

Bharat Road Network Ltd : Weak Issue

IPO Note : Inconsistency in top and bottom lines, Incurred huge losses : Ranking*



Issue details

Price band (Rs)	Rs.195-205
IPO Opening Date	06/09/17
IPO Closing Date	08/09/17
Issue Size	Rs. 600.65 Cr.

Recommendation

The company has reported loss of Rs.16.87 crore, Rs.60.76 cr. Rs.26.42 cr, Rs. 92.54 cr. and Rs.73.88 crore in FY13 to FY17. It has posted inconsistency in top and bottom lines for all these years. Company has been incurring losses and has carried forward losses too. It has posted negative EPS for last three fiscals. Thus asking price has a negative P/E which is not measurable. It has total debt of Rs.567.96 crore as on FY2017. There are listed peer like IRB Infrastructure Developers, Sadbhav Infrastructure Projects and Ashoka Buildcon are trades at a PE of 10.0, 94.0 and 62.0 respectively. Company has carried forward losses that will take time for wiping off. Hence we suggest to avoid this IPO

Highlights

- Bharat Road Network Limited, a subsidiary of SREI Infrastructure Finance Ltd
- Bharat Road Network is engaged in the business of development, implementation, operation, and maintenance of roads/highways projects.
- Their project portfolio consisting of six (6) BOT Projects, of which two (2) are Projects operational under Final COD, three (3) are Projects operational under Provisional COD and one (1) is a Project under Construction.
- Loss making company with high debt of Rs.568 crore in FY17

Company Introduction

Incorporated in 2006, Bharat Road Network Limited, a subsidiary of SREI Infrastructure Finance Ltd is engaged in the business of development, implementation, operation, and maintenance of roads/highways projects.

Bharat Road involved in the development, operation and maintenance of national and state highways in several states in India with projects in states of Uttar Pradesh, Kerala, Haryana, Madhya Pradesh, Maharashtra and Odisha through partnerships with experienced EPC players in the local space where the project is located.

Company offers a range of project management services, including design, engineering, and quality control, as well as engineering, processing, and construction management; and project advisory services, such as project management consultancy, project conceptualization, commissioning, and operation and management of the projects, as well as undertakes debt syndication, refinancing, and financial restructuring of its projects.

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Financial Summary (Rs. In Crore)

Particulars	FY 2017	FY2016	FY2015	FY2014
Total Income	14.92	4.25	41.48	9.64
Net Profit	-73.88	-92.54	-26.42	-60.76
EPS (Rs)	-	-	-	-

Source: RHP and ACE Equity

RANKING METHODOLOGY

WEAK	*
AVERAGE	**
GOOD	***
VERY GOOD	****
EXCELLENT	*****

is a Project under Construction.

The Promoters of the company are:

Srei Infrastructure Finance Limited ("SREI")
Make in India Fund

The object of the issue

Company proposes to utilise the Net Proceeds towards funding the following objects:

- Advancing of subordinate debt in form of interest free unsecured loan to their Subsidiary, STPL, for part financing of the STPL Project ("STPL Sponsor Investment")
- Acquisition of the subordinated debt in the form of unsecured loan s/OCPIDs/warrants/OCDs, advanced/held by SREI to STPL, KEPL and MTPL ("Identified SPVs")
- Benefits of listing of its Equity Shares on the Stock Exchanges
- General corporate purposes.

IPO Issue Proceed

To part finance its (1) Advancing of subordinate debt in form of interest free unsecured loan to its Subsidiary, STPL, for part financing of the STPL Project ("STPL Sponsor Investment"); (2) Acquisition of the subordinated debt in the form of unsecured loans/OCPIDs/warrants/OCDs, advanced/held by SREI to/in STPL, KEPL and MTPL ("Identified SPVs"); and (3) General corporate purposes funding needs the company is coming out with a maiden IPO of 29300000 equity shares of Rs. 10 each via book building route to mobilize Rs. 571.35 cr. to Rs. 600.65 cr. (based on lower and upper price bands). Price band of the issue is Rs. 195-205 per share. It opens for subscription on 06.09.17 and will close on 08.09.17. Minimum application is to be made for 73 shares and in multiples thereon, thereafter. Post allotments, shares will be listed on BSE and NSE. Post issue its current paid up equity capital of Rs. 54.65 crore will stand enhanced to Rs. 83.95 crore.

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