

07 July 2021

G R Infraprojects–SUBSCRIBE

Investment Thesis

G R Infraprojects Ltd. (GRIL) is coming out with an initial public offering (IPO) on July 07, 2021. The Issue comprises of an offer for sale of 1,15,08,704 equity share by the selling shareholders. Post IPO issue, promoters shareholding in the company will come down to 86.54% from 88.04% currently.

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, it has executed more than 100 road construction projects. GRIL believes that its focused approach will enable it to benefit from future market opportunities and expand into new markets. Combined with its technical experience and pricing, GRIL will have upper hand in the industry. Consequently, it has 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. It has developed a long-standing relationship with its clients, including National Highways Authority of India, Ministry of Road Transport and Highways, Public Works Department, Government of Rajasthan and Rajasthan State Road Development Corporation. By FY21, GRIL has an order book of Rs.1,90,258mn which comprises of 16 EPC projects, 10 HAM projects and 3 other projects.

GRIL'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, Order Book also includes railway projects in Andhra Pradesh and Madhya Pradesh and an optical fiber project spread across the states of Bihar, Odisha, West Bengal, Andaman and Nicobar Islands, Jharkhand and Sikkim. GRIL also executed projects in Haryana, Punjab, Jharkhand and Meghalaya in the past.

Financials

- During the past 5 years, revenue of GRIL grew at a CAGR of 31.1% while PAT grew at a CAGR of 54.3% in the same period.

Consol. (Rs.Mn.)	FY19	FY20	FY21	FY22E	FY23E
Revenue	52,826	63,727	78,441	90,208	103,739
EBITDA	12,726	15,341	18,501	21,276	24,467
% growth	-108.4	20.5	20.6	15.0	15.0
PAT	7,206	7,620	9,548	10,981	12,628
EPS (Rs.) #	74.3	78.6	98.8	113.6	130.6
P/E (x) *#	11.3	10.7	8.5	7.4	6.4
RoE (%) #	31.8%	25.2%	24.0%	25.1%	26.3%

* At highest price band # Post listing

IPO Details

Issue Open Date	07 July, 2021
Issue Close Date	09 July, 2021
Price Band (Rs.)	828.00 to 837.00
Issue Size (Rs. Mn)*	9,632.79
Issue Size (Shares)	1,15,08,704
Market Lot	17 Equity Share
Listing Exchanges	BSE and NSE
Face Value (Rs.)	5.0/-

* At highest price band

Key Details

Fresh Issue	No Fresh Issue
Offer for Sales	1,15,08,704 Equity Shares
Issue Type	100% Book Built Issue
Book Running Lead Manager	HDFC Bank, ICICI Securities, Kotak Mahindra Capital, Motilal Oswal Investment Advisors, SBI Capital Markets, Equirus Capital
Issue structure	QIB: 50% Retail: 35% Non – Institutional: 15%
Credit of Shares to Demat Account	16 July, 2021
Issue Listing Date	19 July, 2021

* At highest price band

Key Business Highlights

- GRIL is an integrated road EPC company with experience in design and construction of various road/highway projects across 15 states in India and recently diversified into projects in the railway sector.
- GRIL mainly undertakes civil construction projects under 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.
- Since 2006, GRIL has executed over 100 road construction projects. Currently, it has one operational road project, which has been constructed and developed on a BOT (annuity) basis and 14 road projects, which are awarded to it under HAM, of which five projects are currently operational, four projects are under construction, and construction is yet to commence on five of these projects.

Valuation

- Over the period of time, GRIL 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. It believes that these attributes have enabled GRIL to complete projects on scheduled timelines. Its in-house materials supply chain management ensures that key construction materials are timely delivered to its manufacturing facilities and construction sites, thereby enabling it to manage its processes effectively and maintain its key raw-material inventory in an optimal manner. Its project management team, working in conjunction with the design and engineering team, ensures operational efficiencies through overall supervision of the manufacturing and project execution process.
- GRIL believe that it will continue to focus on construction of the existing projects while seeking opportunities to expand the portfolio of road projects for the next few years. While, it intends to maintain its focus on EPC contracts, GRIL plan is to continue pursuing BOT projects (including toll projects), either independently or in partnership with other players. As part of growth strategy, GRIL intend to diversify and 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 fiber cables.
- Central Government's increased focus on infrastructure development is expected to provides support to construction company like GRIL. NHAI's plan to award Rs.2,250bn of projects in FY22 (up from Rs.1,700bn in FY21) and Ministry of Road Transport & Highways' target to award projects worth Rs.15,000bn projects in the next two years, will help create a robust order pipeline for companies in this space.
- With over 25 years of experience in executing EPC projects, order book primarily comprised EPC and HAM projects, developed an established track record of efficient project management and intend to bid for projects related to the railways sector, we are recommending **SUBSCRIBE** to the IPO of G R InfraprojectsLtd.

Risk & Concern

- Most of GRIL's contracts are funded by the Government of India or State Governments, any adverse changes in the central or state government policies may lead to its contracts being foreclosed, terminated, restructured or renegotiated.
- GRIL derives majority of its revenue from its civil construction and its financial condition may adversely affected if it fails to obtain new contracts or current contracts terminated.
- The continuing effect of the Covid-19 pandemic on GRIL's business and operations is highly uncertain and can't be predicted.

Graphs & Charts

Figure 1: Net Sales Trend

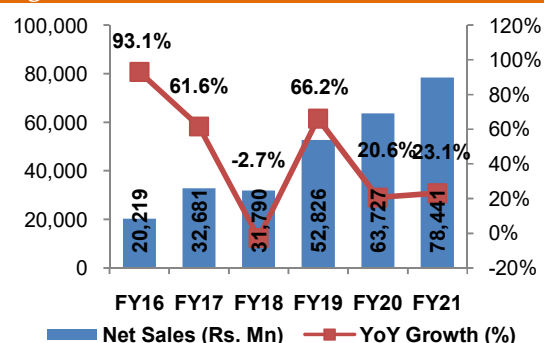


Figure 2: EBITDA & EBITDA Margin Trend

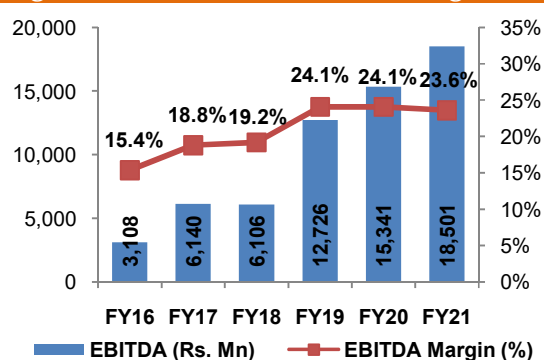


Figure 3: PAT Trend

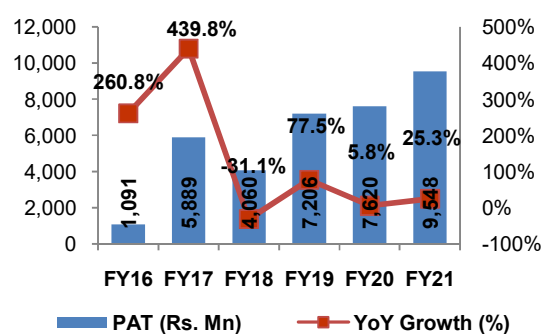
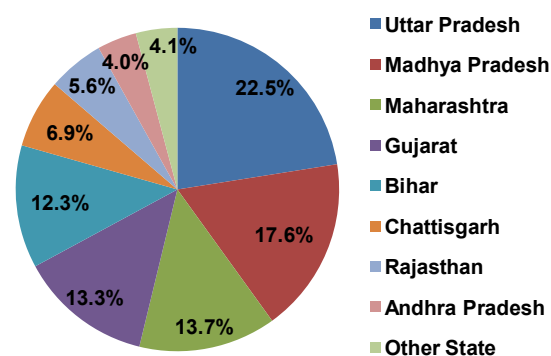


Figure 4: State-wise Order Book (FY21)



Name
Jitendra Upadhyay

Designation
Research Analyst

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Bonanza Portfolio Ltd. Bonanza House, Plot No. M-2, Cama Industrial Estate, Walbhat Road, Goregaon (E), Mumbai – 40006

Web site: <https://www.bonanzaonline.com>

SEBI Regn. No.: INZ000212137

BSE CM: INB 011110237 | BSE F&O: INF 011110237 | MSEI: INE 260637836

| CDSL: a) 120 33500 | NSDL: a) IN 301477 | b) IN 301688 (Delhi) | PMS: INP 000000985 | AMFI: ARN -0186

