

GR Infraprojects Ltd.

Roads & Highways | India

IPO | 06 July 2021

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A Quality Play in Roads & Highways Space; Attractive Valuation

About the Company

GR Infraprojects Ltd. (GRIL), incorporated in 1995, is an integrated road Engineering, Procurement and Construction (EPC) company with core expertise in design and construction of various road/highway projects across 15 states in India and has recently diversified into railway segment. Over the last two decades, GRIL has transformed itself from a small regional player to a pan-India EPC company. As on 31st Mar'21, its orderbook stood at Rs190bn (2.6x of book-to-bill) from across the country (Uttar Pradesh - 23%; Madhya Pradesh - 18%; Maharashtra - 14%; and Gujarat - 13%). Notably, road projects account for 97% of its total order book. Further, its order book comprises of 16 EPC projects, 10 HAM projects and 3 other projects. Currently, GRIL has 1 operational road project, which has been constructed and developed on a BOT (annuity) model. The company has also 14 road projects (HAM), out of which 5 projects are currently operational, 4 projects are under construction and construction is yet to commence on 5 projects. GRIL has executed >100 road projects since 2006, which aided the company to develop an established track record of efficient project management and execution experience.

Financials in Brief

GRIL's financial performance has been quite impressive. While its consolidated revenue and EBITDA recorded 34% and 42% CAGR, respectively through FY18-FY21, net profit recorded 32% CAGR during the same period. Notably, its EBITDA margin has improved remarkably from 20.2% in FY18 to 24.4% in FY21. Further, its balance-sheet has been comfortable, as its consolidated D/E and D/EBITDA ratio stood at 0.92x and 1.92x, respectively in FY21 despite addition of ~15 developmental projects. Further, its working capital cycle remained comfortable in the range of 60 days in FY21. Additionally, the company has generated cumulative OCF to the tune of Rs19.3bn over FY18-FY21.

Our View: SUBSCRIBE

The IPO is valued at 10.4x of FY21 earnings at parent level. Further, excluding Rs13bn investment as equity in HAM projects so far, it is valued at 8.7x of FY21 earnings, which appears to be attractive. Additionally, its RoE continues to be >20% over the years, which offers comfort. However, concentrated exposure to highly competitive roads and highways segment could be an overhang for the company, in our view. Further, order book to sales at 2.6x looks slightly weaker compared to peers. However, we believe that new order inflow, commissioning of HAM projects and diversification beyond roads and highways would be the medium-term catalysts for the company. **Considering attractive valuation, strong balance sheet and healthy return ratio, we recommend SUBSCRIBE to the IPO.**

IPO Details

Pice Band	Rs828-837
Face Value (Rs)	5
Issue Open/Closing Date	7th / 9th Jun'21
Fresh Issues (mn)	0.0
OFS (mn)	11.5
Total Issue (mn)	11.5
Minimum Bid Qty. (Nos)	17
Issue Size (Rs bn)	9.6
QIB / HNI / Retail	50% / 15% / 35%
Implied Market Cap (Rs bn)	81

Key Risks

- ▶ Any slowdown in order awarding in roads & highways
- ▶ Execution risk

Shareholding (%)	Pre-Issue	Post-Issue
Promoters	88.0	86.5
Public	12.0	13.5

Key Financials

(Rs bn)	FY18	FY19	FY20	FY21
Revenue	33.0	52.8	63.7	78.4
EBITDA	6.6	13.3	16.4	19.1
EBITDA Margin (%)	20.2	25.1	25.7	24.4
PAT	4.1	7.2	8.0	9.5
PAT Margin (%)	12.5	13.6	12.6	12.2
EPS (Rs)	42.6	73.9	82.6	98.3
P/E (x)	19.6	11.3	10.1	8.5
EV/EBITDA (x)	13.1	7.2	6.3	6.1
P/BV (x)	5.3	3.6	2.7	2.0
Net Worth	15.1	22.3	30.3	39.8
RoE (%)	27.2	32.1	26.5	23.9
OCF	-3.7	-2.4	-2.7	-4.3
OCF Yield (%)	-4.5	-3.0	-3.3	-5.4
FCF	-6.6	-7.1	-5.6	-9.5
Gross Debt	8.5	21.1	31.8	44.9
Net Debt/Equity (x)	0.40	0.63	0.74	0.92
Net Debt/EBITDA (x)	0.92	1.05	1.36	1.92
Gross Block	8.0	12.2	14.9	20.0
Asset Turnover Ratio (x)	4.1	4.3	4.3	3.9
Order Book	102	192	159	190
Order Book to Sales (x)	3.1	3.9	2.6	2.6
WCC (Days)	74	72	63	60

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