

G R Infraprojects Limited

Execution sluggishness to continue

In Q2 FY24, G R Infraprojects Ltd. (GRIL) registered a revenue degrowth of 11% on a YoY basis with an EBITDA margin contraction of 232 bps on a standalone basis due to delays in appointed date announcements and static execution status in a couple of projects in Punjab. The bidding environment remains much weaker than anticipated, but the Government's emphasis on infrastructure development continues. Competition in projects less than Rs. 10 Bn also continues to be very high. The diversification of projects is progressing well, and the Company is preparing a clear plan for the same in the coming 2-3 months. In line with the weak bidding outlook, GRIL expects an order inflow of ~Rs. 100 Bn in FY24, followed by flattish revenue growth for FY24 and FY25. Therefore, based on our revised estimates, we change our rating on GRIL from BUY to NEUTRAL with a target price of Rs. 1,113 using SOTP valuation based on FY25 estimates.

The bidding environment remains weaker than envisaged

On account of elections in 2024, GRIL was anticipating the annual bidding for infrastructure projects to take place 2-3 months prior compared to the general timeline. This has not come to fruition till date, and the tendering activity from government authorities remains weak. Further, the model code of conduct will kick in by March, keeping the bidding activity subdued in FY24. The Company halved its order inflow guidance for FY24 from Rs. 200 Bn to Rs. 100 Bn as the bidding window will close post-February 24. GRIL has bagged projects worth Rs. 20 Bn so far in FY24.

Execution sluggishness expected to continue throughout FY24 and FY25

Currently, GRIL doesn't have enough orders to execute at hand as the announcement of the Appointed Date (AD) is getting delayed. To make things worse, a couple of GRIL's projects in Punjab have also stagnated. This is expected to result into weakness in revenue growth in FY24. Additionally, the current weakness in bidding activity will result in weak revenue growth in FY25 as the Company will not be able to bag sufficient work. Owing to this, the Company has reduced its revenue growth guidance for FY24 from 10% previously to 0-5%. Also, the Company disclosed to maintain a flattish revenue guidance for FY25.

The bid pipeline remains strong

Despite the weak macro environment, the bid pipeline of GRIL remains robust at Rs. 1 Tn, constituting a mix of road, ropeway and transmission projects. The Company is focused on bidding for projects greater than Rs. 10 Bn as there is intense competition in sub-Rs. 10 Bn projects. In addition, GRIL is also developing a clear diversification plan which it will follow in the future.

View & Valuation

Owing to a weak business outlook due to lower-than-anticipated tendering and, therefore, expectations of a weaker execution in the medium term, we change our rating on GRIL from BUY to NEUTRAL with a target price of Rs. 1,113, based on our revised estimates for FY25 and the SOTP valuation method.

15th November 2023

NEUTRAL

CMP Rs. 1,103

TARGET Rs. 1,113 (+1%)

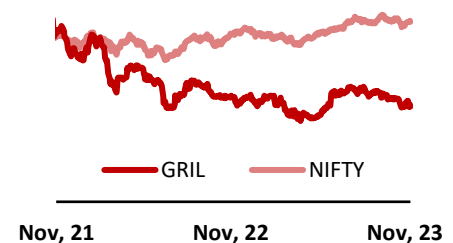
Company Data

Bloomberg Code	GRINFRA IN
MCAP (Rs. Mn)	1,06,648
O/S Shares (Mn)	97
52w High/Low	1,438 / 930
Face Value (in Rs.)	5
Liquidity (3M) (Rs. Mn)	49

Shareholding Pattern %

	Sep 23	Jun 23	Mar 23
Promoters	79.74	79.74	79.74
FIIIs	0.68	0.59	0.49
DIIIs	15.88	16.14	16.17
Non-Institutional	3.68	3.53	3.60

GRIL vs Nifty



Source: Keynote Capitals Ltd.

Key Financial Data

(Rs Mn)	FY23	FY24E	FY25E
Revenue	81,476	83,105	87,261
EBITDA	13,131	10,804	12,216
Net Profit	8,518	6,835	7,831
Total Assets	77,564	84,810	94,964
ROCE (%)	13%	9%	10%
ROE (%)	16%	12%	12%

Source: Company, Keynote Capitals Ltd.

Devin Joshi, Research Analyst
Devin@keynoteindia.net

G R Infraprojects Ltd | Quarterly Update

Q2 FY24 Result Update (Standalone)

Result Highlights (Rs. Mn)

Particulars	Q2 FY24	Q2 FY23	Change % (Y-o-Y)	Q1 FY24	Change % (Q-o-Q)	H1 FY24	H1 FY23	Change % (Y-o-Y)	FY23
Revenue from Operations	15,738	17,772	-11%	21,524	-27%	37,262	42,539	-12%	81,476
Cost of Materials	872	470	85%	534	63%	1,405	1,213	16%	2,307
Construction Expenses	11,038	12,707	-13%	15,807	-30%	26,845	29,795	-10%	58,124
Gross Profit	3,829	4,594	-17%	5,183	-26%	9,012	11,531	-22%	21,044
Gross Profit %	24.3%	25.9%	-152 Bps	24.1%	25 Bps	24.2%	27.1%	-292 Bps	25.8%
Employee Cost	1,615	1,619	0%	1,681	-4%	3,296	3,369	-2%	6,472
Other Operating Expense	276	376	-26%	355	-22%	631	698	-10%	1,441
EBITDA	1,937	2,600	-25%	3,147	-38%	5,084	7,464	-32%	13,131
EBITDA %	12.3%	14.6%	-232 Bps	14.6%	-231 Bps	13.6%	17.5%	-390 Bps	16.1%
Depreciation	617	620	0%	602	2%	1,220	1,254	-3%	2,457
EBIT	1,320	1,980	-33%	2,545	-48%	3,864	6,210	-38%	10,674
EBIT %	8.4%	11.1%	-275 Bps	11.8%	-344 Bps	10.4%	14.6%	-423 Bps	13.1%
Finance Cost	277	236	18%	266	4%	543	505	8%	1,022
Other Income	614	519	18%	511	20%	1,125	839	34%	1,809
PBT	1,656	2,263	-27%	2,790	-41%	4,446	6,543	-32%	11,461
PBT %	10.5%	12.7%	-221 Bps	13.0%	-244 Bps	11.9%	15.4%	-345 Bps	14.1%
Tax	423	620	-32%	710	-40%	1,133	1,689	-33%	2,943
Profit for the period	1,233	1,643	-25%	2,080	-41%	3,313	4,854	-32%	8,518
EPS	12.8	17.0	-	21.5	-	34.3	50.2	-	88.1

Source: Company, Keynote Capitals Ltd.

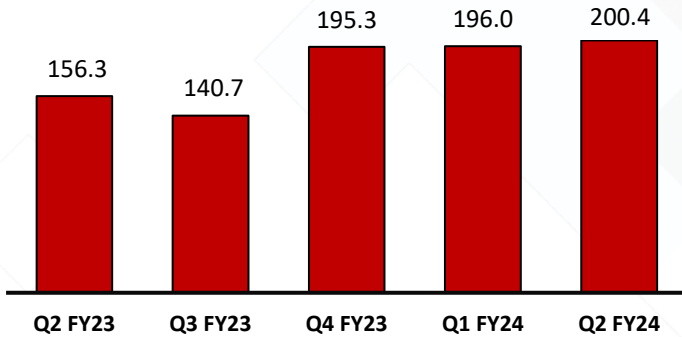
Debt and Cash Position (in Rs. Mn) of GRIL as of Q2 FY24

Particulars	Q2 FY24	Q1 FY24	Change (%)
Standalone Debt			
Debentures	6,936	7,050	-
Term Loan	1,215	1,360	-
Working Capital	424	428	-
Mobilization Advance	2,843	2,600	-
Total Standalone Debt	11,417	11,438	-0.2%
Consolidated Debt			
Project Loan	54,505	50,719	-
Standalone Debt	8,575	8,837	-
Mobilization Advance	2,400	2,203	-
Total Consolidated Debt	65,480	61,760	6.0%
Consolidated Cash Position			
Total Cash & Bank Balance	8,757	9,112	-3.9%
Lien Market FDRs'	5,886	6,885	-14.5%

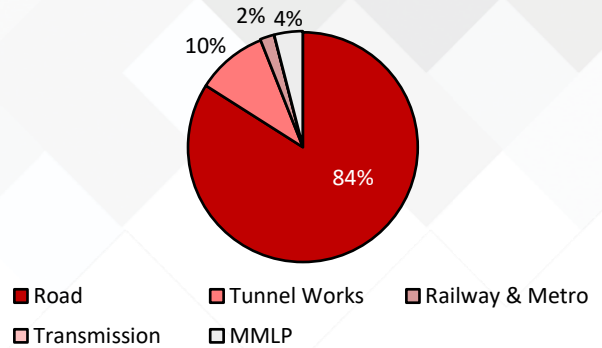
G R Infraprojects Ltd | Quarterly Update

Quarterly Business Progression

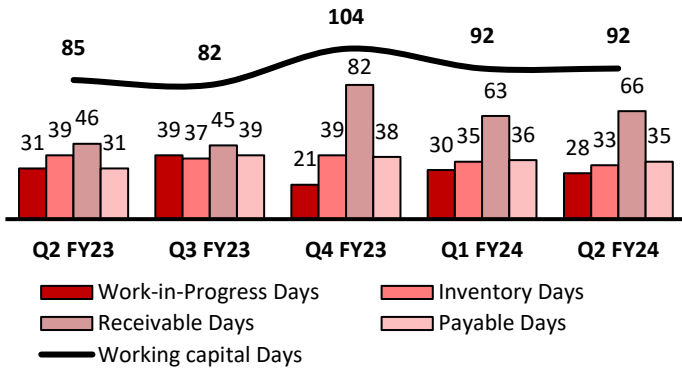
Order Book (Rs. in Bn)



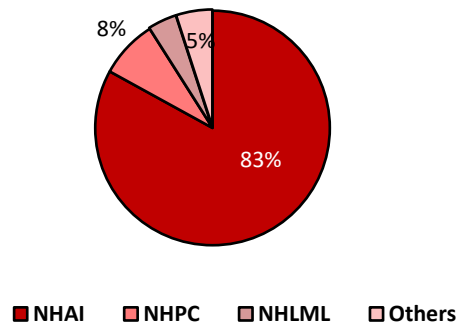
Order book mix (Q2 FY24)



Working capital days



Client mix (Q2 FY24)



Source: Company, Keynote Capitals Ltd.

Portfolio of Road / Transmission Projects as of Q2 FY24

Sr No.	Operational projects	Projects under construction	Appointed date awaited
1	Reengus-Sikar (BoT)	Ena-Kim (HAM)	Bamni MHTG (HAM)
2	Nagaur-Mukundgarh (HAM)	Shirsad-Masvan (HAM)	Varanasi-Ranchi-Kolkata (HAM)
3	Phagwara-Rupnagar (HAM)	Bilaspur-Urga (HAM)	Tarakote & Sanjichhat Ropeway (BOOT)
4	Porbandar-Dwarka (HAM)	Galgalia-Bahadurganj (HAM)	Devinagar-Kasganj (HAM)
5	Handia-Varanasi (HAM)	Bahadurganj-Araria (HAM)	Venkatpur-Warangal (HAM)
6	Akkalkot-Solapur (HAM)	Amritsar Bathinda Corridor (HAM)	Belgaum Raichur PKG 6 (HAM)
7	Sangli-Solapur (HAM)	Ludhiana-Rupnagar (HAM)	Belgaum Raichur PKG 5 (HAM)
8	Gundugolanu-Devarapalli (HAM)	Ujjain-Badnawar (HAM)	Belgavi Bypass (HAM)
9	Dwarka-Devariya (HAM)	Anjar Bhuj (HAM)	Kasganj Bypass (HAM)
10	Aligarh-Kanpur (HAM)	Madanapalli-Pileru (HAM)	Yamuna Bridge NH731A (HAM)
11	-	Bandikui-Jaipur Corridor (HAM)	Indore MMLP (DBFOT)
12	-	Govindpur-Rajura (HAM)	Surat-Nashik-Ahmednagar-Solapur (HAM)
13	-	Transmission system in Rajgarh	-

Source: Company, Keynote Capitals Ltd.

Q2 FY24 Conference Call Takeaways

- The Government is committed to developing infrastructure across India, focusing on Public Private Partnership (PPP). In this regard, MoRTH is preparing a roadmap to immediately execute projects worth Rs. 3 Tn.
- Generally, the majority of the annual bidding takes place from November to March. The Company was assuming the same to get preponed by 2 -3 months on account of elections in 2024. Unfortunately, this scenario has not played out as per GRIL's expectations. NHA officials are still hopeful, but the Company is not confident as the election is just two months away.
- The responsibility of the government authorities doesn't get over after awarding the project. Work related to land acquisition and taking care of other operational issues also comes under the responsibility of government authorities.
- Two ropeway projects where GRIL stood L1 are now annulled by the authority. On the other hand, the Company was declared L1 by RITES on behalf of Shri Mata Vaishno Devi Trust for a ropeway project.
- Out of the ~Rs. 200 Bn worth of order book. Currently, the executable order book stands at ~Rs. 110 Bn, and the Company is awaiting the AD for 11 projects worth ~Rs. 90 Bn.
- Currently, GRIL's investment in subsidiaries stands at ~Rs. 23 Bn vs. Rs. 19.5 Bn in Q4 FY23. The Company will also contribute Rs. 22 Bn to under-construction projects in the future. Of this, Rs. 3.0-3.5 Bn will be contributed in FY24.
- Currently, GRIL doesn't have enough projects to execute. Additionally, two under-construction projects with an outstanding order value of ~Rs. 13 Bn are at a standstill in Punjab. This is because the state government is unable to address its issues with protestors.
- Efforts towards diversification continue. The Company is already working on multiple open avenues, the results of which will be visible in the future. GRIL is developing a clear diversification strategy, which will be disclosed in the next couple of quarters.
- Currently, the Company is scouting for an O&M partner for the MMLP project. It has already received multiple proposals, which are being evaluated. Additionally, GRIL expects to receive the AD for this project in January'24.
- Aadharsheela Infratech Pvt. Ltd. will now be acting as the project manager and the sponsor of the InvIT in place of Lokesh Builders Pvt. Ltd.
- Necessary approvals from NHA are already in place, and approvals from SEBI are anticipated to come in the coming 2-3 months. GRIL is expecting to launch the InvIT in the coming 3-4 months time.
- Plan to initially transfer seven assets in exchange for InvIT units stays intact. Subsequent transfer of assets will result in a cash inflow to GRIL.
- The InvIT will require more funds as and when it acquires assets. This will result in further fundraising and, hence, dilution of GRIL's stake in the InvIT.

Financial Statement Analysis (Standalone)

Income Statement

Y/E Mar, Rs. Mn	FY22	FY23	FY24E	FY25E	FY26E
Net Sales	79,192	81,476	83,105	87,261	1,00,350
Growth %		3%	2%	5%	15%
Raw Material Expenses	59,308	60,432	63,160	65,707	75,262
Employee Expenses	5,864	6,472	7,479	7,853	7,526
Other Expenses	1,209	1,441	1,662	1,483	1,706
EBITDA	12,811	13,131	10,804	12,216	15,855
Growth %		3%	-18%	13%	30%
Margin%	16%	16%	13%	14%	16%
Depreciation	2,816	2,457	2,493	2,618	3,010
EBIT	9,994	10,674	8,311	9,599	12,845
Growth %		7%	-22%	16%	34%
Margin%	13%	13%	10%	11%	13%
Interest Paid	1,269	1,022	1,043	1,095	1,259
Other Income & exceptional	1,293	1,809	1,845	1,937	2,228
PBT	10,019	11,461	9,113	10,441	13,814
Tax	2,411	2,943	2,278	2,610	3,453
PAT	7,608	8,518	6,835	7,831	10,360
Others (Minorities, Associates)	-	-	-	-	-
Net Profit	7,608	8,518	6,835	7,831	10,360
Growth %		12%	-20%	15%	32%
Margin%	10%	10%	8%	9%	10%
Shares (Mn)	96.7	96.7	96.7	96.7	96.7
EPS	78.7	88.1	70.7	81.0	107.2

Balance Sheet

Y/E Mar, Rs. Mn	FY22	FY23	FY24E	FY25E	FY26E
Cash, Cash equivalents & Bank	4,450	3,026	14,815	21,977	27,801
Debtors	7,155	18,806	16,621	17,452	20,070
Inventory	10,218	8,843	10,106	10,513	12,042
Other Current Assets	16,138	21,816	16,621	17,452	20,070
Net Block & CWIP	15,440	15,104	14,986	15,368	15,358
Investments	3,055	857	857	857	857
Other Non-current Assets	10,677	9,112	10,804	11,344	13,045
Total Assets	67,134	77,564	84,810	94,964	1,09,243
Creditors	7,169	8,672	8,527	8,542	9,408
Borrowings	11,020	10,759	10,531	11,940	13,805
Other Liabilities	5,310	5,982	6,766	7,664	8,853
Total Liabilities	23,499	25,413	25,823	28,146	32,065
Paid-up Capital	483	483	483	483	483
Reserves & Surplus	43,152	51,668	58,503	66,334	76,694
Shareholders' Equity	43,636	52,152	58,986	66,817	77,178
Non-Controlling Interest	-	-	-	-	-
Total Equity & Liabilities	67,134	77,564	84,810	94,964	1,09,243

Cash Flow Statement

Y/E Mar, Rs. Mn	FY22	FY23	FY24E	FY25E	FY26E
Pre-tax profit	10,019	11,461	9,113	10,441	13,814
Adjustments	3,239	2,477	1,691	1,775	2,041
Change in Working Capital	-4,969	-3,359	6,756	-1,156	-4,710
Total Tax Paid	-2,651	-2,936	-2,278	-2,610	-3,453
Cash flow from operating Activities	5,638	7,644	15,281	8,450	7,692
Net Capital Expenditure	-4,227	-2,694	-2,500	-3,000	-3,000
Change in investments	784	1,269	-	-	-
Interest Income	271	145	-	-	-
Net loans and other investing activities	799	-5,184	153	1,397	526
Cash flow from investing activities	-2,373	-6,464	-2,347	-1,603	-2,474
Equity raised / (repaid)	-	-	-	-	-
Debt raised / (repaid)	-2,676	-66	-228	1,410	1,865
Interest paid	-967	-1,092	-1,043	-1,095	-1,259
Other financing activities	-164	-106	0	0	0
Cash flow from financing activities	-3,807	-1,264	-1,271	315	606
Net Change in cash	-542	-76	11,663	7,162	5,824

Valuation Ratios

Particulars	FY22	FY23	FY24E	FY25E	FY26E
Per Share Data					
EPS	79	88	71	81	107
Growth %		12%	-20%	15%	32%
Book Value Per Share	451	539	610	691	798
Return Ratios					
Return on Assets (%)	11%	11%	8%	8%	9%
Return on Equity (%)	17%	16%	12%	12%	13%
Return on Capital Employed (%)	15%	13%	9%	10%	11%
Turnover Ratios					
Asset Turnover (x)	1.2	1.1	1.0	1.0	1.0
Sales / Gross Block (x)	3.6	3.2	3.0	2.8	3.1
Receivable Days	37	58	78	71	68
Inventory Days	64	58	55	57	55
Payable Days	44	52	49	47	46
Working Capital Days	57	63	83	81	77
Liquidity Ratios					
Interest Coverage Ratio (x)	7.9	10.4	8.0	8.8	10.2
Total Debt to Equity	0.3	0.2	0.2	0.2	0.2
Net Debt to Equity	0.2	0.1	-0.1	-0.2	-0.2
Valuation					
PE (x)	19.5	11.4	14.2	12.4	9.4
Earnings Yield (%)	5%	9%	7%	8%	11%
Price to Sales (x)	1.9	1.2	1.2	1.1	1.0
Price to Book (x)	3.4	1.9	1.6	1.5	1.3
EV/EBITDA (x)	12.1	8.0	8.6	7.6	5.9
EV/Sales (x)	2.0	1.3	1.1	1.1	0.9

Source: Company, Keynote Capitals Ltd. estimates

KEYNOTE Rating History

Date	Rating	Market price at Recommendation	Upside/Downside
11 th November 2022	BUY	1,172	+29%
15 th February 2023	BUY	1,179	+22%
22 nd May 2023	BUY	1,088	+25%
14 th August 2023	BUY	1,284	+19%
15 th November 2023	NEUTRAL	1,103	+1%

Source: Company, Keynote Capitals Ltd. estimates

Rating Methodology

Rating	Criteria
BUY	Expected positive return of > 10% over 1-year horizon
NEUTRAL	Expected positive return of > 0% to < 10% over 1-year horizon
REDUCE	Expected return of < 0% to -10% over 1-year horizon
SELL	Expected to fall by >10% over 1-year horizon
NOT RATED (NR)/UNDER REVIEW (UR)/COVERAGE SUSPENDED (CS)	Not covered by Keynote Capitals Ltd/Rating & Fair value under Review/Keynote Capitals Ltd has suspended coverage

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Keynote Capitals Limited (CIN: U67120MH1995PLC088172)

Compliance Officer: Mr. Jairaj Nair; Tel: 022-68266000; email id: jairaj@keynoteindia.net

Registered Office: 9th Floor, The Ruby, Senapati Bapat Marg, Dadar West, Mumbai – 400028, Maharashtra. Tel: 022 – 68266000.

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