

G R Infraprojects

Estimate change

TP change

Rating change



| | |
|-----------------------|-------------|
| Bloomberg | GRINFRA IN |
| Equity Shares (m) | 97 |
| M.Cap.(INRb)/(USDb) | 112.4 / 1.4 |
| 52-Week Range (INR) | 2070 / 1074 |
| 1, 6, 12 Rel. Per (%) | -13/-35/-45 |
| 12M Avg Val (INR M) | 77 |

Financials & Valuations (INR b)

| Y/E Mar | 2022 | 2023E | 2024E |
|--------------|-------|-------|-------|
| Sales | 79.2 | 82.8 | 96.8 |
| EBITDA | 12.8 | 13.7 | 16.2 |
| PAT | 7.6 | 8.5 | 9.8 |
| EBITDA (%) | 16.2 | 16.5 | 16.8 |
| EPS (INR) | 79.0 | 87.5 | 101.3 |
| EPS Gr. (%) | -2.1 | 10.7 | 15.8 |
| BV/Sh. (INR) | 451.3 | 538.8 | 640.0 |

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) | 14.7 | 13.3 | 11.5 |
| P/BV (x) | 2.6 | 2.2 | 1.8 |
| EV/EBITDA (x) | 9.3 | 8.6 | 7.2 |
| Div Yield (%) | 0.0 | 0.0 | 0.0 |
| FCF Yield (%) | 1.1 | 7.5 | 5.5 |

Shareholding pattern (%)

| As On | Sep-22 | Jun-22 | Sep-21 |
|----------|--------|--------|--------|
| Promoter | 79.7 | 86.5 | 86.5 |
| DII | 15.7 | 9.7 | 7.1 |
| FII | 0.6 | 0.2 | 2.9 |
| Others | 4.0 | 3.5 | 3.5 |

FII Includes depository receipts

CMP: INR1,163

TP: INR1,510 (+30%)

Buy

Minor miss led by execution; tender pipeline robust

Execution to improve going ahead

- G R Infraprojects (GRIL)'s revenue grew 4.6% YoY (-28% QoQ) to ~INR17.8b in 2QFY23 and was 7% below our estimate. EBITDA margin stood at 14.6% (-170bp YoY). EBITDA declined 6% YoY to INR2.6b (13% below estimate). The quarter includes bonus/claims of INR63.6m (v/s INR1.3b in 1QFY23 and INR125.2m in 1QFY22). Higher other income and low depreciation saw APAT declining 2.5% YoY to INR1.6b, in line with estimate. Net working capital stood at 85 at end-2QFY23 (v/s 77 at end-1Q).
- Order book in 2QFY23 stood at INR156b (excluding L1). The order pipeline was strong (~INR550b in Road projects), with GRIL expecting INR150b of new project wins in FY23. The majority of new orders are expected from the Roads segment with the balance coming from Power T&D and Metro.
- The Road Ministry has recently issued a letter to GRIL debarring it from bidding for one month in Road projects. GRIL is assessing the implications but sees limited impact as major project awarding starts post-Jan'23.
- GRIL delivered muted execution in 2QFY23. Most of the projects awaiting appointed dates are likely to start by end-FY23. We have cut our estimates marginally to factor in slower execution and cautious outlook on margin improvement. With current order book, we expect GRIL to clock 11% revenue growth over FY22-24, and EBITDA margin in the 16-17% range. We maintain our BUY rating with an SoTP-based revised TP of INR1,510.**

Order pipeline robust, eyes INR150b worth of orders in FY23E

- GRIL's bid pipeline was strong especially in the Road segment and it is targeting total order inflows of INR150b in FY23E. GRIL currently has bid for projects worth INR165b where bids are yet to be opened.
- The company is also actively looking at other projects like Power T&D and Metro and expects some project wins in 4QFY23 from these segments.

Key takeaways from the management commentary

- Management expects revenue to grow 5-10% in FY23 with EBITDA margin at 16-17% levels including the bonus component. GRIL expects to incur capex of INR3-4b in FY23.
- The Road Ministry's order of debarring GRIL would be contested by the company. However, it continues to expect inflows of INR150b in FY23.
- It expects INR18b of fund infusion during the next three years for HAM projects. GRIL's INVIT would be operational soon and some assets would get transferred.

Valuation and view

- The robust order pipeline should see decent order inflows for GRIL in 4QFY23. However, the near-term execution could be muted as projects starting now would take time to ramp-up.
- With current order book, we expect GRIL to clock 11% revenue growth over FY22-24, and EBITDA margin in the 16-17% range. We maintain our BUY rating with an SoTP-based revised TP of INR1,510.**

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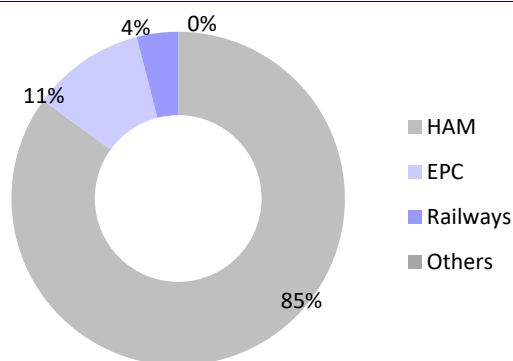
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Quarterly Performance (Standalone) (INR m)

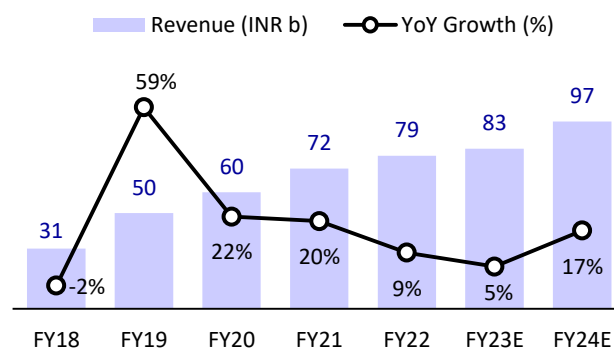
| Y/E March | FY22 | | | | FY23 | | | | FY22 | FY23E | FY23 | Var |
|------------------------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| | 1Q | 2Q | 3Q | 4Q | 1Q | 2Q | 3QE | 4QE | | | 2QE | |
| Net Sales | 21,332 | 16,995 | 18,184 | 22,681 | 24,767 | 17,772 | 18,500 | 21,737 | 79,192 | 82,775 | 19,000 | -6.5% |
| YoY Change (%) | 73.2 | 45.5 | (17.9) | (13.7) | 16.1 | 4.6 | 1.7 | (4.2) | 9.3 | 4.5 | 11.8 | |
| EBITDA | 3,454 | 2,779 | 2,548 | 4,030 | 4,864 | 2,600 | 2,775 | 3,419 | 12,811 | 13,658 | 2,993 | -13.1% |
| Margin (%) | 16.2 | 16.4 | 14.0 | 17.8 | 19.6 | 14.6 | 15.0 | 15.7 | 16.2 | 16.5 | 15.8 | |
| Depreciation | 666 | 710 | 823 | 617 | 634 | 620 | 651 | 699 | 2,816 | 2,605 | 765 | |
| Interest | 388 | 311 | 297 | 273 | 269 | 236 | 275 | 288 | 1,269 | 1,067 | 275 | |
| Other Income | 302 | 339 | 351 | 331 | 320 | 519 | 280 | 254 | 1,324 | 1,372 | 300 | |
| PBT before EO expense | 2,702 | 2,098 | 1,779 | 3,470 | 4,281 | 2,263 | 2,129 | 2,686 | 10,050 | 11,358 | 2,252 | 0.5% |
| Extra-Ord Expense | - | - | (31) | - | - | - | - | - | (31) | - | - | |
| PBT | 2,702 | 2,098 | 1,779 | 3,470 | 4,281 | 2,263 | 2,129 | 2,686 | 10,050 | 11,358 | 2,252 | 0.5% |
| Tax | 666 | 467 | 459 | 819 | 1,069 | 620 | 536 | 677 | 2,411 | 2,902 | 567 | |
| Rate (%) | 24.7 | 22.3 | 25.8 | 23.6 | 25.0 | 27.4 | 25.2 | 25.2 | 24.0 | 25.6 | 25.2 | |
| Reported PAT | 2,036 | 1,630 | 1,290 | 2,652 | 3,211 | 1,643 | 1,593 | 2,009 | 7,608 | 8,456 | 1,685 | -2.5% |
| Adj PAT | 2,036 | 1,630 | 1,321 | 2,652 | 3,211 | 1,643 | 1,593 | 2,009 | 7,639 | 8,456 | 1,685 | -2.5% |
| YoY Change (%) | 186.8 | 15.6 | (58.9) | 7.2 | 57.7 | 0.8 | 20.6 | (24.3) | (2.1) | 10.7 | 3.4 | |
| Margin (%) | 9.5 | 9.6 | 7.3 | 11.7 | 13.0 | 9.2 | 8.6 | 9.2 | 9.6 | 10.2 | 8.9 | |

Exhibit 1: Order book breakup excl. L1 (2QFY23: INR156b)



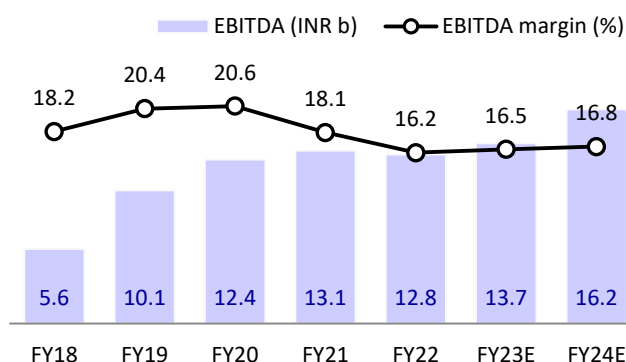
Source: MOFSL, Company

Exhibit 2: Current order book provides revenue visibility until FY24E



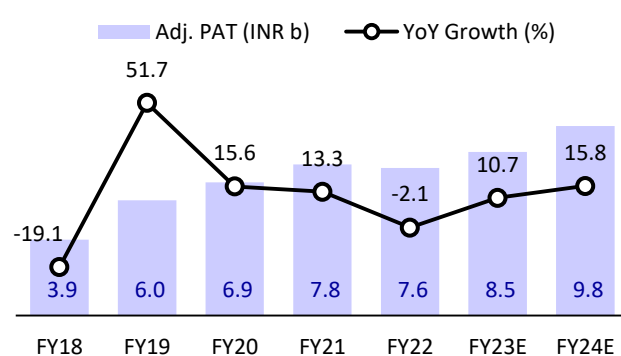
Source: MOFSL, Company

Exhibit 3: EBITDA and EBITDA margin trends

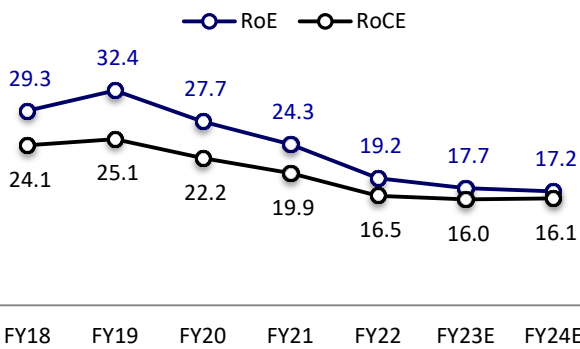


Source: MOFSL, Company

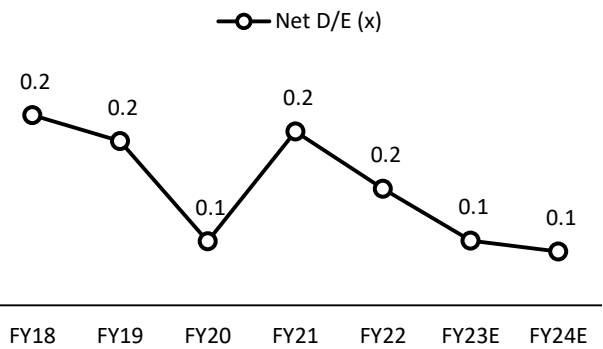
Exhibit 4: Adjusted PAT to post 13% CAGR over FY22-24E



Source: MOFSL, Company

Exhibit 5: Return ratios to improve gradually

Source: MOFSL, Company

Exhibit 6: Net debt to be miniscule by FY24E

Source: MOFSL, Company



Highlights from the management commentary

Business update

- Operating revenues and EBITDA include early completion bonus of INR60m received during 2Q FY23.
- EBITDA de-grew by 6% YoY due to slower execution. EBITDA margins were impacted due to some additional provisioning, CSR expenses and elevated commodity prices. However, with cool-off in commodity prices and pickup in construction activity in 2H FY23, margins are expected to improve.
- Company has been working on one transmission project, and is bidding for projects worth INR 50-60b. As power usage increases in the country, management expect power transmission sector to grow significantly and the company is focused on securing more projects in this sector.
- As of Nov'22, company has bid for projects worth INR 165b, of which INR 10b is for a metro project, INR 150b for road projects and INR 5b for a ropeway project
- Standalone debt stood at INR 9.1b as of Sep'22 taking debt/equity ratio from 0.23 in Jun'22 to 0.19 as of Sep'22.

Order book

- As of June-22, order book stands at INR 156b (excl. L1 of INR 6b). Appointment date for pending HAM projects expected before FY23 end.
- 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.

Equity requirement

- Equity infused in HAM projects stood at ~INR16b as of Sep-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.
- Any amount that will be raised via the InVIT will be used for repayment of debt. InVIT will also be targeting to bid for external assets as well apart from acquiring assets from GR Infra.

Guidance

- Management expects revenue to grow by 5-10% in FY23 and expects growth momentum to pick up from FY24 onwards with annual growth rate of 15-20% for next few years
- EBITDA margin should stabilize in the 15-16% range excluding bonus and claims.
- 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.

Other

- For 2QFY23, working capital days stood at 85 days v/s 77 days in Jun-22.
- Expects to incur Capex of ~INR7b in FY23.

Exhibit 7: Revised forecast

| INR m | Old | | New | | Change (%) | |
|---------------|--------|--------|--------|--------|------------|-------|
| | FY23E | FY24E | FY23E | FY24E | FY23E | FY24E |
| Revenue | 86,813 | 99,793 | 82,775 | 96,807 | -4.7% | -3.0% |
| EBITDA | 14,151 | 16,765 | 13,658 | 16,215 | -3.5% | -3.3% |
| EBITDA margin | 16.3% | 16.8% | 16.5% | 16.8% | -20.0 | 5.0 |
| Adj. PAT | 8,371 | 10,121 | 8,456 | 9,794 | 1.0% | -3.2% |

Source: Company, MOFSL

Valuation and view

- GRIL has delivered muted execution in 2Q FY23. Most of the projects awaiting appointed dates are likely to start by end of FY23. We have reduced our estimates marginally to factor in the slower execution and cautious outlook on margin improvement.
- With current order book, we expect GRIL to clock 11% revenue growth over FY22-24E, with EBITDA margin in the 16-17% range. We retain our BUY rating with a revised TP of INR1,510 based on an SoTP valuation.

Exhibit 8: SoTP Target Price stands at INR1,510/share

| Particulars | INR m | Per share (INR) |
|---|----------------|-----------------|
| Valuation | | |
| March'24E Core PAT – 13x P/E | 119,138 | 1,232 |
| BOT Portfolio valuation – 1.2x Investment value | 27,000 | 278 |
| Total | 146,538 | 1,510 |

Source: MOFSL, Company

Financials and valuations

| Income Statement | | | | | | (INR m) | |
|------------------------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| Y/E March | FY18 | FY19 | FY20 | FY21 | FY22 | FY23E | FY24E |
| Net Sales | 31,047 | 49,502 | 60,278 | 72,445 | 79,192 | 82,775 | 96,807 |
| Change (%) | (2.1) | 59.4 | 21.8 | 20.2 | 9.3 | 4.5 | 17.0 |
| Total Expenditure | 25,401 | 39,428 | 47,865 | 59,341 | 66,381 | 69,117 | 80,592 |
| As a percentage of Net Sales | 81.8 | 79.6 | 79.4 | 81.9 | 83.8 | 83.5 | 83.3 |
| EBITDA | 5,646 | 10,074 | 12,413 | 13,104 | 12,811 | 13,658 | 16,215 |
| As a percentage of Net Sales | 18.2 | 20.4 | 20.6 | 18.1 | 16.2 | 16.5 | 16.8 |
| Depreciation | 806 | 1,381 | 1,868 | 2,268 | 2,816 | 2,605 | 3,456 |
| EBIT | 4,840 | 8,693 | 10,545 | 10,835 | 9,994 | 11,053 | 12,760 |
| Interest | 630 | 1,057 | 1,452 | 1,396 | 1,269 | 1,067 | 915 |
| Other Income | 518 | 674 | 938 | 1,275 | 1,324 | 1,372 | 1,243 |
| EO Items | - | - | - | - | 31 | - | - |
| PBT | 4,728 | 8,310 | 10,030 | 10,715 | 10,050 | 11,358 | 13,088 |
| Tax | 800 | 2,353 | 3,142 | 2,908 | 2,411 | 2,902 | 3,294 |
| Rate (%) | 16.9 | 28.3 | 31.3 | 27.1 | 24.0 | 25.6 | 25.2 |
| Reported PAT | 3,927 | 5,957 | 6,888 | 7,806 | 7,639 | 8,456 | 9,794 |
| Adjusted PAT | 3,927 | 5,957 | 6,888 | 7,806 | 7,608 | 8,456 | 9,794 |
| Change (%) | (32.6) | 51.7 | 15.6 | 13.3 | (2.5) | 11.1 | 15.8 |

| 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 | 51,608 | 61,402 |
| Net Worth | 15,380 | 21,404 | 28,270 | 36,044 | 43,636 | 52,092 | 61,885 |
| 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 |
| Capital Employed | 20,244 | 31,326 | 39,656 | 50,193 | 55,094 | 61,550 | 69,344 |
| 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 | 12,555 | 16,010 |
| Net Fixed Assets | 6,151 | 9,025 | 10,322 | 13,451 | 14,846 | 14,742 | 14,286 |
| Capital WIP | 475 | 433 | 280 | 555 | 594 | 594 | 594 |
| Investments | 2,295 | 2,572 | 2,550 | 3,636 | 3,236 | 9,736 | 16,236 |
| Curr. Assets | 19,228 | 32,126 | 38,755 | 45,935 | 48,457 | 50,219 | 54,297 |
| Inventory | 2,986 | 6,136 | 7,684 | 10,584 | 10,218 | 10,680 | 12,491 |
| Debtors | 6,556 | 8,778 | 8,218 | 8,676 | 7,155 | 7,479 | 8,747 |
| Cash and Bank Balance | 2,367 | 6,064 | 8,403 | 5,416 | 4,450 | 4,673 | 2,724 |
| 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 | 17,392 | 20,340 |
| Current Liab. and Prov. | 7,905 | 12,830 | 12,250 | 13,384 | 12,040 | 13,740 | 16,069 |
| Creditors | 3,474 | 5,189 | 5,570 | 7,283 | 7,169 | 8,278 | 9,681 |
| Other current Liabilities | 4,404 | 7,575 | 6,536 | 5,871 | 4,397 | 4,967 | 5,808 |
| Provisions | 27 | 66 | 144 | 230 | 474 | 496 | 580 |
| Net Current Assets | 11,323 | 19,296 | 26,505 | 32,551 | 36,418 | 36,479 | 38,228 |
| Application of Funds | 20,244 | 31,326 | 39,656 | 50,193 | 55,094 | 61,550 | 69,344 |

Financials and valuations

Ratios

| Y/E March | FY18 | FY19 | FY20 | FY21 | FY22 | FY23E | FY24E |
|---------------------------------|--------|------|------|-------|-------|-------|-------|
| Basic EPS (INR) | | | | | | | |
| Adjusted EPS | 40.5 | 61.4 | 71.0 | 80.7 | 78.7 | 87.5 | 101.3 |
| Cash EPS | 48.8 | 75.7 | 90.3 | 104.2 | 107.8 | 114.4 | 137.0 |
| Book Value | 159 | 221 | 292 | 373 | 451 | 539 | 640 |
| DPS | - | - | - | - | - | - | - |
| Payout (incl. Div. Tax.) | - | - | - | - | - | - | - |
| Valuation (x) | | | | | | | |
| P/E | 28.7 | 18.9 | 16.4 | 14.4 | 14.7 | 13.3 | 11.5 |
| Cash P/E | 23.8 | 15.4 | 12.9 | 11.2 | 10.8 | 10.2 | 8.5 |
| Price/Book Value | 7.3 | 5.3 | 4.0 | 3.1 | 2.6 | 2.2 | 1.8 |
| EV/Sales | 3.8 | 2.4 | 1.9 | 1.7 | 1.5 | 1.4 | 1.2 |
| EV/EBITDA | 20.6 | 11.6 | 9.3 | 9.2 | 9.3 | 8.6 | 7.2 |
| Dividend Yield (%) | - | - | - | - | - | - | - |
| FCF/Share | (30.4) | 18.8 | 55.5 | (7.0) | 13.0 | 87.1 | 64.4 |
| Profitability Ratios (%) | | | | | | | |
| RoE | 29.3 | 32.4 | 27.7 | 24.3 | 19.1 | 17.7 | 17.2 |
| RoCE | 24.1 | 25.1 | 22.2 | 19.9 | 16.5 | 16.0 | 16.1 |
| RoIC | 36.8 | 33.4 | 28.6 | 22.9 | 17.4 | 17.6 | 19.8 |
| Turnover Ratios | | | | | | | |
| Fixed Asset Turnover (x) | 3.9 | 4.1 | 3.9 | 3.5 | 3.2 | 3.0 | 3.2 |
| Asset Turnover (x) | 1.5 | 1.6 | 1.5 | 1.4 | 1.4 | 1.3 | 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 |
| Leverage Ratio | | | | | | | |
| Current Ratio | 2.4 | 2.5 | 3.2 | 3.4 | 4.0 | 3.7 | 3.4 |
| Interest Coverage Ratio | 7.7 | 8.2 | 7.3 | 7.8 | 7.9 | 10.4 | 13.9 |
| Net Debt/Equity ratio (x) | 0.2 | 0.2 | 0.1 | 0.2 | 0.2 | 0.1 | 0.1 |

Cash Flow Statement

(INR m)

| Y/E March | FY18 | FY19 | FY20 | FY21 | FY22 | FY23E | FY24E |
|------------------------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| PBT before EO Items | 4,728 | 8,310 | 10,030 | 10,715 | 10,019 | 11,358 | 13,088 |
| Add: Depreciation | 806 | 1,381 | 1,868 | 2,268 | 2,816 | 2,605 | 3,456 |
| Interest | 351 | 493 | 1,158 | 275 | 391 | (305) | (328) |
| Less: Direct Taxes Paid | (1,241) | (1,859) | (1,752) | (2,689) | (2,651) | (2,902) | (3,294) |
| (Inc.)/Dec. in WC | (4,686) | (1,809) | (2,993) | (6,094) | (4,969) | 161 | (3,698) |
| CF from Operations | (41) | 6,516 | 8,312 | 4,474 | 5,606 | 10,917 | 9,224 |
| (Inc.)/Dec. in FA | (2,905) | (4,689) | (2,927) | (5,148) | (4,346) | (2,500) | (3,000) |
| Free Cash Flow | (2,947) | 1,827 | 5,385 | (674) | 1,259 | 8,417 | 6,224 |
| (Pur.)/Sale of Investments | 89 | 36 | 89 | 75 | 120 | - | - |
| Others | (2,944) | (1,806) | (1,387) | (2,725) | 1,854 | (6,500) | (6,500) |
| CF from Investments | (5,761) | (6,458) | (4,225) | (7,798) | (2,373) | (9,000) | (9,500) |
| 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) | 305 | 328 |
| Dividend Paid | - | - | - | - | - | - | - |
| Others | 252 | 908 | (1,299) | (980) | (391) | - | - |
| CF from Fin. Activity | 2,778 | 3,639 | (1,748) | 337 | (4,198) | (1,695) | (1,672) |
| Inc./Dec. in Cash | (3,024) | 3,697 | 2,339 | (2,987) | (965) | 222 | (1,948) |
| Add: Beginning Balance | 5,391 | 2,367 | 6,064 | 8,403 | 5,416 | 4,451 | 4,673 |
| Closing Balance | 2,367 | 6,064 | 8,403 | 5,416 | 4,451 | 4,673 | 2,724 |

| 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 |

*In case the recommendation given by the Research Analyst is inconsistent with the investment rating legend for a continuous period of 30 days, the Research Analyst shall be within following 30 days take appropriate measures to make the recommendation consistent with the investment rating legend.

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