

August 13, 2023

**RESULT UPDATE Q1FY24** | Sector: Infrastructure

# G R Infraprojects Ltd

## Disappointing quarter

### Our view

G R Infraprojects Ltd (GRINFRA) delivered a subdued performance, missing revenue/EBITDA estimates by 13% / 23%. Execution was affected by delay in receipt of appointment dates of newly awarded projects. The company has a robust orderbook of Rs196bn indicating revenue visibility of 2-3years. GRINFRA awaits AD for 11 HAM assets, majority of which is likely to be received by Q3FY24E. Revenue contribution from these assets will be substantial from FY25E onwards. For FY24E, the company has retained its guidance of revenue growth of 10%, with EBITDA margin of 15-16%.

We estimate 10%/12% revenue/PAT CAGR over FY23-25E, led by a healthy order backlog and robust bid pipeline. Cash generation has historically been strong and should continue to support GRINFRA's capital commitments. GRINFRA's credentials compare well with its peer set among highway developers, which justify its relatively premium valuations of EPC business at 14x FY24E core EPS and value equity invested in HAMs at 1x. We maintain 'BUY' rating on the stock with a TP to Rs1,703.

### Result Highlights

- For Q1FY24, GR Infra's net revenues de-grew 13.1% YoY to Rs21.5bn (below our estimate of Rs24.7bn) due to delay in start of construction in newly awarded project.
- EBITDA came in at ~Rs3.1bn, 35.3% de-growth YoY (below our estimates of Rs4.1bn) while blended EBITDA margins grew by 502bps to 14.6% (below our estimate of 16.5%). The margins were impacted on account of higher raw material cost.
- On bottom-line front, Adj PAT came in at Rs2.1bn (our estimate of Rs2.7bn) largely attributed to lower operating margins
- At the CMP, the stock trades at a P/E of 13.1x and 11.6x of FY24E and FY25E.

### Exhibit 1: Actual vs Estimate

Rs mn	Actual	Estimate		% variation		Comments
		YSec	Consensus	YSec	Consensus	
Sales	21,524	24,719	22,663	(12.9)	(5.0)	Weak execution impacted revenue and margins
EBITDA	3,147	4,072	3,465	(22.7)	(9.2)	
EBITDA margin %	14.6	16.5	15.3	(185 bps)	(67 bps)	
Adj.Pat	2,080	2,719	2,207	(23.5)	(5.8)	

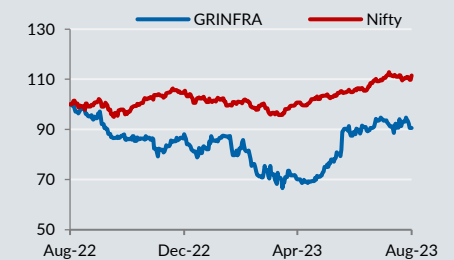
Source: Company, YES Sec

Reco	: BUY
CMP	: Rs 1,281
Target Price	: Rs 1,703
Potential Return	: +33%

### Stock data (as on Aug 11, 2023)

Nifty	19,428
52 Week h/l (Rs)	1446 / 930
Market cap (Rs/USD mn)	123883 / 1495
Outstanding Shares (mn)	97
6m Avg t/o (Rs mn):	58
Div yield (%):	-
Bloomberg code:	GRINFRA IN
NSE code:	GRINFRA

### Stock performance



	1M	3M	1Y
Absolute return	3.7%	20.7%	-9.5

### Shareholding pattern (As of June'23 end)

Promoter	79.7%
FII+DII	16.7%
Others	3.5%

### Financial Summary

(Rs mn)	FY23	FY24E	FY25E
Revenues	81,476	89,240	98,240
Yoy growth (%)	2.9	9.5	10.1
OPM (%)	16.1	16.0	16.2
EPS (Rs)	88.1	98.2	110.2
EPS growth	11.5	11.4	12.2
P/E (x)	14.5	13.1	11.6
EV/EBITDA (x)	10.1	9.2	8.1
Debt/Equity (x)	0.2	0.2	0.2
RoE (%)	15.2	14.2	13.6
RoCE (%)	12.5	11.9	11.6

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## RESULT HIGHLIGHTS

Exhibit 2: Result Table (Standalone)

Rs mn	Q1FY23	Q2FY23	Q3FY23	Q4FY23	Q1FY24	YoY (%)	QoQ (%)	FY23	FY22	YoY (%)
Revenue	24,767	17,772	18,988	19,949	21,524	-13.1	7.9	81,476	79,192	2.9
<b>Total Revenues</b>	<b>24,767</b>	<b>17,772</b>	<b>18,988</b>	<b>19,949</b>	<b>21,524</b>	<b>-13.1</b>	<b>7.9</b>	<b>81,476</b>	<b>79,192</b>	<b>2.9</b>
<b>Expenditure</b>	<b>19,903</b>	<b>15,172</b>	<b>16,220</b>	<b>17,051</b>	<b>18,377</b>	<b>-7.7</b>	<b>7.8</b>	<b>68,345</b>	<b>66,381</b>	<b>3.0</b>
as % of sales	80.4	85.4	85.4	85.5	85.4			83.9	83.8	
Consumption of RM	17,783	13,118	14,232	15,142	16,341	-8.1	7.9	60,432	59,308	1.9
as % of sales	71.8	73.8	75.0	75.9	75.9			74.2	74.9	
Employee Cost	1,750	1,619	1,536	1,567	1,681	-3.9	7.3	6,472	5,864	10.4
as % of sales	7.1	9.1	8.1	7.9	7.8			7.9	7.4	
Other expenditure	370	435	451	342	355	-4.0	3.9	1,441	1,209	19.2
as % of sales	1.5	2.4	2.4	1.7	1.6			1.8	1.5	
<b>EBITDA</b>	<b>4,864</b>	<b>2,600</b>	<b>2,768</b>	<b>2,898</b>	<b>3,147</b>	<b>-35.3</b>	<b>8.6</b>	<b>13,131</b>	<b>12,811</b>	<b>2.5</b>
Depreciation	634	620	612	590	602	-5.0	2.1	2,457	2,816	-12.8
EBIT	4,230	1,980	2,156	2,309	2,545	-39.8	10.2	10,674	9,994	6.8
Other Income	320	519	421	549	511	60.0	-6.9	1,809	1,324	36.6
Interest	269	236	248	269	266	-1.2	-1.1	1,022	1,269	-19.4
PBT	4,280	2,263	2,329	2,589	2,790	-34.8	7.8	11,461	10,050	14.0
Total Tax	1,069	620	588	667	710	-33.6	6.5	2,943	2,411	22.1
<b>Adjusted PAT</b>	<b>3,211</b>	<b>1,643</b>	<b>1,741</b>	<b>1,922</b>	<b>2,080</b>	<b>-35.2</b>	<b>8.2</b>	<b>8,518</b>	<b>7,639</b>	<b>11.5</b>
(Profit)/loss from JV's/Ass/MI	0	0	0	0	0	0.0	0.0	0	0	0.0
PAT after MI	3,211	1,643	1,741	1,922	2,080	-35.2	8.2	8,518	7,639	11.5
Extra ordinary items	0	0	0	0	0	0.0	0.0	0	-31	0.0
<b>Reported PAT</b>	<b>3,211</b>	<b>1,643</b>	<b>1,741</b>	<b>1,922</b>	<b>2,080</b>	<b>-35.2</b>	<b>8.2</b>	<b>8,518</b>	<b>7,608</b>	<b>12.0</b>
<b>Adjusted EPS</b>	<b>33.2</b>	<b>17.0</b>	<b>18.0</b>	<b>19.9</b>	<b>21.5</b>	<b>-35.2</b>	<b>8.2</b>	<b>88.1</b>	<b>78.7</b>	<b>11.9</b>
<b>Margins (%)</b>										
EBIDTA	19.6	14.6	14.6	14.5	14.6	-502	9	16.1	16.2	-6
EBIT	17.1	11.1	11.4	11.6	11.8	-526	25	13.1	12.6	48
EBT	17.3	12.7	12.3	13.0	13.0	-432	-2	14.1	12.7	138
PAT	13.0	9.2	9.2	9.6	9.7	-330	3	10.5	9.6	85
Effective Tax rate	25.0	27.4	25.2	25.7	25.4	46	-31	25.7	24.0	169

Source: Company, YES Sec

Exhibit 3: Key Assumptions

Rs mn	FY18	FY19	FY20	FY21	FY22	FY23E	F24E
Order inflow	53,596	139,166	26,883	104,097	20,027	150,757	126,734
Revenues	31,081	49,502	60,278	72,445	79,192	85,210	97,238
Order book	102,335	192,000	158,606	190,258	131,093	196,640	226,135
Execution cycle (%)	34%	34%	34%	42%	49%	52%	46%
Ob to sales (x)	3.3	3.9	2.6	2.6	1.7	2.3	2.3

Source: Company, YES Sec

## KEY CONCALL HIGHLIGHTS

- Management indicated order pipeline continue to remain robust and expects order inflow to the tune of Rs200bn for FY24E
  - Of the order inflow guidance of Rs200bn, (of which Rs15bn projects have been bagged in 1Q)
  - Company is planning to bid for projects worth Rs900bn.
- During 1Q, GRINFRA's revenue de-grew by 13.1% YoY to Rs21.5bn as there was delay in execution of new projects
  - EBITDA came in at Rs3.1bn with blended EBITDA margins at 14.6%.
- Order book stood comfortable at ~Rs196bn (excluding Rs72.5bn L1 project). Including these new projects, order-book-to-sales stands strong at 3.4x TTM revenues.
  - Of total order book, the road projects contribute 90%, MMLP - 4%, tunnel - 3% and railways - 2%.
  - Of the orderbook of Rs196bn, executable OB is Rs110bn
  - Of 34 HAM projects, 10 HAM are operational, 13 are under various stages of construction and balance 11 projects are awaiting appointment dates, majority of which are expected to be received in 3Q.
  - The total equity requirement for its HAM projects stands at Rs23.8bn. Of these company would be investing Rs6.5bn in FY24E and Rs8-9bn each in FY25E/FY26E.
- The company has received approval from SEBI for InVIT and the management expects to launch the same in Sept`23 post approval of one project is received.
- Gross consolidated debt stands at Rs59.4bn with project loan comprising of Rs46bn.
- Guidance: Management has retained its revenue guidance of 10% growth in FY24E with EBITDA margins in the range of 15-16%
- The company plans to incur capex of Rs2-2.5bn in FY24E.

## FINANCIALS

Exhibit 4: Balance Sheet (Standalone)

Y/e 31 Mar (Rs mn)	FY21	FY22	FY23	FY24E	FY25E
<b>Sources of Funds</b>					
Equity capital	483	483	483	483	483
Reserves	35,561	43,152	51,668	61,160	71,812
Non-Minority Controlling Int.	0	0	0	0	0
<b>Net worth</b>	<b>36,044</b>	<b>43,636</b>	<b>52,152</b>	<b>61,643</b>	<b>72,295</b>
Debt	13,810	11,336	10,937	11,437	11,937
Deferred tax liab (net)	638	438	433	433	433
<b>Total liabilities</b>	<b>50,492</b>	<b>55,410</b>	<b>63,522</b>	<b>73,513</b>	<b>84,665</b>
<b>Application of Funds</b>					
Gross Block	20,487	24,496	26,495	29,495	32,995
Depreciation	7,074	9,672	12,129	14,844	17,875
<b>Fixed Asset</b>	<b>13,451</b>	<b>14,846</b>	<b>14,385</b>	<b>14,669</b>	<b>15,139</b>
CWIP	555	594	719	719	719
Investments	3,636	3,236	862	862	862
<b>Net Working Capital</b>	<b>32,849</b>	<b>36,734</b>	<b>47,555</b>	<b>57,262</b>	<b>67,945</b>
Inventories	10,584	10,218	8,843	9,780	10,766
Sundry debtors	8,976	7,155	18,806	20,782	22,878
Cash & equivalents	5,416	4,450	2,418	4,648	7,206
Loans & Advances	9,937	9,995	9,112	10,709	12,771
Other Current Asset	11,023	16,639	22,419	25,433	27,998
Sundry creditors	7,229	7,169	8,672	8,557	8,075
Provisions	283	474	548	446	491
Other current liabilities	5,574	4,080	4,822	5,087	5,108
<b>Total Assets</b>	<b>50,492</b>	<b>55,410</b>	<b>63,522</b>	<b>73,513</b>	<b>84,665</b>

Source: Company, YES Sec

## Exhibit 5: Income statement (Standalone)

Y/e 31 Mar (Rs mn)	FY21	FY22	FY23	FY24E	FY25E
Revenue	72,445	79,192	81,476	89,240	98,240
<i>% Change YoY</i>	20.2	9.3	2.9	9.5	10.1
Operating profit	13,104	12,811	13,131	14,262	15,952
<i>EBITDA margins</i>	18.1	16.2	16.1	16.0	16.2
<i>% Change YoY</i>	5.6	(2.2)	2.5	8.6	11.8
Depreciation	2,268	2,816	2,457	2,716	3,031
EBIT	10,835	9,994	10,674	11,547	12,921
<i>EBIT margins</i>	15.0	12.6	13.1	12.9	13.2
Interest expense	1,396	1,269	1,022	1,029	1,075
Other income	1,275	1,324	1,809	1,981	2,181
Profit before tax	10,715	10,050	11,461	12,499	14,027
Taxes	2,908	2,411	2,943	3,007	3,375
<i>Effective tax rate (%)</i>	27.1	24.0	25.7	24.1	24.1
Net profit	7,806	7,639	8,518	9,491	10,652
Minorities and other	0	0	0	0	0
Net profit after minorities	7,806	7,639	8,518	9,491	10,652
Exceptional items	0	(31)	0	0	0
Net profit	7,806	7,670	8,518	9,491	10,652
<i>% Change YoY</i>	13.3	(1.7)	11.5	11.4	12.2
EPS (Rs)	98.8	86.2	150.4	98.7	116.9

Source: Company, YES Sec

## Exhibit 6: Cash Flow Statement (Standalone)

Y/e 31 Mar (Rs mn)	FY21	FY22	FY23	FY24E	FY25E
Profit before Tax	10,715	10,019	11,461	12,499	14,027
Interest	1,396	1,269	1,022	1,029	1,075
Depreciation	2,268	2,816	2,457	2,716	3,031
Other Items	(1,121)	(878)	(1,001)	(1,981)	(2,181)
(Inc)/Dec in WC	(6,370)	(4,969)	(3,359)	(7,477)	(8,125)
Direct Taxes Paid	2,689	2,651	2,936	3,007	3,375
<b>CF from Oper. Activity</b>	<b>4,199</b>	<b>5,606</b>	<b>7,644</b>	<b>3,778</b>	<b>4,452</b>
(Inc)/Dec in FA	(5,148)	(4,346)	(2,975)	(3,000)	(3,500)
Free Cash Flow	(950)	1,259	4,669	778	952
(Pur)/Sale of Invest.	(4,104)	1,974	(3,480)	1,981	2,181
<b>CF from Inv. Activity</b>	<b>(9,252)</b>	<b>(2,373)</b>	<b>(6,455)</b>	<b>(1,019)</b>	<b>(1,319)</b>
Change in Network	(14)	-	-	-	-
Inc/(Dec) in Debt	2,828	(2,676)	(66)	500	500
Interest Paid	(1,091)	(967)	(1,092)	(1,029)	(1,075)
Dividends Paid	-	-	-	-	-
Others	(130)	(164)	(106)	-	-
<b>CF from Fin. Activity</b>	<b>1,592</b>	<b>(3,807)</b>	<b>(1,264)</b>	<b>(529)</b>	<b>(575)</b>
<b>Inc/(Dec) in Cash</b>	<b>(3,461)</b>	<b>(574)</b>	<b>(76)</b>	<b>2,230</b>	<b>2,557</b>
Opening cash Balance	5,121	1,660	1,086	2,418	4,648
Others	-	-	-	-	-
<b>Closing cash Balance</b>	<b>1,660</b>	<b>1,086</b>	<b>1,010</b>	<b>4,648</b>	<b>7,206</b>

Source: Company, YES Sec

## Exhibit 7: Du-pont analysis

Y/e 31 Mar (Rs mn)	FY21	FY22	FY23	FY24E	FY25E
Tax burden (x)	2.7	3.2	2.7	2.9	2.9
Interest burden (x)	0.3	0.2	0.3	0.3	0.3
EBIT margin (x)	0.1	0.1	0.1	0.1	0.1
Asset turnover (x)	1.4	1.4	1.3	1.2	1.2
Financial leverage (x)	1.4	1.3	1.2	1.2	1.2
<b>RoE (%)</b>	<b>21.9%</b>	<b>17.4%</b>	<b>15.2%</b>	<b>14.2%</b>	<b>13.6%</b>

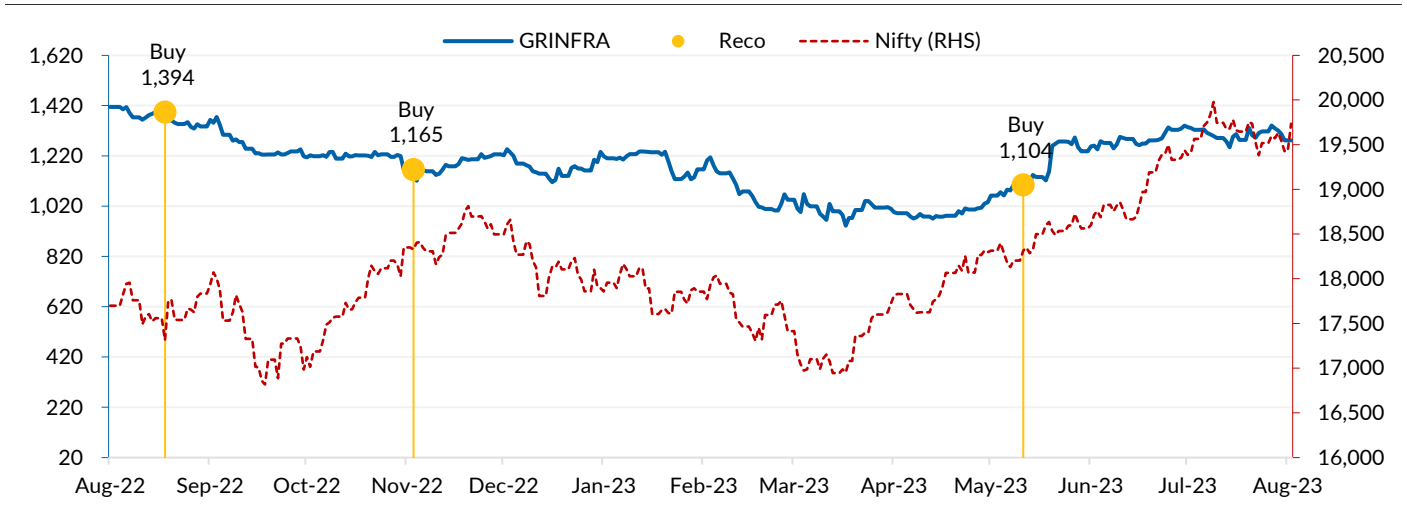
Source: Company, YES Sec

## Exhibit 8: Ratio Analysis

Y/e 31 Mar	FY21	FY22	FY23	FY24E	FY25E
<b>Basic (Rs)</b>					
EPS	80.7	79.0	88.1	98.2	110.2
Dividend per share	-	-	-	-	-
Cash EPS	104.2	108.1	113.5	126.2	141.5
Book value per share	373	451	539	638	748
Div. payout (%)	0%	0%	0%	0%	0%
<b>Valuation ratios (x)</b>					
P/E	15.9	16.2	14.5	13.1	11.6
P/CEPS	12.3	11.8	11.3	10.1	9.1
P/B	3.4	2.8	2.4	2.0	1.7
EV/EBIDTA	10.1	10.2	10.1	9.2	8.1
Dividend yield (%)	-	-	-	-	-
<b>Profitability Ratios (%)</b>					
RoIC	15.6	13.7	12.5	11.9	11.6
RoE	21.9	17.4	15.2	14.2	13.6
RoCE	15.6	13.7	12.5	11.9	11.6
<b>Liquidity ratios</b>					
Debtor (days)	45	33	84	85	85
Inventory (days)	53	47	40	40	40
Creditor (days)	36	33	39	35	30
Net working Capital (days)	130	149	202	215	226
Asset Turnover (x)	2.0	1.8	1.6	1.4	1.4

Source: Company, YES Sec

## Recommendation Tracker



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## DISCLOSURE OF INTEREST

Name of the Research Analyst : Khushbu Gandhi

The analyst hereby certifies that opinion expressed in this research report accurately reflect his or her personal opinion about the subject securities and no part of his or her compensation was, is or will be directly or indirectly related to the specific recommendation and opinion expressed in this research report.

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3	Research Analyst or his/her relative or YSL has any other material conflict of interest at the time of publication of the Research Report	No
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**BUY:** Upside greater than 20% over 12 months

**ADD:** Upside between 10% to 20% over 12 months

**NEUTRAL:** Upside between 0% to 10% over 12 months

**REDUCE:** Downside between 0% to -10% over 12 months

**SELL:** Downside greater than -10% over 12 months

**NOT RATED / UNDER REVIEW**

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