

G R Infraprojects : Good Issue

IPO Note : The Issue reasonably priced compared to industry Peers : High Debt Equity Ratio: Ranking***



Issue details

Price band (Rs)	Rs.828-837
IPO Opening Date	07/07/21
IPO Closing Date	09/07/21
Issue Size	Rs.963.28 Cr.

Recommendation

On the financial performance front, GRIL has posted turnover/ net profits of Rs. 5325.53 cr. / Rs. 716.64 cr. (FY19), Rs. 6423.71 cr. / Rs. 800.83 cr. (FY20) and Rs. 7906.94 cr. / Rs. 953.22 cr. (FY21). Though it has posted growth in top and bottom lines, pressure on margins is evident from the financial data. For these periods, GRIL has posted a CAGR of 21.85% in income and 15.33% in profits. Based on its **EPS of Rs. 98.59 for FY21**, the issue is priced at a **P/E of 8.48**, which augurs well against the industry average P/E of 16.73. As per offer documents, the company has shown KNR Const., PNC Infratech, HG Infra, Dilip Buildcon, Ashoka Buildcon and IRB Infra as its listed peers. They are currently trading at a P/E of 26.59 and 7.62. **The issue is priced reasonably based on financial parameters. This sector is booming and poised for bright prospects ahead. However, the debt/equity ratio of GRIL raises concerns. Investors may consider investing in this offer with a long term perspective**

Highlights

- G R Infraprojects Ltd. (GRIL) is an integrated road engineering, procurement and construction ("EPC") company with experience in the design and construction of various road/highway projects across 15 states in India and has recently diversified into projects in the railway sector.
- 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.
- As of March 31, 2021, the company's total borrowings were Rs. 4494.97 cr. while its net worth was Rs. 3980.03 cr.
- As of March 31, 2021, GRIL had an Order Book of Rs. 19025.81 cr. comprising 16 EPC projects, 10 HAM projects and three other projects. As of March 31, 2021

Company Introduction

G R Infraprojects 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. Currently, the firm has two manufacturing plants UPSIDC Industrial Area at Dewa Road, Lucknow and Sandila, Hardoi in Uttar Pradesh, India with an installed capacity of 19,500 MT for agrochemicals and 6500 MT for formulations.



Company Promoters:

Vinod Kumar Agarwal, Ajendra Kumar Agarwal, Purshottam Agarwal, and Lokesh Builders Private Limited are the company promoters.

Objects of the Issue:

- To achieve the share listing benefits on the BSE and NSE.
- To make an offer for sale of upto 11,508,704 shares, aggregating to Rs. _ million.

IPO Issue Proceed

To provide an exit to some of its stakeholders and unlock the listing benefits, GRIL is coming out with a maiden Initial Public Offer (IPO) of 11508704 equity shares having face value (FV) of Rs. 5 each, under book-building process to mobilize Rs. 963.28 cr. (at the upper price band of the offer). This is purely a secondary offer and no fresh equity is being issued. The issue opens for subscription on July 07, 2021, and will close on July 09, 2021. It has fixed a price band of Rs. 828 - Rs. 837 and minimum application is to be made for 17 shares and in multiples thereon, thereafter. Post allotment, shares will be listed on BSE and NSE. The company has reserved 225000 equity shares for its eligible employees and offering them a discount of Rs. 42 per share. From the residual portion, it has allocated 50% for QIBs, 15% for HNIs and 35% for retail investors. The issue constitutes 11.90% of the post issue paid-up equity capital of the company. **Post issue, GRIL's paid-up equity capital will remain the same at Rs. 48.34 cr. as this being a secondary offer. Based on the upper cap of IPO pricing, GRIL is looking for a market cap of Rs. 8092.87 cr.**

Financial Summary (Rs. In Crore)

Particulars	FY2021	FY2020	FY2019
Total Income	7906.94	6423.71	5325.53
Net Profit	953.22	800.83	716.64
EPS (Rs)	98.59	82.83	74.12

*EPS not annualized

Source: RHP and ACE Equity

RANKING METHODOLOGY

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

DISCLAIMER

The information provided by or in this newsletter is generally from the press reports, electronic media, research websites and other media. The information also includes information from interviews conducted, analysis, views expressed by our research team. Investors should not rely solely on the information contained in this publication and must make their own investment decisions based on their specific investment objectives and financial position and using such independent advisors as they believe necessary. The material and the information provided by this newsletter are not, and should not be construed as an advice to buy or sell any of the securities named in this newsletter. SIHL may or may not hold positions in any of the securities named in this newsletter as a part of its business. Past performance is not necessarily an indication of future performance. SIHL does not assure for accuracy or correctness of information of reports in the newsletter.