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India | Equity Research | Q1FY25 results review

## GR Infraprojects

Construction

### Subdued Q1 result cushioned by expectations of strong order inflow

GR Infraprojects (GR Infra) has reported subdued Q1FY25 earnings on account of a) decline in orderbook and b) delay in allotment of the appointing date for seven projects. Revenue declined 12% YoY and EBITDA margin came in at 130% (down 160bps YoY). However, rise in other income (INR 1.1bn, 2x Q1FY24) aided in a flat quarter in terms of profit. The orderbook saw an accretion of INR 40bn. Order pipeline for FY25 is estimated at INR 2.3trn, of which GR Infra expects to capture INR 160bn in incremental orders (bringing total likely order inflow for FY25 to INR 200bn). We expect orderbook to improve in FY25 on higher order inflow from road, transmission and other projects. As a result, we expect revenue to grow by 15% in FY26E. We maintain **BUY** with a revised TP of INR 1,875 (earlier INR 1,820).

### Revenue dips 12% YoY due to diminished orderbook

Revenue in Q1FY25 came in at INR 19bn, down 12% YoY on account of lower executable orderbook of INR 85bn (total orderbook at INR 193bn) as well as delay in allotment of the appointing date for seven projects. EBITDA margin fell 160bps YoY with EBITDA coming in at INR 2.5bn (down 22% YoY). This was primarily due to lower operating leverage on account of lower topline. On the flip side, other income comprising interest and dividend distribution from Bharat Highways InvIT (up to 50-55%) more than doubled YoY. Thus, adjusted PAT stood at INR 2bn, down 4% YoY.

### FY25 expected to be flat with respect to revenues

Slowdown in NHAI bidding that plagued FY24's order pipeline contributed to flat revenue guidance for FY25. Additionally, the company mentioned that 5% YoY growth could be achieved contingent to a faster pace of bidding and awarding in EPC projects this year.

### Order pipeline strong at INR 2.3trn for FY25

The order pipeline for the year is expected to be strong at INR 2.3trn, with 52-55% EPC projects. Of INR 2.3trn, the company expects to grab an achievable INR 160bn this year (in addition to INR 40bn already in L1s).

### Maintain BUY with TP of INR 1,875/share

We maintain **BUY** rating on the stock with a revised TP of INR 1,875 per share. (earlier INR 1,820).

### Financial Summary

Y/E March (INR mn)	FY23A	FY24A	FY25E	FY26E
Net Revenue	80,147	77,880	78,520	90,298
EBITDA	11,802	11,354	11,895	13,677
EBITDA Margin (%)	14.7	14.6	15.1	15.1
Net Profit	8,518	19,517	7,834	9,188
EPS (INR)	88.1	201.9	81.0	95.0
EPS % Chg YoY	0.1	(0.2)	0.4	0.2
P/E (x)	22.6	28.4	20.7	17.7
EV/EBITDA (x)	13.5	11.4	9.7	8.8
RoCE (%)	13.5	8.9	10.1	10.4
RoE (%)	15.0	9.2	10.3	11.0

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#### Market Data

Market Cap (INR)	162bn
Market Cap (USD)	1,940mn
Bloomberg Code	GRINFRA IN
Reuters Code	GINF BO
52-week Range (INR)	1,860 / 1,025
Free Float (%)	25.0
ADTV-3M (mn) (USD)	2.2

Price Performance (%)	3m	6m	12m
Absolute	19.5	32.8	30.1
Relative to Sensex	9.9	19.9	6.8

#### Previous Reports

31-05-2024: [Q4FY24 results review](#)

16-11-2023: [Q2FY24 results review](#)

## Q1FY25 conference call highlights

### Orderbook and order pipeline

Orderbook at the end of Q1FY25 stood at INR 193bn.

- Of this INR 193bn, the company has also emerged L1 in two MSRDC road projects worth INR 43bn.
- Executable orderbook stands at INR 85bn, down 18% QoQ.
- 77% of the orderbook is contributed by NHAI.
- The company has also submitted 16 bids worth INR 153bn in FY25-YTD. Segmental breakup for these bids would be:
  - EPC bids worth INR 20bn,
  - HAM bids worth INR 55bn,
  - Railways and metro bids worth INR 25bn, and
  - T&D bids worth INR 4bn.
- The bid pipeline for the year is estimated to be worth ~INR 2.6trn.
  - Of this, ~INR 80-85bn is expected to be EPC projects.
  - HAM pipeline is estimated at ~INR 70-75bn.
  - Optical fibre segment pipeline would be worth ~INR 350-400bn.
  - Tunnelling projects for hydropower and more would be worth ~INR 600bn.
  - T&D space is worth ~INR 200-210bn.
  - Railways' pipeline would be worth ~INR 110bn.

### Guidance

- The guidance for FY25 revenue was flat to +5% YoY depending on the timeline of awarding of EPC projects.
- EBITDA margin to be in 12-13% range.
- GR Infra is expecting order inflow of INR 200bn this year.
- Other income to be INR 3-3.5bn in FY25.
- The company has undertaken capital expenditure worth INR 210mn in Q1FY25 and is looking to spend another INR 1.3bn this year.

### Bharat Highways InvIT

- The company has proposed to transfer two assets to Bharat Highways InvIT this year, and 3-4 next year.
- Of the two being transferred, one is HAM Aligarh-Kanpur highway project that was operationalised in Q1FY25.

### Other highlights

- Projects under execution are worth INR 85bn.
- Currently, seven projects amounting to INR 70bn are awaiting the appointing date.
  - Of these, the appointing date for projects worth INR 50-55bn may be approved by Q3FY25.

- The remaining projects worth INR 15-20bn are expected to be approved by Q4FY25.
- Other income hereon comprises interest and dividend distribution received from the InvIT.
- The company has guided for 10-15% growth in revenue for FY26 with margin expansion of ~100bps.
- The company is also constructing a new office building which would require INR 1.5-2bn over the next two years.

## Outlook and valuation

Over the past couple of years, GR Infra was struggling for execution growth on account of lower order inflow and thus low executable order backlog of INR 193bn (including L1s) as on Jun'24 i.e. 2.5x FY24 revenue of INR 78bn. However, executable orderbook stands at INR 85bn which is 1.09x of FY24 revenue.

It witnessed robust order inflow worth ~INR 200bn over the past couple of quarters across segments like roads, tunnelling, logistics parks, hydro power, etc. Given the low orderbook, we largely maintain our estimates for FY25 and FY26 with flat revenue growth for FY25E and 15% revenue growth for FY26E.

Moreover, GR Infra has successfully launched its InvIT and has transferred 7 operational HAM projects to the InvIT and had booked other income of INR 1.1bn in Q1FY25, which may become INR 3-3.5bn over FY25. This InvIT will act as a platform for GR Infra to offload its operational assets to churn cash and invest in future projects, thus, improving its profitability.

Given a decent order build up (including L1), stable input price environment, strong bidding pipeline and the possibility of liquidation of operational assets, we maintain **BUY** rating on the stock with a revised target price of **INR 1,875/share** (earlier INR 1,820) (SoTP based).

**Downside risks:** a) Delay in order inflow of EPC projects, b) lower bidding activity.

### Exhibit 1: Maintain BUY with TP of INR 1,875

In INR mn	Basis of valuation	PAT/Equity value	Multiple	Valuation	Per share
EPC	PEx FY26E	8,181	12x	1,02,177	1,054
BOT & HAM	1.7x FY26E equity invested	35,732	1.7x	61,102	630
INVIT Value	10% Holding discount	47,180	43.6%	18,496	191
<b>Total</b>				<b>1,81,776</b>	<b>1,875</b>
Shares outstanding (mn)					97

Source: I-Sec research, Company data

### Exhibit 2: Shareholding pattern

%	Dec'23	Mar'24	Jun'24
Promoters	79.7	74.7	74.7
Institutional investors	16.5	21.4	21.9
MFs and others	15.6	20.6	20.4
FIs/Banks	0.0	0.0	0.0
Insurance	0.0	0.0	0.0
FIIIs	0.9	0.8	1.5
Others	3.8	3.9	3.4

Source: Bloomberg

### Exhibit 3: Price chart



Source: Bloomberg

## Financial Summary

### Exhibit 4: Profit & Loss

(INR mn, year ending March)

	FY23A	FY24A	FY25E	FY26E
<b>Net Sales</b>	<b>80,147</b>	<b>77,880</b>	<b>78,520</b>	<b>90,298</b>
Operating Expenses	1,598	1,552	2,004	2,204
<b>EBITDA</b>	<b>11,802</b>	<b>11,354</b>	<b>11,895</b>	<b>13,677</b>
EBITDA Margin (%)	14.7	14.6	15.1	15.1
Depreciation & Amortization	2,457	2,442	2,657	2,942
EBIT	9,346	8,912	9,238	10,735
Interest expenditure	1,022	1,032	1,181	1,350
Other Non-operating Income	1,809	1,990	2,388	2,865
<b>Recurring PBT</b>	<b>10,133</b>	<b>9,870</b>	<b>10,446</b>	<b>12,251</b>
<b>Profit / (Loss) from Associates</b>	-	-	-	-
Less: Taxes	2,943	4,155	2,611	3,063
PAT	7,189	5,715	7,834	9,188
Less: Minority Interest	-	-	-	-
Extraordinaries (Net)	1,329	13,803	-	-
<b>Net Income (Reported)</b>	<b>8,518</b>	<b>19,517</b>	<b>7,834</b>	<b>9,188</b>
<b>Net Income (Adjusted)</b>	<b>8,518</b>	<b>19,517</b>	<b>7,834</b>	<b>9,188</b>

Source Company data, I-Sec research

### Exhibit 5: Balance sheet

(INR mn, year ending March)

	FY23A	FY24A	FY25E	FY26E
<b>Total Current Assets</b>	<b>61,602</b>	<b>54,239</b>	<b>94,747</b>	<b>1,07,414</b>
of which cash & cash eqv.	1,010	2,594	44,686	40,107
<b>Total Current Liabilities &amp; Provisions</b>	<b>13,876</b>	<b>12,526</b>	<b>17,354</b>	<b>19,904</b>
<b>Net Current Assets</b>	<b>47,726</b>	<b>41,713</b>	<b>77,392</b>	<b>87,510</b>
Investments	857	25,871	4,207	4,707
<b>Net Fixed Assets</b>	<b>14,366</b>	<b>12,159</b>	<b>12,502</b>	<b>12,560</b>
ROU Assets	-	-	-	-
Capital Work-in-Progress	738	754	594	594
<b>Total Intangible Assets</b>	-	-	-	-
Other assets	-	-	-	-
Deferred Tax Assets	-	-	-	-
<b>Total Assets</b>	<b>63,687</b>	<b>80,497</b>	<b>94,695</b>	<b>1,05,371</b>
<b>Liabilities</b>				
<b>Borrowings</b>	<b>10,759</b>	<b>7,389</b>	<b>13,179</b>	<b>15,015</b>
<b>Deferred Tax Liability</b>	<b>777</b>	<b>2,072</b>	<b>2,072</b>	<b>2,072</b>
provisions	-	-	-	-
other Liabilities	-	-	-	-
Equity Share Capital	483	483	483	483
Reserves & Surplus	51,668	71,474	78,960	87,800
<b>Total Net Worth</b>	<b>52,152</b>	<b>71,957</b>	<b>79,443</b>	<b>88,283</b>
Minority Interest	-	-	-	-
<b>Total Liabilities</b>	<b>63,687</b>	<b>80,497</b>	<b>94,695</b>	<b>1,05,371</b>

Source Company data, I-Sec research

### Exhibit 6: Cashflow statement

(INR mn, year ending March)

	FY23A	FY24A	FY25E	FY26E
<b>Operating Cashflow</b>	<b>23</b>	<b>30,931</b>	<b>16,904</b>	<b>(2,567)</b>
Working Capital Changes	(10,986)	7,598	6,413	(14,697)
Capital Commitments	(2,121)	(1,174)	(1,918)	(3,000)
<b>Free Cashflow</b>	<b>2,144</b>	<b>32,104</b>	<b>18,821</b>	<b>433</b>
<b>Other investing cashflow</b>	<b>2,198</b>	<b>(25,014)</b>	<b>21,664</b>	<b>(500)</b>
Cashflow from Investing Activities	77	(26,187)	19,747	(3,500)
Issue of Share Capital	-	-	-	-
Interest Cost	(1,022)	(1,032)	(1,181)	(1,350)
Inc (Dec) in Borrowings	-	-	-	-
Dividend paid	-	-	(348)	(348)
Others	923	(28,315)	26,717	(315)
Cash flow from Financing Activities	(99)	(29,347)	25,188	(2,012)
<b>Chg. in Cash &amp; Bank balance</b>	<b>(76)</b>	<b>1,584</b>	<b>42,092</b>	<b>(4,579)</b>
Closing cash & balance	1,010	2,594	44,686	40,107

Source Company data, I-Sec research

### Exhibit 7: Key ratios

(Year ending March)

	FY23A	FY24A	FY25E	FY26E
<b>Per Share Data (INR)</b>				
Reported EPS	74.4	59.1	81.0	95.0
Adjusted EPS (Diluted)	88.1	201.9	81.0	95.0
Cash EPS	113.5	227.1	108.5	125.5
Dividend per share (DPS)	-	-	3.6	3.6
Book Value per share (BV)	539.4	744.2	821.6	913.1
Dividend Payout (%)	-	-	4.4	3.8
<b>Growth (%)</b>				
Net Sales	0.0	0.0	0.0	0.2
EBITDA	0.0	0.0	0.0	0.1
EPS (INR)	0.1	(0.2)	0.4	0.2
<b>Valuation Ratios (x)</b>				
P/E	22.6	28.4	20.7	17.7
P/CEPS	14.8	7.4	15.5	13.4
P/BV	3.1	2.3	2.0	1.8
EV / EBITDA	13.5	11.4	9.7	8.8
P / Sales	1.9	1.9	1.9	1.7
Dividend Yield (%)	-	-	0.2	0.2
<b>Operating Ratios</b>				
Gross Profit Margins (%)	16.7	16.6	17.7	17.6
EBITDA Margins (%)	14.7	14.6	15.1	15.1
Effective Tax Rate (%)	29.0	42.1	25.0	25.0
Net Profit Margins (%)	9.0	7.3	10.0	10.2
NWC / Total Assets (%)	73.4	48.6	34.5	45.0
Net Debt / Equity (x)	17.1	(29.3)	(45.0)	(33.8)
Net Debt / EBITDA (x)	75.3	(185.6)	(300.2)	(217.9)
<b>Profitability Ratios</b>				
RoCE (%)	13.5	8.9	10.1	10.4
RoE (%)	15.0	9.2	10.3	11.0
RoIC (%)	13.5	8.9	10.1	10.4
Fixed Asset Turnover (x)	5.5	5.9	6.4	7.2
Inventory Turnover Days	41	35	49	52
Receivables Days	87	80	62	66
Payables Days	40	37	44	47

Source Company data, I-Sec research

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