

G R Infraprojects Limited

13th February 2024

Business revival to take significant time

In Q3 FY24, G R Infraprojects Ltd. (GRIL) registered a revenue degrowth of 5% with an EBITDA margin contraction of 196 bps at a standalone level on a YoY basis due to continued delays in appointed date announcements. Weak execution continued to impact the Company's performance owing to negative operating leverage. The bidding environment continues to remain weak, but the Government's emphasis on infrastructure development continues. Growth and EBITDA margin revival for the Company will be a function of the Appointed Date (AD) declaration. The bid pipeline continues to remain healthy at ~Rs. 2 Tn, which, according to the management, may lead to an order inflow of ~Rs 150 Bn in FY25. Owing to the weak bidding and execution outlook, GRIL expects to record mid-single-digit revenue degrowth for FY24 and FY25.

The bidding and awarding environment continues to remain weak

On account of general elections in 2024, the bidding has not turned out to be as anticipated. Till December 2023, MoRTH only awarded 3,111 km of highways versus 7,123 km in the same period of the previous year. Though the ministry is still confident of achieving a 10,000 km mark by the end of FY24, GRIL doesn't believe that the same is achievable as the model code of conduct will come into effect anytime. The Company believes the environment to revive once the election is over and anticipates to bag projects worth Rs. 150 Bn in FY25.

Execution sluggishness is 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 is getting delayed. Owing to delays, the Company expects to record mid-single-digit revenue degrowth for FY24 and FY25. As of December 2023, the Company is awaiting the appointed date for 13 projects with an aggregate value of Rs. 92 Bn. The Company believes that revenue growth and EBITDA margin expansion will be a function of AD declaration as all the execution capacity and the requisite manpower are already in place, resulting in operating leverage working against GRIL. As per the management, once the quarterly revenue rate crosses Rs. 20 Bn., the standalone EBITDA margins will revert to 14-15%.

Focus on diversification stays intact

The bid pipeline of GRIL continues to remain robust at ~Rs. 2 Tn, constituting a mix of road, ropeway and transmission projects. The Company is also planning to pursue other opportunities in the infrastructure space, including railways. In addition, GRIL is also evaluating marking a foray into the building construction. In the long run, the management aims to place GRIL such that it performs sustainably irrespective of the macro environment.

View & Valuation

Owing to a weak business outlook due to weak tendering and AD announcement delays, we further moderate our growth expectations for FY24 and FY25. Therefore, based on our revised estimates, we change our rating on GRIL from NEUTRAL to REDUCE with a target price of Rs. 1,163, based on the SOTP valuation method.

REDUCE

CMP Rs. 1,203

TARGET Rs. 1,163 (-3.3%)

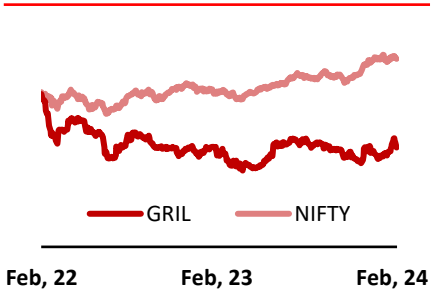
Company Data

Bloomberg Code	GRINFRA IN
MCAP (Rs. Mn)	1,16,322
O/S Shares (Mn)	97
52w High/Low	1,382 / 930
Face Value (in Rs.)	5
Liquidity (3M) (Rs. Mn)	124.7

Shareholding Pattern %

	Dec 23	Sep 23	Jun 23
Promoters	79.74	79.74	79.74
FIIIs	0.57	0.68	0.59
DIIIs	15.86	15.88	16.14
Non-Institutional	3.82	3.68	3.53

GRIL vs Nifty



Source: Keynote Capitals Ltd.

Key Financial Data

(Rs Mn)	FY23	FY24E	FY25E
Revenue	81,476	77,402	78,950
EBITDA	13,131	10,217	10,658
Net Profit	8,518	6,366	6,908
Total Assets	77,564	84,177	92,399
ROCE (%)	13%	9%	9%
ROE (%)	16%	11%	11%

Source: Company, Keynote Capitals Ltd.

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G R Infraprojects Ltd | Quarterly Update

Q3 FY24 Result Update (Standalone)

Result Highlights (Rs. Mn)

Particulars	Q3 FY24	Q3 FY23	Change % (Y-o-Y)	Q2 FY24	Change % (Q-o-Q)	9M FY24	9M FY23	Change % (Y-o-Y)	FY23
Revenue from Operations	18,064	18,988	-5%	15,738	15%	55,326	61,527	-10%	81,476
Cost of Materials	743	527	41%	872	-15%	2,148	1,740	23%	2,307
Construction Expenses	12,909	13,755	-6%	11,038	17%	39,754	43,552	-9%	58,124
Employee Cost	1,682	1,536	9%	1,615	4%	4,978	4,905	1%	6,472
Other Operating Expense	450	401	12%	276	63%	1,082	1,097	-1%	1,441
EBITDA	2,280	2,768	-18%	1,937	18%	7,364	10,232	-28%	13,131
EBITDA %	12.6%	14.6%	-196 Bps	12.3%	31 Bps	13.3%	16.6%	-332 Bps	16.1%
Depreciation	610	612	0%	617	-1%	1,830	1,867	-2%	2,457
EBIT	1,670	2,156	-23%	1,320	27%	5,534	8,366	-34%	10,674
EBIT %	9.2%	11.4%	-211 Bps	8.4%	86 Bps	10.0%	13.6%	-359 Bps	13.1%
Finance Cost	245	248	-1%	277	-12%	788	753	5%	1,022
Other Income	578	421	37%	614	-6%	1,703	1,260	35%	1,809
PBT	2,003	2,329	-14%	1,656	21%	6,449	8,873	-27%	11,461
PBT %	11.1%	12.3%	-118 Bps	10.5%	56 Bps	11.7%	14.4%	-276 Bps	14.1%
Exceptional	83	-	-	-	-	83	-	-	-
Tax	532	588	-9%	423	26%	1,665	2,277	-27%	2,943
Profit for the period	1,554	1,741	-11%	1,233	26%	4,867	6,596	-26%	8,518
EPS	16.1	18.0	-	12.8	-	50.3	68.2	-	88.1

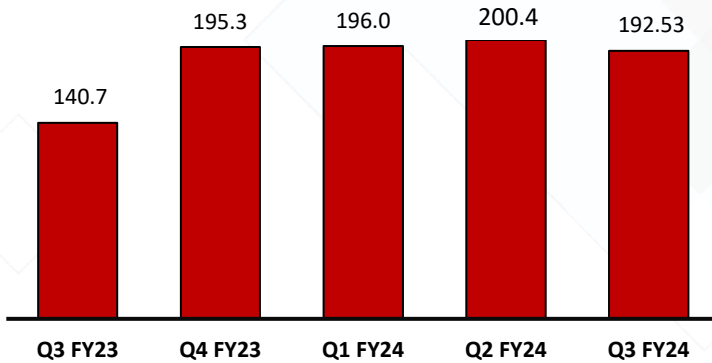
Source: Company, Keynote Capitals Ltd.

Debt and Cash Position (in Rs. Mn) of GRIL as of Q3 FY24

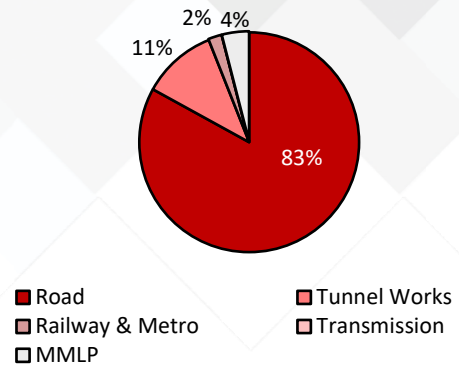
Particulars	Q3 FY24	Q2 FY24	Change (%)
Standalone Debt			
Debentures	5,912	6,936	-
Term Loan	1,066	1,215	-
Working Capital	2,008	424	-
Mobilization Advance	2,480	2,843	-
Total Standalone Debt	11,465	11,418	0.4%
Consolidated Debt			
Project Loan	60,901	54,505	-
Standalone Debt	8,985	8,575	-
Mobilization Advance	2,904	2,400	-
Total Consolidated Debt	72,790	65,480	11.2%
Consolidated Cash Position			
Total Cash & Bank Balance	8,150	8,757	-6.9%
Lien Market FDRs'	5,750	5,886	-2.3%

Quarterly Business Progression

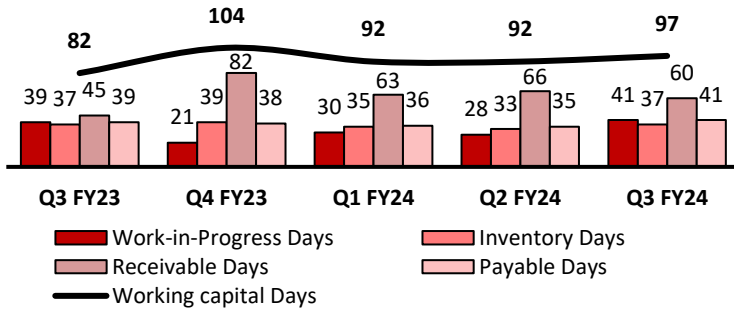
Order Book (Rs. in Bn)



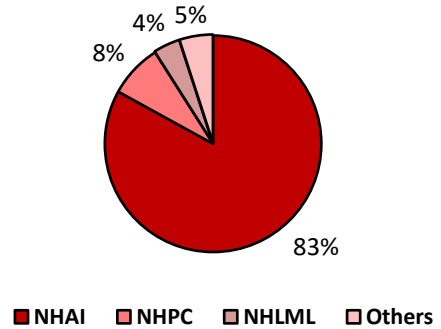
Order book mix (%) (Q3 FY24)



Working capital days



Client mix (%) (Q3 FY24)



Source: Company, Keynote Capitals Ltd.

Portfolio of Road / Transmission Projects as of Q3 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 Bypass (HAM)
5	Handia-Varanasi (HAM)	Bahadurganj-Araria (HAM)	Venkatpur-Thalassenkesa (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)	Hasapur-Badadal Highway (HAM)
13	-	Transmission system in Rajgarh	Transmission System in Rajgarh II

Source: Company, Keynote Capitals Ltd.

Q3 FY24 Conference Call Takeaways

- The Government has raised its CAPEX target by 11.1%, taking it to a record Rs. 11.1 Tn for FY25. Authorities have become more cautious in awarding projects where the land acquisition and other associated permits are not in place.
- Awarding from the government as of December 2023 has only been ~3,100 km vs ~7,100 km till the same period last year. Though the ministry is hopeful of closing awarding for FY24 at ~10,000 km, the Company is sceptical regarding the same because the model code of conduct may come into effect at any time.
- GRIL anticipates the pace of awarding to pick-up once the new government starts implementing its Vision 27-47 program. Under this program, the proposal is to develop 40,000-50,000 km of access control highways at the cost of ~Rs. 20 Tn.
- During Q3 FY24, the Company executed 1 HAM concession agreement with the NHAI and expected to execute 2 more for a road and a ropeway each.
- GRIL is constantly working towards diversifying its portfolio so that the Company can demonstrate stable performance irrespective of the external environment. Currently, the Company has a mix of 36 BOT projects, with Roads and Highways contributing 83%.
- The Company expects to bag significant BOT projects in FY25 as the government is actively expected to declare BOT projects. Additionally, the Company is evaluating various routes of monetizing such projects as there is no plan to keep holding them.
- As far as MMLP is concerned, GRIL is still in the process of finalising an operating partner for the project.
- The plan to launch the InvIT by the end of FY24 is very much on track. GRIL has already filed the draft offer document with the SEBI, which is expected to be approved in a couple of weeks' time.
- Investment in subsidiaries in the form of loans and equity at the end of December 2023 amounted to ~Rs. 24 Bn. as against ~Rs. 19.5 Bn. in FY23. Additional equity contribution to be made over the next 2.5 years in operational and under-construction projects amounts to Rs. 20.2 Bn. Out of this, Rs. 1.5 Bn will be infused in FY24, and Rs. 7.0-7.5 Bn will be infused each year in FY25 and FY26.
- The Company is keen on taking BOT projects and expects to bag a significant amount of them in FY25. However, GRIL is clear on not taking BOT projects that don't offer adequate profitability. The Company stands in an advantageous position to win BOT projects due to better access to capital. Also, the competitive environment is not intense.
- Since these BOT projects have a very long operational cycle, the Company has no plans to keep holding them throughout their operational period. On a positive note, exiting BOT projects will not be an issue, as many investors are interested in investing in operational BOT projects, thereby benefiting from India's growth.

Financial Statement Analysis (Standalone)

Income Statement

Y/E Mar, Rs. Mn	FY22	FY23	FY24E	FY25E	FY26E
Net Sales	79,192	81,476	77,402	78,950	94,740
Growth %		3%	-5%	2%	20%
Raw Material Expenses	59,308	60,432	58,671	59,844	71,529
Employee Expenses	5,864	6,472	6,966	7,106	7,579
Other Expenses	1,209	1,441	1,548	1,342	1,611
EBITDA	12,811	13,131	10,217	10,658	14,022
Growth %		3%	-22%	4%	32%
Margin%	16%	16%	13%	14%	15%
Depreciation	2,816	2,457	2,477	2,211	2,369
EBIT	9,994	10,674	7,740	8,448	11,653
Growth %		7%	-27%	9%	38%
Margin%	13%	13%	10%	11%	12%
Interest Paid	1,269	1,022	971	991	1,189
Other Income & exceptional	1,293	1,809	1,719	1,753	2,104
PBT	10,019	11,461	8,488	9,210	12,568
Tax	2,411	2,943	2,122	2,303	3,142
Others (Minorities, Associates)	-	-	-	-	-
Net Profit	7,608	8,518	6,366	6,908	9,426
Growth %		12%	-25%	9%	36%
Margin%	10%	10%	8%	9%	10%
Shares (Mn)	96.7	96.7	96.7	96.7	96.7
EPS	78.7	88.1	65.8	71.4	97.5

Balance Sheet

Y/E Mar, Rs. Mn	FY22	FY23	FY24E	FY25E	FY26E
Cash, Cash equivalents & Bank	4,450	3,026	17,907	24,332	26,827
Debtors	7,155	18,806	15,480	15,790	18,948
Inventory	10,218	8,843	9,387	9,575	11,445
Other Current Assets	16,138	21,816	15,480	15,790	18,948
Net Block & CWIP	15,440	15,104	15,002	15,792	16,423
Investments	3,055	857	857	857	857
Other Non-current Assets	10,677	9,112	10,062	10,264	12,316
Total Assets	67,134	77,564	84,177	92,399	1,05,764
Creditors	7,169	8,672	7,921	7,780	8,941
Borrowings	11,020	10,759	11,026	11,689	13,386
Other Liabilities	5,310	5,982	6,712	7,504	8,586
Total Liabilities	23,499	25,413	25,659	26,974	30,913
Paid-up Capital	483	483	483	483	483
Reserves & Surplus	43,152	51,668	58,034	64,941	74,367
Shareholders' Equity	43,636	52,152	58,517	65,425	74,851
Non-Controlling Interest	-	-	-	-	-
Total Equity & Liabilities	67,134	77,564	84,177	92,399	1,05,764

Cash Flow Statement

Y/E Mar, Rs. Mn	FY22	FY23	FY24E	FY25E	FY26E
Pre-tax profit	10,019	11,461	8,488	9,210	12,568
Adjustments	3,239	2,477	1,729	1,448	1,454
Change in Working Capital	-4,969	-3,359	9,095	-155	-5,943
Total Tax Paid	-2,651	-2,936	-2,122	-2,303	-3,142
Cash flow from operating Activities	5,638	7,644	17,190	8,200	4,937
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	768	1,552	51
Cash flow from investing activities	-2,373	-6,464	-1,732	-1,448	-2,949
Equity raised / (repaid)	-	-	-	-	-
Debt raised / (repaid)	-2,676	-66	268	663	1,697
Interest paid	-967	-1,092	-971	-991	-1,189
Other financing activities	-164	-106	0	0	0
Cash flow from financing activities	-3,807	-1,264	-703	-327	508
Net Change in cash	-542	-76	14,755	6,424	2,495

Valuation Ratios

Particulars	FY22	FY23	FY24E	FY25E	FY26E
Per Share Data					
EPS	79	88	66	71	97
Growth %		12%	-25%	9%	36%
Book Value Per Share	451	539	605	677	774
Return Ratios					
Return on Assets (%)	11%	11%	8%	7%	9%
Return on Equity (%)	17%	16%	11%	11%	13%
Return on Capital Employed (%)	15%	13%	9%	9%	11%
Turnover Ratios					
Asset Turnover (x)	1.2	1.1	1.0	0.9	1.0
Sales / Gross Block (x)	3.6	3.2	2.8	2.6	2.9
Receivable Days	37	58	81	72	67
Inventory Days	64	58	57	58	54
Payable Days	44	52	49	47	46
Working Capital Days	57	63	88	83	75
Liquidity Ratios					
Interest Coverage Ratio (x)	7.9	10.4	8.0	8.5	9.8
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	15.3	14.1	10.3
Earnings Yield (%)	5%	9%	7%	7%	10%
Price to Sales (x)	1.9	1.2	1.3	1.2	1.0
Price to Book (x)	3.4	1.9	1.7	1.5	1.3
EV/EBITDA (x)	12.1	8.0	8.8	8.5	6.4
EV/Sales (x)	2.0	1.3	1.2	1.1	1.0

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%
13 th February 2024	REDUCE	1,203	-3%

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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