (x)	17.9	15.4	12.8
P/BV (x)	3.1	2.6	2.2
EV/EBITDA (x)	11.2	9.5	8.0
Div Yield (%)	0.0	0.0	0.0
FCF Yield (%)	0.9	6.2	5.5

#### Shareholding pattern (%)

As On	Jun-22	Mar-22	Jun-21
Promoter	86.5	86.5	86.5
DII	9.7	9.8	0.0
FII	0.2	0.3	0.0
Others	3.5	3.4	13.5

FII Includes depository receipts

- GRIL reported improved execution in 1QFY23 resulting in 16% YoY/9% QoQ revenue growth (24% above our estimate). EBITDA margin expanded to 19.6% (+345bp YoY), supported by early completion bonus of INR1.3b received during the quarter. EBITDA/PAT grew 41%/58% YoY to INR4.8b/ INR3.2b (ahead of our estimates of INR3.2b/INR1.8b), respectively. Net working capital stood at 77 days at end-1QFY23 (v/s 72 days at end-4QFY22). Input costs have been cooling off and their effect will be more visible in 2HFY23.
- The order book stood at INR170b (excluding L1). The order pipeline is strong, with the management expecting INR150b of new project wins in FY23. A majority of the new orders (INR120b) is likely from the Roads and Highways segment with the balance coming from Power and Ropeway.
- The company has established an Investment Trust – Bharat Highways InVIT and registered the trust with SEBI. The InVIT will be a publicly-listed entity and operational HAM projects would be transferred to the trust.
- GRIL has delivered strong execution in 1QFY23. Some of the projects are awaiting appointed dates and are likely to start by end of the year.
- We have retained our estimates on execution front and marginally raised our earnings estimates to incorporate the improved margin outlook. With the current order book, we expect GRIL to clock 12% revenue growth over FY22-24, with EBITDA margin being in the 16-18% range. **We retain our BUY rating with a revised TP of INR1,630 based on an SoTP valuation.**

### Order pipeline robust, eyes INR150b worth of new orders in FY23E

- GRIL's bid pipeline is strong, especially in the Road segment, and the management is targeting total order inflows of INR150b in FY23E.
- The company continues to focus on Roads and Highways segment and would also look at some projects in Power T&D and Ropeway verticals.
- Government is taking measures that would reduce competition in Roads segment and players such as GRIL could significantly benefit from this.

### Key takeaways from the management commentary

- Out of the current order book, INR100b worth of orders are under execution and appointed dates for ~INR70b worth of projects are expected in FY23.
- The invested equity into HAM projects stood at INR15.5b and the management expects INR19b of fund infusion during the next three years for HAM projects.
- Management expects revenue to grow 5-10% in FY23 with EBITDA margin at 16-17% level. GRIL anticipates incurring a capex of INR3-4b in FY23.

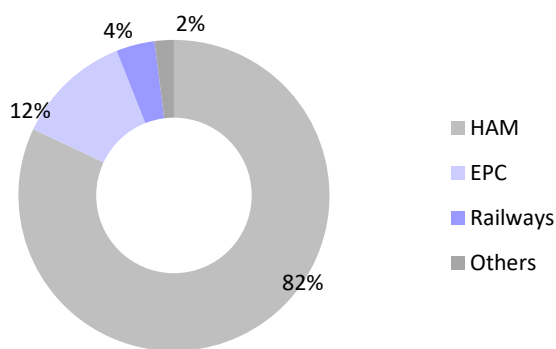
### Valuation and view

- We have retained our estimates on execution front and marginally raised our earnings estimates to incorporate the improved margin outlook. With the current order book, we expect GRIL to clock 12% revenue growth over FY22-24, with EBITDA margin being in the 16-18% range. **We retain our BUY rating with a revised TP of INR1,630 based on an SoTP valuation.**

**Quarterly Performance (Standalone)**

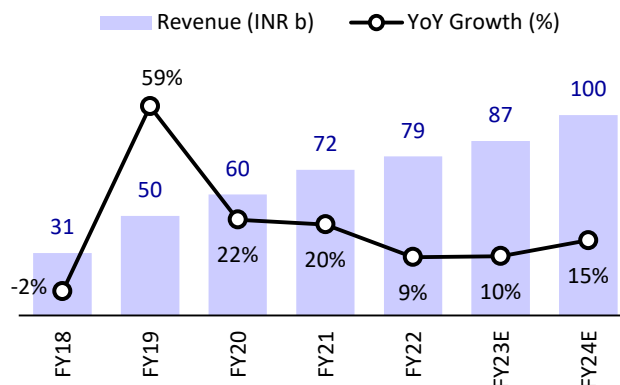
Y/E March (INR m)	FY22				FY23				FY22	FY23E	FY23	Var (%)
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE				
<b>Net Sales</b>	<b>21,332</b>	<b>16,995</b>	<b>18,184</b>	<b>22,681</b>	<b>24,767</b>	<b>19,000</b>	<b>20,500</b>	<b>22,546</b>	<b>79,192</b>	<b>86,813</b>	<b>20,000</b>	<b>23.8</b>
YoY Change (%)	73.2	45.5	(17.9)	(13.7)	16.1	11.8	12.7	(0.6)	9.3	9.6	(6.2)	
<b>EBITDA</b>	<b>3,454</b>	<b>2,779</b>	<b>2,548</b>	<b>4,030</b>	<b>4,864</b>	<b>2,945</b>	<b>3,280</b>	<b>3,669</b>	<b>12,811</b>	<b>14,758</b>	<b>3,160</b>	<b>53.9</b>
Margin (%)	16.2	16.4	14.0	17.8	19.6	15.5	16.0	16.3	16.2	17.0	15.8	
Depreciation	666	710	823	617	634	765	765	896	2,816	3,060	765	
Interest	388	311	297	273	269	275	275	306	1,269	1,126	280	
Other Income	302	339	351	331	320	300	300	303	1,324	1,222	300	
<b>PBT before EO expense</b>	<b>2,702</b>	<b>2,098</b>	<b>1,779</b>	<b>3,470</b>	<b>4,281</b>	<b>2,205</b>	<b>2,540</b>	<b>2,769</b>	<b>10,050</b>	<b>11,795</b>	<b>2,415</b>	<b>77.3</b>
Extra-Ord Expense	-	-	(31)	-	-	-	-	-	(31)	-	-	
<b>PBT</b>	<b>2,702</b>	<b>2,098</b>	<b>1,779</b>	<b>3,470</b>	<b>4,281</b>	<b>2,205</b>	<b>2,540</b>	<b>2,769</b>	<b>10,050</b>	<b>11,795</b>	<b>2,415</b>	<b>77.3</b>
Tax	666	467	459	819	1,069	555	639	697	2,411	2,960	608	
Rate (%)	24.7	22.3	25.8	23.6	25.0	25.2	25.2	25.2	24.0	25.1	25.2	
<b>Reported PAT</b>	<b>2,036</b>	<b>1,630</b>	<b>1,290</b>	<b>2,652</b>	<b>3,211</b>	<b>1,650</b>	<b>1,901</b>	<b>2,072</b>	<b>7,608</b>	<b>8,834</b>	<b>1,807</b>	<b>77.7</b>
<b>Adj PAT</b>	<b>2,036</b>	<b>1,630</b>	<b>1,321</b>	<b>2,652</b>	<b>3,211</b>	<b>1,650</b>	<b>1,901</b>	<b>2,072</b>	<b>7,639</b>	<b>8,834</b>	<b>1,807</b>	<b>77.7</b>
YoY Change (%)	186.8	15.6	(58.9)	7.2	57.7	1.2	43.9	(21.9)	(2.1)	15.6	(11.2)	
Margin (%)	9.5	9.6	7.3	11.7	13.0	8.7	9.3	9.2	9.6	10.2	9.0	

**Exhibit 1: Order book breakup excl. L1 (1QFY23: INR170b)**



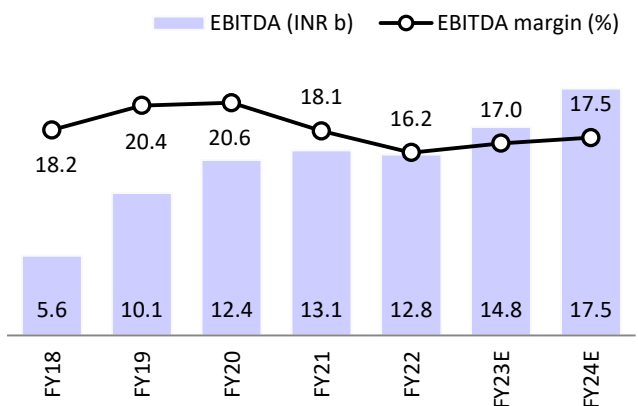
Source: MOFSL, Company

**Exhibit 2: Current order book provides strong revenue visibility until 24E**



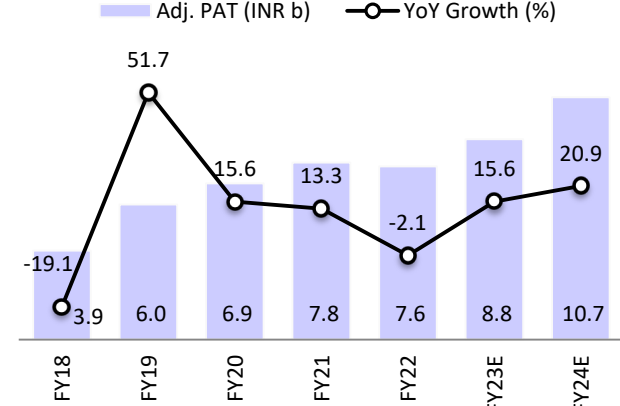
Source: MOFSL, Company

**Exhibit 3: EBITDA and EBITDA margin trends**

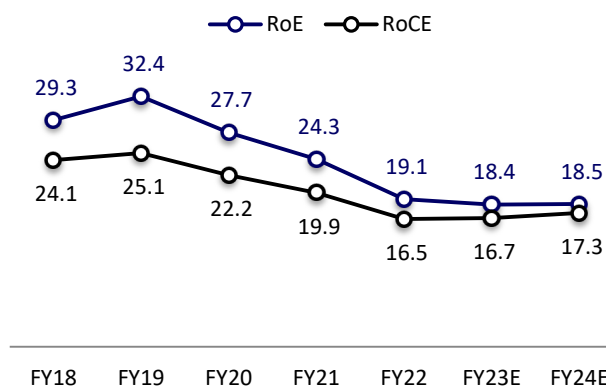


Source: MOFSL, Company

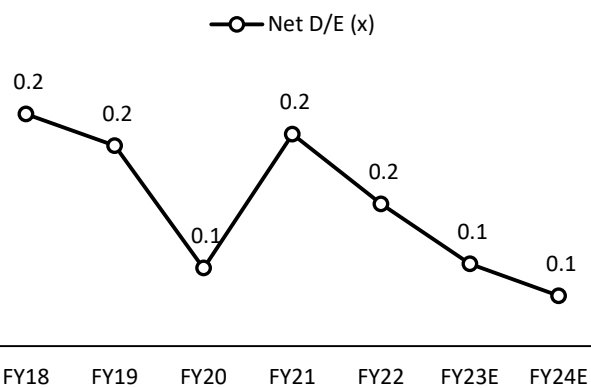
**Exhibit 4: Adjusted PAT to report 18% CAGR over FY22-24E**



Source: MOFSL, Company

**Exhibit 5: Return ratios to improve marginally robust**

Source: MOFSL, Company

**Exhibit 6: Net debt to be miniscule by FY24E**

Source: MOFSL, Company

### Valuation and view

With an order book of INR170b, excluding L1, we expect GRIL to clock 12% revenue growth over FY22-24E, with EBITDA margin in the 16-18% range. We retain our BUY rating with a revised SoTP-based TP of INR1,630.

**Exhibit 7: Our SoTP-based target price stands at INR1,630**

Particulars	INR m	Per share (INR)
<b>Standalone</b>		
March'24E Core PAT	10,079	
Target PE multiple	13.0	
<b>Standalone valuation</b>	<b>1,31,023</b>	<b>1,351</b>
<b>Asset business</b>		
March'24E Inv.	27,000	
<b>1.0x Investment value in BOT assets</b>	<b>27,000</b>	<b>278</b>
<b>Total</b>	<b>1,58,023</b>	<b>1,630</b>

Source: MOFSL, Company



### Highlights from the management commentary

#### Business update

- Improvement in execution during 1QFY23 led to ~16% YoY/9%QoQ growth in operating revenues from INR 22.7b in 1QFY22 to INR 24.8b in 1QFY23. This includes early completion bonus of INR1.3b received during 1Q FY23. EBITDA/PAT grew 41%/58% YoY to INR4.8b/INR3.2b (ahead of our estimates of INR3.2b/INR1.8b). Net Working capital stood at 77 days at end of 1Q (72 days at 4Q end). Input costs have been cooling off and the effect of same will be more visible in 2H FY23.
- The company has established an Investment Trust – Bharat Highways InVIT and registered the trust with SEBI. InVIT will include 6 HAM projects and will be a publicly listed entity with a separate management and execution team
- During 1QFY23, company had bid for projects worth INR 120b, however was unable to secure any project.
- As of June-22, unbilled revenue increased from INR 5.8b in Mar-22 to INR 9.2b due to improvement in execution in 1QFY23
- Standalone debt/equity was 0.23 as of June-22.

**Order book**

- As of June-22, order book stands at INR 170b (excl. L1 of INR 6b) of which INR 100b worth of orders are under execution and appointment date for ~INR 70b projects is expected by Mar-23
- For FY23, company expects order inflows of INR 150b of which INR 100-120b is expected from road projects, INR 10b from transmission projects, and INR 30-40b is expected from railways/ropeways.
- The bid pipeline remains strong across infra verticals.
- For Amritsar-Ludhiana, appointment date can be expected by end of Oct-22

**Equity requirement**

- Equity infused in HAM projects stood at INR15.5b as of June-22.
- The balance equity requirement stands at ~INR19b in the existing HAM projects. This would be infused over the next three years with nearly INR7b infusion each year.

**Asset monetization through InvIT**

- The company has established an Investment Trust – Bharat Highways InvIT and registered the trust with SEBI.
- The InvIT will be a publicly listed entity and operational HAM projects would be transferred to the trust.

**Guidance**

- Management expects revenue to grow by 5-10% in FY23.
- EBITDA margin should stabilize in the 16-17% range and depend on the mix of execution.
- Appointed dates for the pending HAM projects are expected by 2HFY23.
- Tightening of bidding relaxation provided during Covid-19 and reduction in grant by NHAI from 40% to 20% in HAM projects (expected by 3Q FY23) will be beneficial for GRIL as competition will reduce.
- Government of India (GoI) has identified 8-10 transmission projects worth INR 130b-150b, the bidding for which is expected to be undertaken in near future
- Currently, three employees of the company are in custody of the law enforcement agency (CBI). Based on preliminary assessment, the management has not seen any significant impact on the operation and financial position of the company due to this.

**Working capital and capex**

- For 1QFY23, working capital days stood at 77 days v/s 72 days in Mar-22. Increase in trade receivables and inventory (from INR 10.3b in Mar-22 to INR 11b in June-22) during the quarter led to higher working capital days.
- As of June-22, cash & cash equivalent (standalone) was INR 2.3b (INR 4.45b in Mar-22)
- Incurred capex of INR 1.45b in 1QFY23 and expects to incur capex of INR3b-4b in FY23.

## Financials and valuations

Income Statement						(INR m)	
Y/E March	FY18	FY19	FY20	FY21	FY22	FY23E	FY24E
<b>Net Sales</b>	<b>31,047</b>	<b>49,502</b>	<b>60,278</b>	<b>72,445</b>	<b>79,192</b>	<b>86,813</b>	<b>99,793</b>
Change (%)	(2.1)	59.4	21.8	20.2	9.3	9.6	15.0
<b>Total Expenditure</b>	<b>25,401</b>	<b>39,428</b>	<b>47,865</b>	<b>59,341</b>	<b>66,381</b>	<b>72,055</b>	<b>82,330</b>
As a percentage of Net Sales	81.8	79.6	79.4	81.9	83.8	83.0	82.5
<b>EBITDA</b>	<b>5,646</b>	<b>10,074</b>	<b>12,413</b>	<b>13,104</b>	<b>12,811</b>	<b>14,758</b>	<b>17,464</b>
As a percentage of Net Sales	18.2	20.4	20.6	18.1	16.2	17.0	17.5
Depreciation	806	1,381	1,868	2,268	2,816	3,060	3,456
<b>EBIT</b>	<b>4,840</b>	<b>8,693</b>	<b>10,545</b>	<b>10,835</b>	<b>9,994</b>	<b>11,698</b>	<b>14,008</b>
Interest	630	1,057	1,452	1,396	1,269	1,126	961
Other Income	518	674	938	1,275	1,324	1,222	1,222
EO Items	-	-	-	-	31	-	-
<b>PBT</b>	<b>4,728</b>	<b>8,310</b>	<b>10,030</b>	<b>10,715</b>	<b>10,050</b>	<b>11,795</b>	<b>14,268</b>
Tax	800	2,353	3,142	2,908	2,411	2,960	3,591
Rate (%)	16.9	28.3	31.3	27.1	24.0	25.1	25.2
<b>Reported PAT</b>	<b>3,927</b>	<b>5,957</b>	<b>6,888</b>	<b>7,806</b>	<b>7,639</b>	<b>8,834</b>	<b>10,677</b>
<b>Adjusted PAT</b>	<b>3,927</b>	<b>5,957</b>	<b>6,888</b>	<b>7,806</b>	<b>7,608</b>	<b>8,834</b>	<b>10,677</b>
Change (%)	(32.6)	51.7	15.6	13.3	(2.5)	16.1	20.9

Balance Sheet						(INR m)	
Y/E March	FY18	FY19	FY20	FY21	FY22	FY23E	FY24E
Share Capital	485	485	485	483	483	483	483
Reserves	14,895	20,919	27,785	35,561	43,152	51,986	62,663
<b>Net Worth</b>	<b>15,380</b>	<b>21,404</b>	<b>28,270</b>	<b>36,044</b>	<b>43,636</b>	<b>52,470</b>	<b>63,147</b>
Loans	6,148	10,607	10,740	13,511	11,020	9,020	7,020
Deferred Tax Liability	(1,284)	(685)	646	638	438	438	438
<b>Capital Employed</b>	<b>20,244</b>	<b>31,326</b>	<b>39,656</b>	<b>50,193</b>	<b>55,094</b>	<b>61,928</b>	<b>70,605</b>
Gross Fixed Assets	7,971	12,197	15,289	20,585	24,797	27,297	30,297
Less: Depreciation	1,820	3,172	4,967	7,134	9,950	13,011	16,466
<b>Net Fixed Assets</b>	<b>6,151</b>	<b>9,025</b>	<b>10,322</b>	<b>13,451</b>	<b>14,846</b>	<b>14,286</b>	<b>13,830</b>
Capital WIP	475	433	280	555	594	594	594
Investments	2,295	2,572	2,550	3,636	3,236	9,736	16,236
<b>Curr. Assets</b>	<b>19,228</b>	<b>32,126</b>	<b>38,755</b>	<b>45,935</b>	<b>48,457</b>	<b>51,723</b>	<b>56,510</b>
Inventory	2,986	6,136	7,684	10,584	10,218	11,201	12,876
Debtors	6,556	8,778	8,218	8,676	7,155	7,844	9,017
Cash and Bank Balance	2,367	6,064	8,403	5,416	4,450	4,442	3,655
Loans and Advances	423	400	503	558	-	-	-
Loans and advances (related party)	1,959	3,839	6,292	9,937	9,995	9,995	9,995
Other Current Assets	4,937	6,908	7,655	10,764	16,639	18,240	20,967
<b>Current Liab. and Prov.</b>	<b>7,905</b>	<b>12,830</b>	<b>12,250</b>	<b>13,384</b>	<b>12,040</b>	<b>14,410</b>	<b>16,565</b>
Creditors	3,474	5,189	5,570	7,283	7,169	8,681	9,979
Other current Liabilities	4,404	7,575	6,536	5,871	4,397	5,209	5,988
Provisions	27	66	144	230	474	520	598
<b>Net Current Assets</b>	<b>11,323</b>	<b>19,296</b>	<b>26,505</b>	<b>32,551</b>	<b>36,418</b>	<b>37,313</b>	<b>39,945</b>
<b>Application of Funds</b>	<b>20,244</b>	<b>31,326</b>	<b>39,656</b>	<b>50,193</b>	<b>55,094</b>	<b>61,928</b>	<b>70,605</b>

## Financials and valuations

### Ratios

Y/E March	FY18	FY19	FY20	FY21	FY22	FY23E	FY24E
<b>Basic EPS (INR)</b>							
Adjusted EPS	40.5	61.4	71.0	80.7	78.7	91.4	110.4
Cash EPS	48.8	75.7	90.3	104.2	107.8	123.0	146.2
Book Value	159	221	292	373	451	543	653
DPS	-	-	-	-	-	-	-
Payout (incl. Div. Tax.)	-	-	-	-	-	-	-
<b>Valuation (x)</b>							
P/E	34.8	23.0	19.8	17.5	17.9	15.4	12.8
Cash P/E	28.9	18.6	15.6	13.5	13.1	11.5	9.6
Price/Book Value	8.9	6.4	4.8	3.8	3.1	2.6	2.2
EV/Sales	4.5	2.9	2.3	2.0	1.8	1.6	1.4
EV/EBITDA	24.9	14.0	11.2	11.0	11.2	9.5	8.0
Dividend Yield (%)	-	-	-	-	-	-	-
FCF/Share	(30.4)	18.8	55.5	(7.0)	13.0	86.8	77.1
<b>Profitability Ratios (%)</b>							
RoE	29.3	32.4	27.7	24.3	19.1	18.4	18.5
RoCE	24.1	25.1	22.2	19.9	16.5	16.7	17.3
RoIC	36.8	33.4	28.6	22.9	17.4	18.6	21.6
<b>Turnover Ratios</b>							
Fixed Asset Turnover (x)	3.9	4.1	3.9	3.5	3.2	3.2	3.3
Asset Turnover (x)	1.5	1.6	1.5	1.4	1.4	1.4	1.4
Inventory (Days)	35	45	47	53	47	47	47
Debtor (Days)	77	65	50	44	33	33	33
Creditor (Days)	41	38	34	37	33	37	37
<b>Leverage Ratio</b>							
Current Ratio	2.4	2.5	3.2	3.4	4.0	3.6	3.4
Interest Coverage Ratio	7.7	8.2	7.3	7.8	7.9	10.4	14.6
Net Debt/Equity ratio (x)	0.2	0.2	0.1	0.2	0.2	0.1	0.1

### Cash Flow Statement

Y/E March	FY18	FY19	FY20	FY21	FY22	FY23E	FY24E
<b>(INR m)</b>							
<b>PBT before EO Items</b>	<b>4,728</b>	<b>8,310</b>	<b>10,030</b>	<b>10,715</b>	<b>10,019</b>	<b>11,795</b>	<b>14,268</b>
Add: Depreciation	806	1,381	1,868	2,268	2,816	3,060	3,456
Interest	351	493	1,158	275	391	(97)	(260)
Less: Direct Taxes Paid	(1,241)	(1,859)	(1,752)	(2,689)	(2,651)	(2,960)	(3,591)
(Inc.)/Dec. in WC	(4,686)	(1,809)	(2,993)	(6,094)	(4,969)	(903)	(3,420)
<b>CF from Operations</b>	<b>(41)</b>	<b>6,516</b>	<b>8,312</b>	<b>4,474</b>	<b>5,606</b>	<b>10,895</b>	<b>10,452</b>
(Inc.)/Dec. in FA	(2,905)	(4,689)	(2,927)	(5,148)	(4,346)	(2,500)	(3,000)
<b>Free Cash Flow</b>	<b>(2,947)</b>	<b>1,827</b>	<b>5,385</b>	<b>(674)</b>	<b>1,259</b>	<b>8,395</b>	<b>7,452</b>
(Pur.)/Sale of Investments	89	36	89	75	120	-	-
Others	(2,944)	(1,806)	(1,387)	(2,725)	1,854	(6,500)	(6,500)
<b>CF from Investments</b>	<b>(5,761)</b>	<b>(6,458)</b>	<b>(4,225)</b>	<b>(7,798)</b>	<b>(2,373)</b>	<b>(9,000)</b>	<b>(9,500)</b>
Issue of Shares	-	-	-	(14)	-	-	-
Inc./(Dec.) in Debt	3,026	3,456	1,328	2,805	(2,840)	(2,000)	(2,000)
Less: Interest Paid	(500)	(725)	(1,777)	(1,475)	(967)	97	260
Dividend Paid	-	-	-	-	-	-	-
Others	252	908	(1,299)	(980)	(391)	-	-
<b>CF from Fin. Activity</b>	<b>2,778</b>	<b>3,639</b>	<b>(1,748)</b>	<b>337</b>	<b>(4,198)</b>	<b>(1,903)</b>	<b>(1,740)</b>
<b>Inc./Dec. in Cash</b>	<b>(3,024)</b>	<b>3,697</b>	<b>2,339</b>	<b>(2,987)</b>	<b>(965)</b>	<b>(8)</b>	<b>(788)</b>
Add: Beginning Balance	5,391	2,367	6,064	8,403	5,416	4,451	4,442
<b>Closing Balance</b>	<b>2,367</b>	<b>6,064</b>	<b>8,403</b>	<b>5,416</b>	<b>4,451</b>	<b>4,442</b>	<b>3,655</b>

Explanation of Investment Rating	
Investment Rating	Expected return (over 12-month)
BUY	>=15%
SELL	< - 10%
NEUTRAL	< - 10 % to 15%
UNDER REVIEW	Rating may undergo a change
NOT RATED	We have forward looking estimates for the stock but we refrain from assigning recommendation

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