

## Subscribe for Long Term

Issue Details	
Price Band (Rs)	Rs.828 - 837
Face Value (Rs)	5
Issue Size (Rs)	962.33Cr
Issue Type	Book Building
Minimum lot	17
Issue Opens	July 07, 2021
Issue Closes	July 09, 2021
Listing on	BSE, NSE

Indicative Timeline	On or before
Finalization of Basis of Allotment	July 14, 2021
Unblocking of Funds	July 15, 2021
Credit of shares to Demat Account	July 16, 2021
Listing on exchange	July 19, 2021

Other Detail	
Book Running Lead Managers	HDFC Bank Limited, ICICI Securities Limited, Kotak Mahindra Capital Company Limited, Motilal Oswal Investment Advisors Limited, SBI Capital Markets Limited, Equirus Capital Private Limited
Registrar	KFin Technologies Private Limited

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# GR Infraprojects Limited

## Company Background

GR Infraprojects Limited ("GR Infra") was incorporated on December 22, 1995. GR Infra is an integrated road engineering, procurement, and construction company with experience in designing and construction activities and road/highway projects. It mainly undertakes civil construction projects under the 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. Till April 2021, it has completed 100+ road construction projects successfully, and currently, 4 BOT projects are under construction. The company owns 3 manufacturing facilities at Udaipur (Rajasthan), Guwahati (Assam), and Sandila (Uttar Pradesh) and has a fabricating and galvanization unit at Ahmedabad, Gujarat.

## Issue Details

The offer comprises offer for sale of Equity Shares aggregating upto Rs.962.33Cr.

## Issue Objectives

- To achieve the share listing benefits
- To make an offer for sale of upto 11,508,704 shares.

## IPO share allotment pattern

Category	Allocation	Number of Shares	At Lower Band (Rs.Cr)	At Uper Band (Rs.Cr)
QIB	50%	56,41,852	467.15	472.22
Non-Institutional	15%	39,49,296	327.00	330.56
Retail	35%	16,92,556	140.14	141.67
Employee~		2,25,000	17.69	17.89
<b>Total</b>		<b>1,15,08,704</b>	<b>951.98</b>	<b>962.33</b>

~Discount of Rs.42 for Employee, Source: Company RHP, ACMIIL Research

## Outlook and Valuations

GRIL's principal business of civil construction comprises EPC and BOT projects in the road sector. It has, since 2006, executed over 100 road construction projects. GR Infra has a strong order backlog worth Rs.19,205 Crore (2.44x FY21 revenues), providing strong revenue visibility. GR Infra has a decent business model and reported a consistent financial performance. Going forward, with strong order book, diversification of geographies, and growth in the construction industry, GR infra is likely to deliver healthy financial performance. At the upper price band of Rs.837/-, stock is valued at 8.5x of FY21 Earnings of Rs.98.31. **We recommend to subscribe the issue from a long-term prospective.**

## Investment Rationale

### Strong order pipeline providing healthy revenue visibility

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

As of March 31, 2021, G R Infra had an Order Book of Rs.19,025.81 crore and comprised 16 EPC projects, 10 HAM projects and 3 other projects as follows:

Client	Number of Contracts	Total Contract Value (Rs.Cr)	Order Book Value (Rs.Cr)	Percentage of Order Book (%)
NHAI	21	22,493	16,584	87.16%
UPEIDA	2	2,935	829	4.36%
RVNL	2	1,085	558	2.93%
Others	3	1,460	986	5.18%
<b>Total</b>	<b>28</b>	<b>27,973</b>	<b>18,956</b>	<b>99.63%</b>
Private entities	1	573	70	0.37%
<b>Grand Total</b>	<b>28</b>	<b>28,545</b>	<b>19,025</b>	<b>100%</b>

Source: Company RHP, ACMIL Research

Further, they had made the lowest bid of Rs.592.18 crore for the proposed project relating to the 'Construction of the elevated viaduct from end of the ramp at IDPL complex to start of ramp at Rajiv Chowk and three nos. of elevated stations viz. Udyog Vihar, Sector 17 and Rajiv Chowk.

### Established track record of timely execution

G R Infra 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. These attributes have enabled them to complete projects prior to or by scheduled timelines. Their in-house materials supply chain management ensures that key construction materials are timely delivered to their manufacturing facilities and construction sites, thereby enabling them to manage their processes effectively and maintain their key raw material inventory in an optimal manner. Their 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.

### Some of their projects that completed earlier than what was stipulated are set out below

Project	Scheduled construction period (in days)	Completed earlier than scheduled (in days)	Gross Bonus received (Rs. Cr)
Nagaur Mukundgarh Project	730	394	120
Porbandar Dwarka Project	1,095	299	54
Shillong Bypass Project	1,095	318	43
Hisar Dabwali Package 2	913	106	19
Hisar Dabwali Package 1	913	115	17
Faridkote - Kotakpura Project	730	90	15
Jowai - Ratacherra Project	910	46	7
Phagwara Rupnagar Project	910	38	5

Source: Company RHP, ACMIL Research

### In-house integrated model

The company undertakes their construction business in an integrated manner as they have developed key competencies and resources in-house to deliver a project from conceptualization until completion. Their in-house integrated model includes a design and engineering team, manufacturing facilities for processing of bitumen, thermoplastic road-marking paint and road signage, fabrication and galvanization unit for manufacture of metal crash barriers, owned construction equipment and a fleet of transportation vehicles.

Their manufacturing facilities for processing of bitumen located in Udaipur, Rajasthan, Sandila, Uttar Pradesh and Guwahati, Assam and fabrication and galvanization unit for manufacturing metal crash barriers and electric poles located at Ahmedabad, Gujarat and thermoplastic road-marking paint and road signage manufacturing unit, also located in Udaipur, Rajasthan cater to the key components that they require in the construction and development of their projects. Their manufacturing facilities help reduce their dependence on third party suppliers for the key materials i.e., bitumen emulsion, as well as other products required for completion of roads such as signages, overhead structures and toll canopies.

As of March 31, 2021, their equipment base comprised over 7,000 construction equipment and vehicles that enabled them to be less dependent on third party equipment providers and efficiently manage their project execution schedules. They have also set up a workshop in Udaipur, Rajasthan where they undertake major repair and maintenance of their construction equipment and vehicles.

They also own specialized construction equipment such as hot mix plants, soil stabilizers, mobile cold recycling mixing plants and cement spreaders. As at March 31, 2021, the aggregate gross block value of company's property, plant and equipment was Rs.1,999.92 crore.

### Strong financial performance and credit rating

The significant growth of their business in the last 3 fiscal years has contributed significantly to their financial strength. The revenue from operations increased from Rs.5,282.58 crore in FY2019 to Rs.7,844.13 crore in FY2021 at a CAGR of 21.86% while the profit for the year increased from Rs.716.64 crore in Fiscal 2019 to Rs.953.22 crore in Fiscal 2021 at a CAGR of 15.33%. Among the Key EPC Players, the company saw the fastest growth in operating income over a period of 5-years from Fiscal 2015 to 2020 at a CAGR of 47%. As of March 31, 2021, the Total Borrowings were Rs. 4,494.97 crore, while the Net worth was Rs.3,980.03 crore.

### Financial Snapshot

Particulars (Rs. Million)	FY19	FY20	FY21
Equity share capital	485	485	483
Net worth	22,297	30,272	39,800
Net asset value per share	230	312	412
Debt to Equity Ratio	0.86	0.87	1.07
Revenue from Operations	52,826	63,727	78,441
EBITDA	12,834	15,861	18,497
EBITDA %	24.3%	24.9%	23.6%
Net Profit	7,166	8,008	9,532
Diluted EPS (Rs)	73.91	82.59	98.31
ROE	32.14%	26.45%	23.95%
ROCE	28%	28%	24%

Source: Company RHP, ACMIL Research

### Comparison With Listed Peers

Company	Total Income (Rs.Mn)	EPS	NAV	P/E	ROE (%)
GR Infraprojects Limited	78,441	98.31	412	8.5^	23.95
KNR Constructions Limited	29,553	14.49	70	15.2	19.45
PNC Infratech Limited	58,989	19.37	119	12.9	27.83
HG Infra Engineering Limited	26,171	36.31	163	10.58	9.95
Dilip Buildcon Limited	1,02,105	31.92	249	17.42	12.90
Ashoka Buildcon Limited	51,219	9.84	22	10.61	15.31
IRB Infrastructure Developers Limited	54,875	3.33	196	48.74	16.34
Sadbhav Engineering Limited	38,622	46.21	93	1.65	19.26

Source: Company RHP, ACMIL Research

Financial information for listed industry peers mentioned above is for the year ended March 31, 2021 other than Sadbhav Engineering Limited which is for the financial year ended March 31, 2020, based on disclosures/submissions made by these companies to the stock exchanges. P/E Ratio has been computed based on the closing market price of the equity shares (Source: NSE) on June 25, 2021. ^P/E Ratio has been computed based on the Issue price and FY21 earnings.

### Risk and Concern

1. The continuing effect of the COVID-19 pandemic on business and operations is highly uncertain and cannot be predicted.
2. Failer to obtain new contracts or current contracts are terminated.

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RBI Monetary Policy	Techno-Funda
Union Budget Report	Top Mutual Fund Schemes
Weekly Derivative Synopsis	Portfolio Review
Rollover Snapshot	Stock Basket

# Asit C. Mehta

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