

G R Infraprojects Limited

8th August 2024

Inadequate work at hand hampers business in Q1 FY25

In Q1 FY25, G R Infraprojects Ltd. (GRIL) registered a revenue degrowth of 12% with an EBITDA margin contraction of 162 bps at a standalone level on a YoY basis. Weak execution on account of a low executable order book continued to impact performance during the quarter owing to negative operating leverage. The Company is witnessing heightened competition and doesn't want to chase growth at the cost of margins. Growth and EBITDA margin revival will be a function of the Appointed Date (AD) declaration as that will result in better utilization of GRIL's resources which are currently underutilized, incurring costs. The targeted bid pipeline continues to remain healthy at ~Rs. 2.6 Tn, which, gives management the confidence of achieving the order inflow guidance of ~Rs 150-200 Bn in FY25. GRIL continues to expect to record a flattish revenue growth for FY25.

Weak executable order book expected to result in flattish growth in FY25

The lackluster performance reported by GRIL in Q1 FY25 was on account of weak execution during the quarter because of a low executable order book, which resulted from a delay in the announcement of AD. Currently, out of the ~150 Bn order book, AD has not been announced for projects worth ~Rs. 70 Bn. GRIL expected to receive ADs for projects worth Rs. 55 Bn by Q3 FY25 and the rest by Q4 FY25. Keeping the above outlook in mind, the Company believes that the execution for FY25 will result in flattish revenue growth on a YoY basis unless it gets material EPC projects in the coming 1-2 months. Additionally, given the soft execution outlook for FY25, the EBITDA margin is expected to remain at ~13% compared to the desirable range of 14-15% as GRIL will again not be able to utilise its resources optimally, resulting in negative operating leverage.

No change in the ruling party keeps the bullish outlook intact

As per the result of the latest general elections, the ruling party and the majority of the cabinet remained intact. This indicates that the robust CAPEX plans announced previously remain intact. In the union budget for July'24, the GoI allocated Rs. 11 Tn to enrich the country's infrastructure in sectors like road, railways, metro and logistics. GRIL, being present across these sectors, could significantly benefit from these upcoming projects. The Company highlighted that the NHAI has resumed activity, which signifies a positive development.

The order inflow target for FY25 remains intact

In FY25, GRIL aims to bag orders worth Rs. 150-200 Bn. Out of this, the Company has emerged as L1 in orders worth Rs. 43 Bn in Q1 FY25. Additionally, GRIL has already placed bids for projects worth Rs. 15.4 Bn across various segments, including road (EPC & HAM), transmission, railways, metros, etc). The total pipeline of projects aimed by GRIL amounts to ~Rs. 2.6 Tn.

View & Valuation

Owing to a prolonged weakness in the executable order book, we continue to build low growth expectations for FY25. Therefore, based on our revised estimates, we change our rating on GRIL from REDUCE to SELL with a target price of Rs. 1,334, based on the SOTP valuation method.

SELL

CMP Rs. 1,608

TARGET Rs. 1,334 (-17.0%)

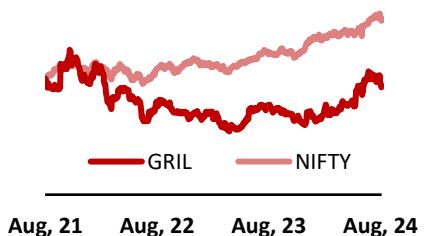
Company Data

Bloomberg Code	GRINFRA IN
MCAP (Rs. Mn)	1,55,500
O/S Shares (Mn)	97
52w High/Low	1,860 / 1,025
Face Value (in Rs.)	5
Liquidity (3M) (Rs. Mn)	176

Shareholding Pattern %

	Jun 24	Mar 24	Dec 23
Promoters	74.74	74.74	79.74
FII's	1.40	0.76	0.57
DII's	20.50	20.61	15.86
Non-Institutional	3.36	3.89	3.82

GRIL vs Nifty



Source: Keynote Capitals Ltd.

Key Financial Data

(Rs Mn)	FY24	FY25E	FY26E
Revenue	77,880	79,437	91,353
EBITDA	11,360	10,962	13,063
Net Profit	19,780	8,023	9,570
Total Assets	93,945	1,03,764	1,16,374
ROCE (%)	7%	8%	9%
ROE (%)	27%	10%	11%

Source: Company, Keynote Capitals Ltd.

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G R Infraprojects Ltd | Quarterly Update

Q1 FY25 Result Update (Standalone)

Result Highlights (Rs. Mn)

Particulars	Q1 FY25	Q1 FY24	Change % (Y-o-Y)	Q4 FY24	Change % (Q-o-Q)	FY24
Revenue from Operations	18,965	21,524	-12%	22,554	-16%	77,880
Cost of Materials	581	496	17%	789	-26%	2,898
Construction Expenses	13,844	15,845	-13%	15,638	-11%	55,431
Employee Cost	1,719	1,681	2%	1,666	3%	6,644
Other Operating Expense	356	355	0%	471	-24%	1,552
EBITDA	2,466	3,147	-22%	3,990	-38%	11,354
EBITDA %	13.0%	14.6%	-162 Bps	17.7%	-469 Bps	14.6%
Depreciation	632	602	5%	612	3%	2,442
EBIT	1,834	2,545	-28%	3,378	-46%	8,912
EBIT %	9.7%	11.8%	-215 Bps	15.0%	-531 Bps	11.4%
Finance Cost	281	266	6%	250	12%	1,038
Other Income	1,081	511	112%	550	97%	2,253
PBT	2,634	2,790	-6%	3,678	-28%	10,127
Exceptional	-494	0	-	13,720	-	13,803
Tax	621	710	-13%	2,490	-75%	4,155
Profit for the period	1,520	2,080	-27%	14,908	-90%	19,774
EPS	15.7	21.5	-	154.2	-	204.5

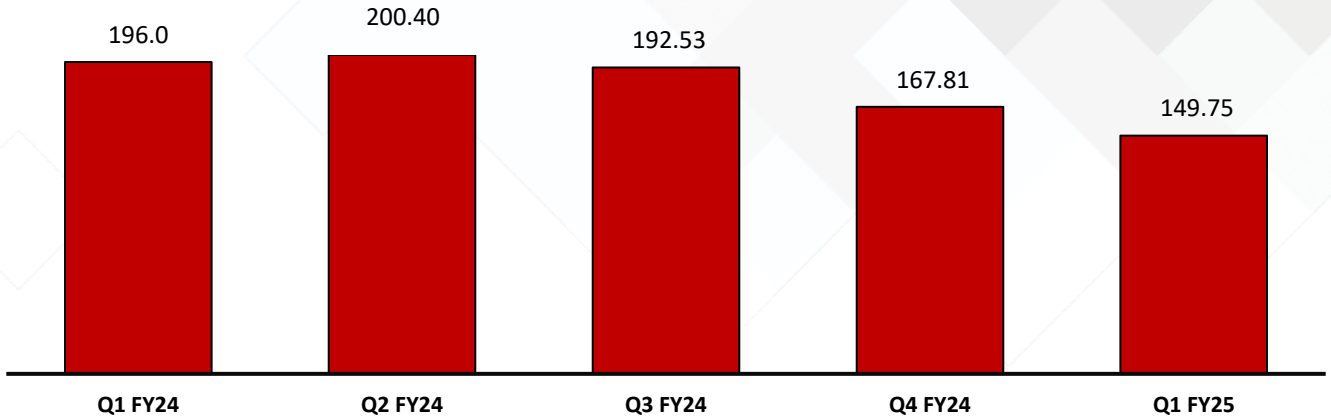
Source: Company, Keynote Capitals Ltd.

Debt and Cash Position (in Rs. Mn) of GRIL as of Q1 FY25

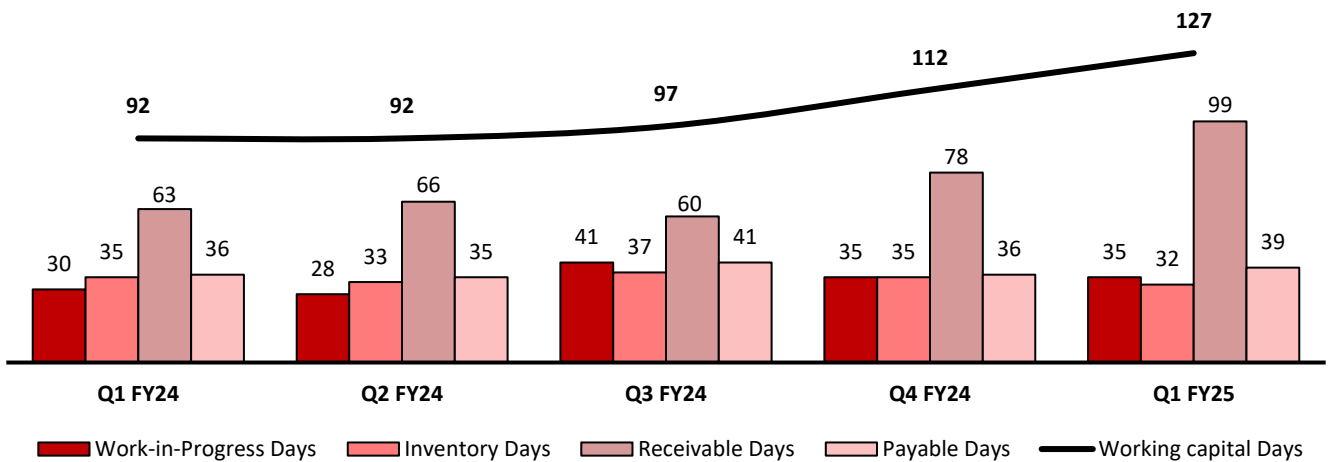
Particulars	Q1 FY25	Q4 FY24	QoQ Change (%)
Standalone Debt			
Debentures	5,637	5,970	-
Term Loan	765	917	-
Working Capital	2,003	503	-
Mobilization Advance	740	1,797	-
Total Standalone Debt	9,145	9,186	-0.4%
Consolidated Debt			
Project Loan	36,878	30,638	-
Standalone Debt	8,405	7,389	-
Mobilization Advance	1,113	2,185	-
Total Consolidated Debt	46,396	40,213	15.4%
Consolidated Cash Position			
Total Cash & Bank Balance	2,952	7,403	-60.1%
Lien Market FDRs'	1,741	1,470	18.5%

Quarterly Business Progression

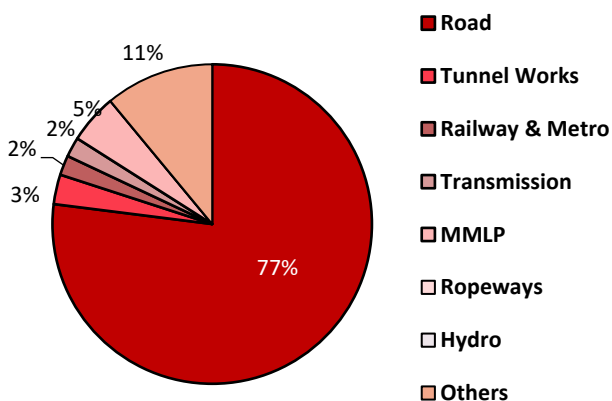
Order Book (Rs. in Bn)



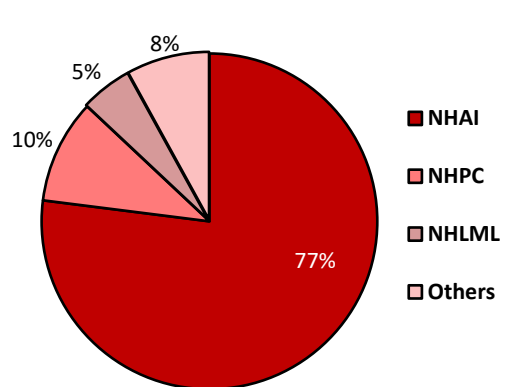
Working Capital Days



Order book mix (Q1 FY25)



Client mix (Q1 FY25)



Source: Company, Keynote Capitals Ltd.

Portfolio of Road / Transmission Projects as of Q1 FY25

Sr No.	Operational projects	Projects under construction	Appointed date awaited
1	Reengus-Sikar (BOT)	Ena-Kim (HAM)	Varanasi-Ranchi-Kolkata (HAM)
2	Nagaur-Mukundgarh (HAM)	Shirsad-Masvan (HAM)	Tarakote & Sanjichhat Ropeway (BOOT)
3	Aligarh-Kanpur (HAM)	Bilaspur-Urga (HAM)	Belgaum Raichur PKG 6 (HAM)
4	Galgalia-Bahadurganj (HAM)	Warangal-Khammam - Green Field Access	Belgaum Raichur PKG 5 (HAM)
5	Transmission system for evacuation of power in Rajgarh	Bahadurganj-Araria (HAM)	Kasganj Bypass (HAM)
6	-	Amritsar Bathinda Corridor (HAM)	Indore MMLP (DBFOT)
7	-	Ludhiana-Rupnagar (HAM)	Hasapur-Badadal Highway (HAM)
8	-	Bamni MHTG (HAM)	-
9	-	Transmission System in Rajgarh II	-
10	-	Ujjain-Badnawar (HAM)	-
11	-	Govindpur-Rajura (HAM)	-
12	-	Anjar Bhuj (HAM)	-
13	-	Madanpalli-Pileru (HAM)	-
14	-	Bandikui-Jaipur Corridor (HAM)	-
15	-	Devinagar-Kasganj Bypass (HAM)	-
16	-	Yamuna Bridge NH731A (HAM)	-

Source: Company, Keynote Capitals Ltd.

Q1 FY25 Conference Call Takeaways

- The union budget announced in July'24 aligns well with GRIL's business as the Gol has decided to allocate Rs. 11 Tn behind building India's infrastructure in FY25. This CAPEX is targeted towards segments like roadways, railways, metros and logistics. The Company enjoys a presence in all these segments.
- The NHAI is back in action as the earlier cabinet is back in power. It has announced a pipeline of 53 projects on BOT mode that will attract investments worth Rs. 2.1 Tn. A positive in addition to this is that there is not much competition for BOT projects currently.
- As of Q1 FY25, GRIL had 29 projects at hand across segments. Out of the total, 22 projects are currently ongoing, and the AD is awaited for 7 projects amounting to Rs. 70 Bn. In addition to this, the Company has emerged L1 in two projects amounting to Rs. 43 Bn.
- The bid pipeline, including 16 projects, stood at Rs. 15.4 Bn at the end of Q1 FY25. In total, GRIL is targeting projects worth ~Rs. 2.6 Tn of which road forms ~Rs. 1.5 Tn, while the rest comes from segments like optic fibre, tunnelling, hydro, power transmission, etc.
- As of Q1 FY25, the total investment made by GRIL in its subsidiaries stood at ~Rs. 18.4 Bn. The total outstanding investment to be made in these subsidiaries stood at Rs. 20 Bn of which Rs. 6 Bn will be made in FY25 itself.

G R Infraprojects Ltd | Quarterly Update

- The Company maintains its flattish revenue growth guidance for FY25 as a large part of its order book is still awaiting AD, hampering revenue growth. As a result of the above, GRIL is also unable to utilise its resources optimally, which is hampering margins.
- The only scenario in which the Company can achieve double-digit growth in FY25 is if it receives significant EPC projects in the short term, the execution of which could start in FY25 itself, leading to revenue growth.
- GRIL remains confident of achieving 10-20% topline growth in FY26 due to improved execution. Once the execution is on track, it will not be difficult for the Company to return to ~15% EBITDA margins as resources will start seeing better utilization. However, eventually, the growth for FY26 will be a function of what time the Company gets new orders and what is the mode of the same.
- Overall, in FY25, GRIL is targeting an order inflow of Rs. 150-200 Bn. Out of this, it has already emerged L1 in projects worth Rs. 43 Bn.
- Out of the total ~Rs. 110 Bn worth of projects awaiting AD, the Company is expecting to receive ADs for projects worth Rs. 50-55 Bn by Q3 FY25 and the rest by Q4 FY25.
- GRIL's diversification strategy remains well on track. In newly forayed sectors like transmission and tunnelling, the Company can clock ~13-14% margins only once it has a stronger presence, which could take a couple of years. The strategy of going slow but steady in new segments remains intact.
- Regarding the upcoming BOT projects, the Company is qualified to independently bid for projects worth Rs. 60-70 Bn. The decision to partner with another contractor will depend on various factors, which will be evaluated on a project-specific basis.
- GRIL expects to receive Rs. 0.5-0.6 Bn in dividends from Bharat Highways InvIT quarterly. On a yearly basis, the Company expects the run rate of other income to be Rs. 3.0-3.5 Bn.
- Currently, Aligarh-Kanpur is one project in GRIL's portfolio that is operational. The plan is to transfer the same to the InvIT. Board approval is already in place, waiting for the NOC from NHAI. In addition to this, there will be one more project that will be transferred to the InvIT in FY25 with a couple more in FY26.
- Going forward, GRIL will receive cash against all the projects that will be transferred to the InvIT. Transactions will be done on an arm's length basis, and due diligence will be conducted by independent 3rd parties.

Financial Statement Analysis (Standalone)

Income Statement

Y/E Mar, Rs. Mn	FY23	FY24	FY25E	FY26E	FY27E
Net Sales	81,476	77,880	79,437	91,353	1,05,056
Growth %		-4%	2%	15%	15%
Raw Material Expenses	60,432	58,323	60,372	68,971	78,792
Employee Expenses	6,472	6,644	6,752	7,765	8,404
Other Expenses	1,441	1,552	1,350	1,553	1,786
EBITDA	13,131	11,360	10,962	13,063	16,074
Growth %		-13%	-4%	19%	23%
Margin%	16%	15%	14%	14%	15%
Depreciation	2,457	2,442	2,224	2,284	2,311
EBIT	10,674	8,918	8,738	10,780	13,762
Growth %		-16%	-2%	23%	28%
Margin%	13%	11%	11%	12%	13%
Interest Paid	1,022	1,038	1,059	1,218	1,400
Other Income & exceptional	1,809	16,056	3,019	3,197	3,467
PBT	11,461	23,936	10,698	12,759	15,829
Tax	2,943	4,155	2,674	3,190	3,957
Others (Minorities, Associates)	-	-	-	-	-
Net Profit	8,518	19,780	8,023	9,570	11,872
Growth %		132%	-59%	19%	24%
Margin%	10%	25%	10%	10%	11%
Shares (Mn)	96.7	96.7	96.7	96.7	96.7
EPS	88.1	204.6	83.0	99.0	122.8

Balance Sheet

Y/E Mar, Rs. Mn	FY23	FY24	FY25E	FY26E	FY27E
Cash, Cash equivalents & Bank	2,418	4,106	12,200	16,642	22,483
Debtors	18,506	17,228	17,573	20,209	23,240
Inventory	8,843	7,677	7,946	9,078	10,371
Other Current Assets	21,872	12,718	15,887	18,271	21,011
Net Block & CWIP	15,104	13,836	13,962	14,428	15,267
Investments	857	25,871	25,871	25,871	25,871
Other Non-current Assets	9,712	12,510	10,327	11,876	13,657
Total Assets	77,312	93,945	1,03,766	1,16,374	1,31,900
Creditors	8,413	7,920	8,198	9,366	10,700
Borrowings	10,759	7,389	8,164	9,146	10,365
Other Liabilities	5,989	6,679	7,423	8,311	9,413
Total Liabilities	25,161	21,988	23,785	26,824	30,478
Paid-up Capital	483	483	483	483	483
Reserves & Surplus	51,668	71,474	79,497	89,067	1,00,938
Shareholders' Equity	52,152	71,957	79,981	89,550	1,01,422
Non-Controlling Interest	-	-	-	-	-
Total Equity & Liabilities	77,312	93,945	1,03,766	1,16,374	1,31,900

Cash Flow Statement

Y/E Mar, Rs. Mn	FY23	FY24	FY25E	FY26E	FY27E
Pre-tax profit	11,461	23,930	10,698	12,759	15,829
Adjustments	2,477	-11,748	264	304	245
Change in Working Capital	-3,359	-907	-2,761	-4,095	-4,629
Total Tax Paid	-2,936	-2,800	-2,674	-3,190	-3,957
Cash flow from operating Activities	7,644	8,475	5,527	5,779	7,487
Net Capital Expenditure	-2,694	-947	-2,500	-2,750	-3,150
Change in investments	1,269	-2,781	-	-	-
Interest Income	145	145	-	-	-
Net loans and other investing activities	-5,184	936	5,202	1,648	1,685
Cash flow from investing activities	-6,464	-2,648	2,702	-1,102	-1,465
Equity raised / (repaid)	-	-	-	-	-
Debt raised / (repaid)	-66	-3,323	774	983	1,219
Interest paid	-1,092	-832	-1,059	-1,218	-1,400
Other financing activities	-106	-88	0	0	0
Cash flow from financing activities	-1,264	-4,243	-285	-235	-181
Net Change in cash	-76	1,584	7,944	4,442	5,842

Valuation Ratios

Particulars	FY23	FY24	FY25E	FY26E	FY27E
Per Share Data					
EPS	88	205	83	99	123
Growth %		132%	-59%	19%	24%
Book Value Per Share	539	744	827	926	1049
Return Ratios					
Return on Assets (%)	11%	21%	8%	8%	9%
Return on Equity (%)	16%	27%	10%	11%	12%
Return on Capital Employed (%)	13%	7%	8%	9%	10%
Turnover Ratios					
Asset Turnover (x)	1.1	0.9	0.8	0.8	0.8
Sales / Gross Block (x)	3.2	2.9	2.8	2.9	3.0
Receivable Days	57	84	80	75	75
Inventory Days	58	52	47	45	45
Payable Days	51	50	50	50	50
Working Capital Days	64	86	78	71	71
Liquidity Ratios					
Interest Coverage Ratio (x)	10.4	8.6	8.3	8.9	9.8
Total Debt to Equity	0.2	0.1	0.1	0.1	0.1
Net Debt to Equity	0.2	0.0	-0.1	-0.1	-0.1
Valuation					
PE (x)	11.4	7.8	19.3	16.1	13.0
Earnings Yield (%)	9%	13%	5%	6%	8%
Price to Sales (x)	1.2	2.0	1.9	1.7	1.5
Price to Book (x)	1.9	2.1	1.9	1.7	1.5
EV/EBITDA (x)	8.0	13.9	14.4	12.1	9.8
EV/Sales (x)	1.3	2.0	2.0	1.7	1.5

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%
31 st May 2024	REDUCE	1,599	-7%
8 th August 2024	SELL	1,608	-17%

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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