

G R Infraprojects

Estimate change

TP change

Rating change



CMP: INR1,284

TP: INR1,485 (+16%)

Buy

Performance in line; execution to be muted in the near-to-medium term

- G R Infraprojects (GRIL)'s revenue declined 13% YoY to ~INR21.5b in 1QFY24 (in line). The delays in receiving appointed dates hurt execution.
- EBITDA margin stood at 14.6% in 1QFY24 (vs. our est. of 14.5%). EBITDA declined 35% YoY to INR3.1b (in line). APAT also dipped 35% YoY to INR2.1b (8% above our est.) in 1QFY24.
- The current order book stands at INR196b (excl. L1 projects worth INR72.5b) of which road projects constitute 90%. L1 projects comprise two ropeway projects and one civil work project of NHPC, which is estimated at ~INR22b. The company has not yet received the letter of awards for these projects and executions of these projects may therefore get delayed.
- GRIL is witnessing a robust order pipeline (~INR900b worth of projects), which is likely to be bid in the next two months. It expects to secure orders worth INR200b in FY24. These orders would majorly originate from the Roads segment followed by Railways, Ropeways, and Power Transmission sectors. Management is focused on raising the share of EPC projects.
- While the existing order book is decent, GRIL is witnessing delays in receiving letter of awards for projects awarded a few quarters ago. The order pipeline is strong and it is targeting strong order inflows in FY24. We marginally cut our estimates for FY24/FY25. We expect GRIL to clock 13% revenue growth over FY23-25, with EBITDA margin in the range of 14-15%. **Reiterate BUY** with a revised TP of INR1,485 (based on an SoTP valuation).

Order pipeline robust; focus on raising the share of EPC projects in the order book

- GRIL has a robust bid pipeline of INR900b (most of which is to be bid till Oct'23), particularly in the Roads segment, indicating a strong potential for future projects. It aims to achieve total order inflows of INR200b in FY24.
- During 1QFY24, bids totalling INR124b were submitted; of which INR107b worth of bids was for road projects and INR13b was for other projects.
- For FY24, the company is targeting a revenue growth of 5-10% YoY. The growth could see stronger traction in FY25E as more projects move into execution during the latter part of FY24.

Key takeaways from the management commentary

- GRIL secured concession agreements for three HAM projects and one Multi Modal Logistics Park (MMLP) project during the quarter.
- The company currently holds a total of 34 BOT projects. Out of these, 10 are operational, 13 are under construction, and 11 are awaiting the appointed dates (excluding L1 projects).
- GRIL expects to win INR200b of projects in FY24 of which INR100b is expected from HAM projects, INR50-60b is expected from EPC projects and the remaining from railways/metro/ropeway projects.



Bloomberg	GRINFRA IN
Equity Shares (m)	97
M.Cap.(INRb)/(USDb)	124.1 / 1.5
52-Week Range (INR)	1440 / 930
1, 6, 12 Rel. Per (%)	-4/1/-17
12M Avg Val (INR M)	66

Financials & Valuations (INR b)

Y/E Mar	2023	2024E	2025E
Sales	81.5	87.5	104.5
EBITDA	13.1	12.7	15.5
PAT	8.5	8.2	9.6
EBITDA (%)	16.1	14.5	14.8
EPS (INR)	88.1	85.2	99.8
EPS Gr. (%)	11.5	-3.3	17.2
BV/Sh. (INR)	539.4	624.5	724.3

Ratios

Net D/E	0.2	0.1	0.1
RoE (%)	17.8	14.6	14.8
RoCE (%)	15.8	13.6	14.2
Payout (%)	0.0	0.0	0.0

Valuations

P/E (x)	14.5	15.0	12.8
P/BV (x)	2.4	2.0	1.8
EV/EBITDA (x)	10.1	10.4	8.5
Div Yield (%)	0.0	0.0	0.0
FCF Yield (%)	3.8	5.0	4.8

Shareholding pattern (%)

As On	Jun-23	Mar-23	Jun-22
Promoter	79.7	79.7	86.5
DII	16.2	16.2	9.7
FII	0.6	0.5	0.2
Others	3.5	3.6	3.5

FII Includes depository receipts

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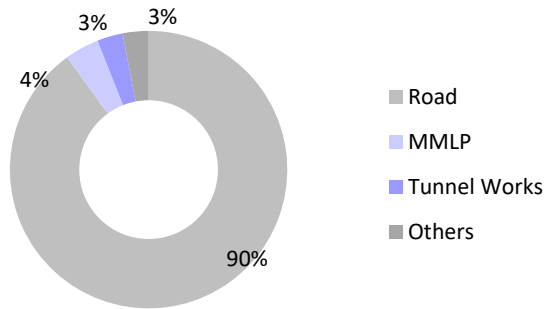
- In the transmission segment, the company's order pipeline was ~INR50b.
- Management expects ~INR6.5b of equity infusion towards HAM projects during FY24 and INR8-9b each for FY25 and FY26.

Valuation and view

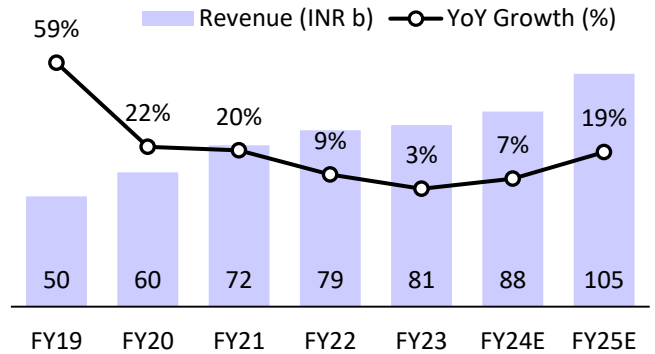
- The order pipeline is robust with GRIL looking to bag INR200b worth of new projects. The company is anticipating to win some large-ticket EPC projects where competition is relatively lower.
- GRIL is, however, witnessing delays in receiving letter of awards for projects awarded a few quarters ago, which could see lower execution in the near term. We marginally cut our estimates for FY24/FY25. We expect GRIL to clock 13% revenue growth over FY23-25, with EBITDA margin in the range of 14-15%. **Reiterate BUY** with a revised TP of INR1,485 (based on an SoTP valuation).

Quarterly Performance (Standalone)

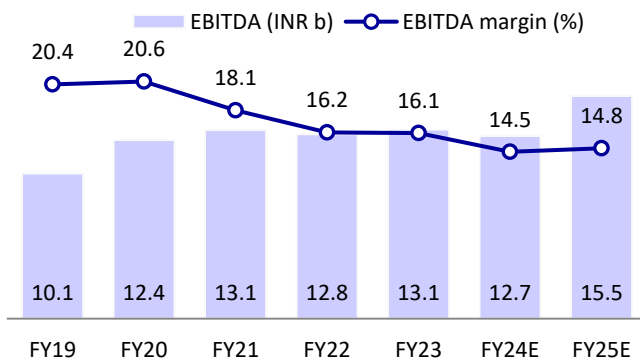
Y/E March (INR m)	FY23				FY24				FY23	FY24E	FY24	Var (%)
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE			1QE	
Net Sales	24,767	17,772	18,988	19,949	21,524	19,698	22,762	23,563	81,476	87,547	21,648	-1
YoY Change (%)	16.1	4.6	4.4	(12.0)	(13.1)	10.8	19.9	18.1	2.9	7.5	(12.6)	
EBITDA	4,864	2,600	2,769	2,898	3,147	2,837	3,346	3,364	21,044	12,694	3,139	0
Margin (%)	19.6	14.6	14.6	14.5	14.6	14.4	14.7	14.3	25.8	14.5	14.5	
Depreciation	634	620	612	590	602	632	632	647	2,457	2,506	627	
Interest	269	236	248	269	266	285	290	280	1,022	1,121	282	
Other Income	320	519	421	549	511	480	466	479	1,809	1,936	346	
PBT before EO expense	4,281	2,263	2,329	2,589	2,790	2,400	2,890	2,916	19,375	11,003	2,577	8
Extra-Ord Expense	-	-	-	-	-	-	-	-	-	-	-	
PBT	4,281	2,263	2,329	2,589	2,790	2,400	2,890	2,916	19,375	11,003	2,577	8
Tax	1,069	620	588	667	710	604	727	729	2,943	2,769	649	
Rate (%)	25.0	27.4	25.2	25.7	25.4	25.2	25.2	25.0	15.2	25.2	25.2	
Reported PAT	3,211	1,643	1,742	1,922	2,080	1,796	2,163	2,187	16,431	8,233	1,927	8
Adj PAT	3,211	1,643	1,742	1,922	2,080	1,796	2,163	2,187	16,431	8,233	1,927	8
YoY Change (%)	57.7	0.8	31.9	(27.5)	(35.2)	9.3	24.2	13.8	115.1	(49.9)	(40.0)	
Margin (%)	13.0	9.2	9.2	9.6	9.7	9.1	9.5	9.3	20.2	9.4	8.9	

Exhibit 1: Order book breakup excl. L1 (1QFY24: INR196b)

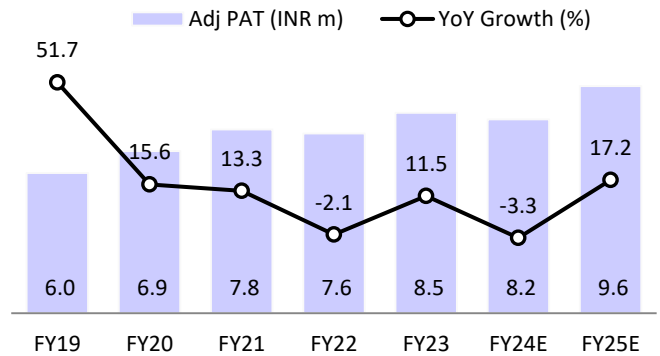
Source: MOFSL, Company

Exhibit 2: Revenue growth to pick-up as orders move into execution

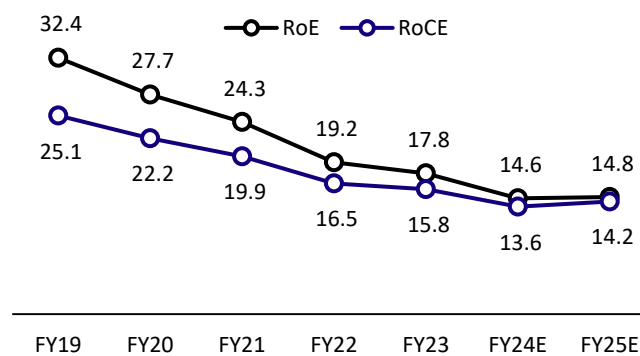
Source: MOFSL, Company

Exhibit 3: EBITDA and EBITDA margin trends

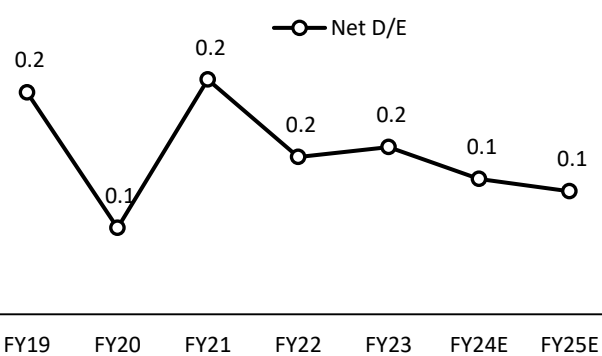
Source: MOFSL, Company

Exhibit 4: Adjusted PAT to report 7% CAGR over FY23-25E

Source: MOFSL, Company

Exhibit 5: Return ratios to remain stable

Source: MOFSL, Company

Exhibit 6: Net debt to be miniscule by FY25E

Source: MOFSL, Company

**Highlights from the management commentary****Business updates**

- GRIL secured concession agreements for three HAM projects and one MMLP project during the quarter.
- The company currently holds a total of 34 BOT projects. Out of these, 10 are operational, 13 are under construction, and 11 are awaiting the appointed dates (excluding L1 projects).
- The projects that were won in FY23 are expected to have their appointed dates by 3QFY24.

- During 1QFY24, bids totalling INR124b were submitted; of which INR107b worth of bids was for road projects and INR13b was for other projects.
- The InVIT has received final approval from SEBI and is scheduled for launch by Sep'23.
- Standalone borrowing at the end of Jun'23 amounted to INR8.8b, including short-term borrowing of INR430m, resulting in a debt/equity ratio of 0.16x.
- Cash and cash equivalents as of Jun'23 stood at INR 4.36b.
- Mobilization advance at the end of Jun'23 was ~INR2.6b.
- The limit utilization currently stands at 40-45% for both fund-based and non-fund-based aspects.

Order book

- As of 30th Jun'23, the order book stood at INR268.5b, including INR72.5b of three L1 projects that are yet to receive LoA. Road and highway projects constitute 60% of the total order book.
- The L1 projects valued at INR72.5b include two ropeway projects and one NHPC civil work project. Excluding L1 projects, order book was at INR196b of which Road projects contributed 90% of the outstanding order book.
- The company's bidding pipeline includes projects worth INR900b, with the roads sector accounting for INR750b.
- Of the INR900b of order pipeline, EPC projects should range between INR200-250b, while HAM projects should make up 50% of the order pipeline. The bidding phase for the order pipeline is set to be completed by Oct'23, with most of the bidding activity anticipated in the next two months.
- In the transmission segment, the company's order pipeline was at ~INR50b.

Equity requirement

- Equity infusion requirement for HAM projects is INR 23.8b.
- Management expects equity infusion of nearly INR6.5b in FY24 and INR8-9b each in FY25 and FY26.

Guidance

- For FY24, the company is targeting 5-10% growth. This growth estimate is based on the current order book, with the potential for higher growth if more EPC orders are secured in 1HFY24.
- Competitive intensity in EPC projects is gradually decreasing because of larger size of projects. Also, for HAM projects, competition is gradually diminishing due to capital requirement.
- GRIL expects to win INR200b of projects in FY24 of which INR100b is expected from HAM projects, INR 50-60b is expected from EPC projects and the remaining from railways/metro/ropeway projects.
- Capex for FY24 will be in the range of INR2-3b, depending on the order inflows and execution undertaken.

Exhibit 7: Our revised forecasts

INR m	Old		New		Change (%)	
	FY24E	FY25E	FY24E	FY25E	FY24E	FY25E
Revenue	90,200	1,07,028	87,547	1,04,506	-2.9%	-2.4%
EBITDA	13,079	15,840	12,694	15,467	-2.9%	-2.4%
EBITDA margin	14.5%	14.8%	14.5%	14.8%	0	0
Adj. PAT	8,104	9,740	8,233	9,650	1.6%	-0.9%

Source: Company, MOFSL

Valuation and view

- The order pipeline is robust with GRIL looking to bag INR200b worth of new projects. The company is anticipating to win some large-ticket EPC projects where competition is relatively lower.
- GRIL is, however, witnessing delays in receiving letter of awards for projects awarded a few quarters ago, which could see lower execution in the near term. We marginally cut our estimates for FY24/FY25. We expect GRIL to clock 13% revenue growth over FY23-25, with EBITDA margin in the range of 14-15%.
Reiterate BUY with a revised TP of INR1,485 (based on an SoTP valuation).

Exhibit 8: SoTP-based TP stands at INR1,485/share

Particulars	INR m	Per share (INR)
Valuation		
March'25E Core PAT – 13x P/E	1,13,925	1,176
BOT Portfolio valuation – Investment value	30,000	309
Total	1,43,925	1,485

Source: MOFSL, Company

Financials and valuations

Income Statement						(INR m)	
Y/E March	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E
Net Sales	49,502	60,278	72,445	79,192	81,476	87,547	1,04,506
Change (%)	59.4	21.8	20.2	9.3	2.9	7.5	19.4
Total Expenditure	39,428	47,865	59,341	66,381	68,345	74,853	89,039
As a percentage of Net Sales	79.6	79.4	81.9	83.8	83.9	85.5	85.2
EBITDA	10,074	12,413	13,104	12,811	13,131	12,694	15,467
As a percentage of Net Sales	20.4	20.6	18.1	16.2	16.1	14.5	14.8
Depreciation	1,381	1,868	2,268	2,816	2,457	2,506	2,720
EBIT	8,693	10,545	10,835	9,994	10,674	10,188	12,747
Interest	1,057	1,452	1,396	1,269	1,022	1,121	1,425
Other Income	674	938	1,275	1,324	1,809	1,936	1,574
EO Items	-	-	-	31	-	-	-
PBT	8,310	10,030	10,715	10,050	11,461	11,003	12,896
Tax	2,353	3,142	2,908	2,411	2,943	2,769	3,246
Rate (%)	28.3	31.3	27.1	24.0	25.7	25.2	25.2
Reported PAT	5,957	6,888	7,806	7,639	8,518	8,233	9,650
Adjusted PAT	5,957	6,888	7,806	7,608	8,518	8,233	9,650
Change (%)	51.7	15.6	13.3	(2.5)	12.0	(3.3)	17.2

Balance Sheet						(INR m)	
Y/E March	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E
Share Capital	485	485	483	483	483	483	483
Reserves	20,919	27,785	35,561	43,152	51,668	59,902	69,551
Net Worth	21,404	28,270	36,044	43,636	52,152	60,385	70,035
Loans	10,607	10,740	13,511	11,020	10,759	10,259	10,009
Deferred Tax Liability	(685)	646	638	438	433	433	433
Capital Employed	31,326	39,656	50,193	55,094	63,344	71,077	80,477
Gross Fixed Assets	12,197	15,289	20,585	24,797	26,600	29,100	31,350
Less: Depreciation	3,172	4,967	7,134	9,950	12,214	14,721	17,441
Net Fixed Assets	9,025	10,322	13,451	14,846	14,385	14,379	13,909
Capital WIP	433	280	555	594	719	719	719
Investments	2,572	2,550	3,636	3,236	862	7,362	13,862
Curr. Assets	32,126	38,755	45,935	48,457	61,597	63,213	69,411
Inventory	6,136	7,684	10,584	10,218	8,843	9,192	10,973
Debtors	8,778	8,218	8,676	7,155	18,806	18,385	18,811
Cash and Bank Balance	6,064	8,403	5,416	4,450	2,418	2,435	1,759
Loans and Advances	400	503	558	-	-	-	-
Loans and advances (related party)	3,839	6,292	9,937	9,995	9,112	9,112	9,112
Other Current Assets	6,908	7,655	10,764	16,639	22,419	24,090	28,756
Current Liab. and Prov.	12,830	12,250	13,384	12,040	14,220	14,597	17,424
Creditors	5,189	5,570	7,283	7,169	8,672	8,755	10,451
Other current Liabilities	7,575	6,536	5,871	4,397	5,000	5,253	6,270
Provisions	66	144	230	474	548	589	703
Net Current Assets	19,296	26,505	32,551	36,418	47,377	48,617	51,987
Application of Funds	31,326	39,656	50,193	55,094	63,344	71,077	80,477

Financials and valuations

Ratios

Y/E March	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E
Basic EPS (INR)							
Adjusted EPS	61.4	71.0	80.7	78.7	88.1	85.2	99.8
Cash EPS	75.7	90.3	104.2	107.8	113.5	111.1	127.9
Book Value	221	292	373	451	539	625	724
DPS	-	-	-	-	-	-	-
Payout (incl. Div. Tax.)	-	-	-	-	-	-	-
Valuation (x)							
P/E	20.8	18.0	15.8	16.2	14.5	15.0	12.8
Cash P/E	16.9	14.2	12.3	11.9	11.3	11.5	10.0
Price/Book Value	5.8	4.4	3.4	2.8	2.4	2.0	1.8
EV/Sales	2.6	2.1	1.8	1.6	1.6	1.5	1.3
EV/EBITDA	12.8	10.2	10.1	10.2	10.1	10.4	8.5
Dividend Yield (%)	-	-	-	-	-	-	-
FCF/Share	18.8	55.5	(7.0)	13.0	48.3	64.1	61.3
Profitability Ratios (%)							
RoE	32.4	27.7	24.3	19.1	17.8	14.6	14.8
RoCE	25.1	22.2	19.9	16.5	15.8	13.6	14.2
RoIC	33.4	28.6	22.9	17.4	14.9	12.7	15.3
Turnover Ratios							
Fixed Asset Turnover (x)	4.1	3.9	3.5	3.2	3.1	3.0	3.3
Asset Turnover (x)	1.6	1.5	1.4	1.4	1.3	1.2	1.3
Inventory (Days)	45	47	53	47	40	38	38
Debtor (Days)	65	50	44	33	84	77	66
Creditor (Days)	38	34	37	33	39	37	37
Leverage Ratio							
Current Ratio	2.5	3.2	3.4	4.0	4.3	4.3	4.0
Interest Coverage Ratio	8.2	7.3	7.8	7.9	10.4	9.1	8.9
Net Debt/Equity ratio (x)	0.2	0.1	0.2	0.2	0.2	0.1	0.1

Cash Flow Statement

(INR m)

Y/E March	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E
PBT before EO Items	8,310	10,030	10,715	10,019	11,461	11,003	12,896
Add: Depreciation	1,381	1,868	2,268	2,816	2,457	2,506	2,720
Interest	493	1,158	275	391	21	(815)	(149)
Less: Direct Taxes Paid	(1,859)	(1,752)	(2,689)	(2,651)	(2,936)	(2,769)	(3,246)
(Inc.)/Dec. in WC	(1,809)	(2,993)	(6,094)	(4,969)	(3,359)	(1,223)	(4,046)
CF from Operations	6,516	8,312	4,474	5,606	7,644	8,702	8,175
(Inc.)/Dec. in FA	(4,689)	(2,927)	(5,148)	(4,346)	(2,975)	(2,500)	(2,250)
Free Cash Flow	1,827	5,385	(674)	1,259	4,669	6,202	5,925
(Pur.)/Sale of Investments	36	89	75	120	280	-	-
Others	(1,806)	(1,387)	(2,725)	1,854	(3,761)	(6,500)	(6,500)
CF from Investments	(6,458)	(4,225)	(7,798)	(2,373)	(6,455)	(9,000)	(8,750)
Issue of Shares	-	-	(14)	-	-	-	-
Inc./(Dec). in Debt	3,456	1,328	2,805	(2,840)	(172)	(500)	(250)
Less: Interest Paid	(725)	(1,777)	(1,475)	(967)	(1,092)	815	149
Dividend Paid	-	-	-	-	-	-	-
Others	908	(1,299)	(980)	(391)	(1,957)	-	-
CF from Fin. Activity	3,639	(1,748)	337	(4,198)	(3,221)	315	(101)
Inc./Dec. in Cash	3,697	2,339	(2,987)	(965)	(2,033)	17	(676)
Add: Beginning Balance	2,367	6,064	8,403	5,416	4,451	2,418	2,435
Closing Balance	6,064	8,403	5,416	4,451	2,418	2,435	1,759

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NOTES

Explanation of Investment Rating	
Investment Rating	Expected return (over 12-month)
BUY	>=15%
SELL	< - 10%
NEUTRAL	< - 10 % to 15%
UNDER REVIEW	Rating may undergo a change
NOT RATED	We have forward looking estimates for the stock but we refrain from assigning recommendation

*In case the recommendation given by the Research Analyst is inconsistent with the investment rating legend for a continuous period of 30 days, the Research Analyst shall be within following 30 days take appropriate measures to make the recommendation consistent with the investment rating legend.

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