Axis Annual Analysis 2022

G R Infraprojects Ltd

AXIS SECURITIES

Robust Order Book; Diversification Strategy and Asset Monetization to Drive Growth

Summary

- In FY22, G R Infraprojects reported operating revenue growth of 9.31% to Rs 7,919 Cr. The growth was largely contributed by the increase in the sales of services and products and the increase in other operating revenue.
- As of 31st March 2022, the company's order book stands healthy at Rs 13,104 Cr. In FY22, it was awarded 10 projects with a combined order value of Rs 9,350 Cr. Including L1, the company's total order book stands at Rs 19,613. Out of the 10 projects it won, eight projects are under HAM, one is the Metro project, and the final one is under the Power Transmission segment. The company believes the heightened competition in the road sector to taper off moving forward, providing more opportunities for the organized players to achieve decent and better margins than the unorganized ones.
- During the year, the company diversified into the Power Transmission Segment to augment the revenue stream apart from the road projects and expects to generate encouraging revenue levels in the coming fiscals.

Key Highlights

- Total expenses inch up 11.8%: The company's total expenses increased by 11.8% to Rs 6,638 Cr in FY22, led by higher costs of materials consumed, civil construction costs, employee benefits expenses, and other expenses. These factors lowered its EBITDA margin to 16.2% in FY22 from 18.1% in FY21.
- Finance Costs declined by 9% YoY: The company's finance costs declined by 9% in FY22 due to a decrease in interest on debentures, interest on mobilization advances, and interest on lease liabilities.
- Optimal mix of BOT and HAM: Currently, the company has an optimal mix of One BOT Annuity and 22 HAM and One Power Transmission Project. Out of these 24 Projects, 8 are Operational, 8 are under construction, and the remaining 8 are awaiting the appointed date. Geographically, the operations of the company are spread over Sixteen States, which reduces its geographical concentration risk to a great extent.

Key Competitive Strengths

a) Excellent track record of completing complex projects under promised timelines; b) Robust in-house design and engineering team with proven expertise; c) Strong on-site project management ensuring operational efficiencies; d) Timely delivery backed by the in-house supply chain management team; e) Manufacturing units supported by backward integration; f) Experienced and competent management bandwidth.

Strategies Implemented

a) Focused on sustainable growth through optimised resource utilisation; b) Prudent bidding for big-ticket projects (especially BOT and HAM projects), deriving higher volumes and margins; c) Accelerated project execution while increasing investments in equipment and assets; d) Conducted regular training and upskilling of the workforce

Growth Drivers

a) Opportunities under Prime Minister GatiShakti Scheme and NIP; b) Multimodal connectivity between mass urban transport and railway stations; c) Monetisation of assets through the infrastructure investment trusts route; d) Introduction of electronic toll collection across highways; e) Growing projects across power transmission and railways sectors

Key Focus Areas moving forward

a) Continue to focus on expanding road EPC/HAM business; b) Pursue other segments within the EPC space to further diversify business streams; c) Maintain focus on technology and operational efficiency and enhance in-house capabilities; d) Drive financial discipline while driving the strategy to monetise assets

Outlook & Recommendation: As of 30th June 2022, the company has a robust order book of Rs 17,056 Cr, giving revenue visibility for the next 2 years. The higher-margins HAM projects form 82% of this order book. The company is also looking to diversify its operational HAM assets through the InVIT route which shall release capital for further growth. Moreover, the government's thrust on building infrastructure and the unveiling of the Gati Shakti Master Plan is expected to provide further momentum to the project execution and avoid unnecessary delays. With its strong execution prowess, diversified order book, and lean balance sheet, we expect the company to report Revenues/EBITDA/APAT growth of 13%/16%/15% CAGR respectively over FY22-24E. We maintain a BUY on GRIL and value the EPC business at 13x FY24E EPS and HAM portfolio at 1x Book Value to arrive at a target price of Rs 1,620/share, implying an upside of XX% from the CMP.

Key Financials (Standalone)

(Rs Cr)	FY21	FY22	FY23E	FY24E
Net Sales	7,244	7,919	8,770	10,085
EBITDA	1,310	1,281	1,504	1,715
Net Profit	781	761	933	1,020
EPS (Rs)	80.7	78.7	96.5	105.5
PER (x)	0	18	15	13
EV/EBITDA (x)	0.0	11.5	9.7	8.5
P/BV (x)	0.0	3.1	2.6	2.2
ROE (%)	22%	17%	18%	16%

Source: Company, Axis Research

(CMP as 26th Aug 2022)

CMP (Rs)	1395
Upside /Downside (%)	16%
High/Low (Rs)	2277/1074
Market cap (Cr)	13392
Avg. daily vol. (6m) Shrs.	58,984
No. of shares (Cr)	9.6

Shareholding (%)

	Dec-21	Mar-22	June-22
Promoter	86.54	86.54	86.54
FIIs	2.55	0.27	0.23
MFs / UTI	6.81	8.97	9.06
Banks / FIs	0	0	0
Others	4.1	4.22	4.7

Financial & Valuations

Y/E Mar (Rs Cr)	FY22	FY23E	FY24E
Net Sales	7,919	8,770	10,085
EBITDA	1,281	1,504	1,715
Net Profit	761	933	1,020
EPS (Rs)	78.7	96.5	105.5
PER (x)	18	15	13
EV/EBITDA (x)	11.5	9.7	8.5
P/BV (x)	3.1	2.6	2.2
ROE (%)	17%	18%	16%

Change in Estimates (%)

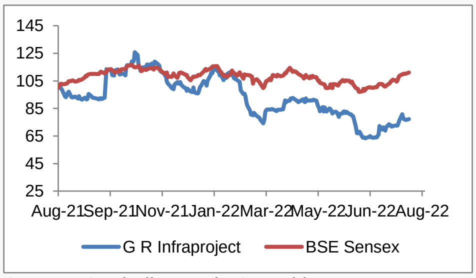
Y/E Mar	FY23E	FY24E
Sales	0	0
EBITDA	0	0
PAT	0	0

ESG disclosure Score**

Environmental Disclosure Score	NA
Social Disclosure Score	NA
Governance Disclosure Score	NA
Total ESG Disclosure Score	NA

Source: Bloomberg, Scale: 0.1-100
**Note: This score measures the amount of ESG data a company reports publicly and does not measure the company's performance on any data point. All scores are based on 2020 disclosures

Relative performance



Source: Capitaline, Axis Securities

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Company Overview

G R Infraprojects Limited - incorporated in 1995, is an integrated road engineering, procurement, and construction ("EPC") company with rich experience in the design and construction of various road/ highway projects across 16 states and One Union Territory in India. The company has also recently diversified into projects in the railways/metro and power transmission sector.

As of date, the company has an optimal mix of 1 BOT Annuity and 22 HAM and 1 Power Transmission Project(s). Out of total 24 Projects, 8 are Operational, 8 are under construction, and the remaining 8 are awaiting the appointed date.

FY22 Performance Round-up and Key Operational Activities

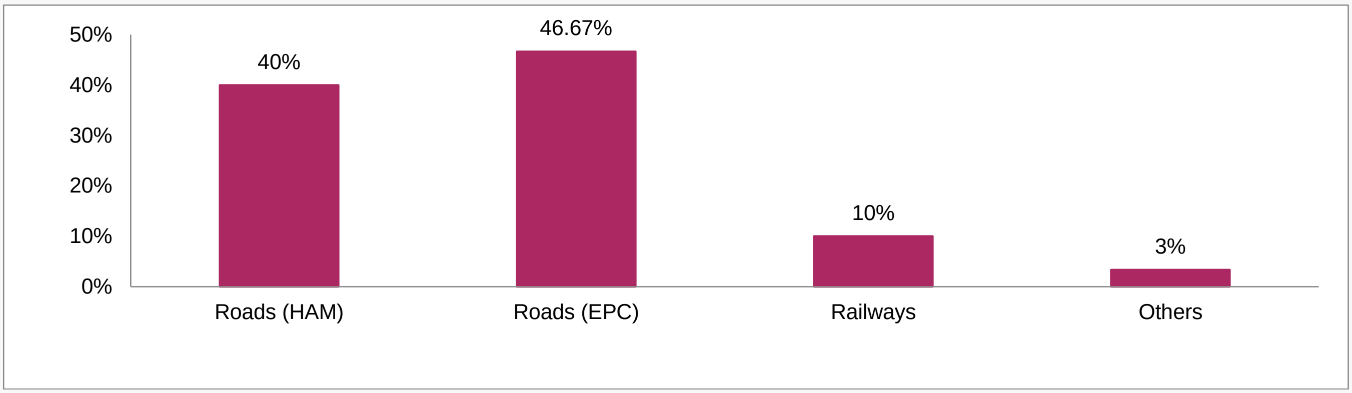
- **Robust revenue growth:** The revenue from operations grew to Rs 7,919 Cr in FY22 from Rs 7,245 Cr in FY21, recording an increase of 9.31%. The growth was largely contributed by the increase in the sale of services and products and the increase in other operating revenue.
- **Total Expenses inch up:** The company's total expenses increased by 11.83% to Rs 6,638 Cr in FY22 from Rs 5,934 Cr in FY21. This was due to an increase in the cost of materials consumed, civil construction costs, employee benefits expenses, and other expenses and was only partially offset by the reduction in changes in inventories of finished goods and trading goods. Employee benefits expense increased by 28.93% from Rs 586 Cr in FY22 to Rs 455 Cr in FY21. This was due to an increase in salaries, wages contribution to gratuity, provident fund, and other funds and staff welfare expenses.
- **EBITDA margin decline:** EBITDA margin for FY22 stood at 16.2% vs. 18.1% in FY21. The decrease in margins was due to higher costs.
- **Decline in Net profit:** Profit after tax decreased by 2.5% to Rs 761 Cr in FY22 from Rs 781 Cr in FY21 due to higher raw material costs and an increase in depreciation cost.
- **Robust Order book:** As of 31st March 2022, the order book of the company stands at Rs 13,104 Cr. During the year under review, the company was awarded 10 projects with a combined order value of Rs 9,350 Cr as against the targeted value of Rs 12,000-15,000 Cr, due to high competition in the Road Sector.
- **Interest Cost de-grows:** Finance costs decreased by 9% to Rs 127 Cr in FY22 from Rs 140 Cr in FY 2020-21. This was due to a decrease in interest on debentures, interest on mobilization advances, and interest on lease liabilities.
- **InvIT for HAM asset Monetization:** The company has formed Bharat Highways invIT as Infrastructure Investment Trust and proposes to transfer its Equity stake in certain HAM projects for monetization. As a consideration, the company will get units of the InvIT or Cash consideration for the same.
- **Flattish Earnings per Share:** EPS for FY22 stood at 78.69 as compared to 80.51.
- **Dividend:** Considering the future development plans of the company coupled with the fund's requirement for execution of the plans, the company's directors have not recommended any dividend to the shareholders in FY22.
- **The balance between HAM and EPC projects:** The company is maintaining prudent bidding discipline with a focus on the projects being bid under the HAM model while trying to keep a balance with EPC projects. The company has lower execution costs, which is partly attributable to its integrated operations and proactive investment in technology.

Projects awarded in FY22

Sr. No.	Client	Description of the Project	Awarded value (In Mn)
1	BMRCL	Awarded Construction of Elevated Structures (Viaduct & Stations) of length 7.50 KM (approx.) Reach 6 lines of Bangalore Metro Rail Project	3,649
2	NHAI	Development of 6-lane Amritsar Bathinda Greenfield Section of NH-754A as a part of Amritsar-Jamnagar Economic Corridor (39 KM)	9,270
3	NMRCL	Design and Construction of Elevated Viaduct and 5 elevated stations of Noida-Greater Noida Metro Rail Project.	5,930
4	NHAI	Construction of Four/Six lane Greenfield Ludhiana–Rupnagar National Highway no. NH205K from the junction with NE-5 village near Manewal (Ludhiana) to junction with NH-205 near Bheora Village (Rupnagar)	9,510
5	RECPDCL	Transmission system for evacuation of power from RE projects in Rajgarh (1500 MW) SEZ in Madhya Pradesh	4,260
6	NHAI	Construction of Four Laning of NH-71 from Madanapalle to Pileru (Design Length= 55.900 KM) in the State of Andhra Pradesh	15,770
7	NHAI	Upgradation to Four Lane with paved Shoulder of NH-341from Bhimasar, Junction of NH41 to Anjar-Bhujin the State of Gujarat	10,850
8	NHAI	4-Laning of Ujjain-Badnawar Section in the State of Madhya Pradesh	9,070
9	NHAI	Construction of 4-Lane Greenfield Expressway from Delhi-Vadodara Greenfield expressway near Bandikui to Jaipur in the state of Rajasthan	13,680
10	NHAI	Four laning from Govindpur (MH/TG Border) to Rajura section of NH-353B in the State of Maharashtra	9,070
11	NHAI	Four laning from Bamni to MH/TG Border section of NH-930D in the State of Maharashtra	8,370

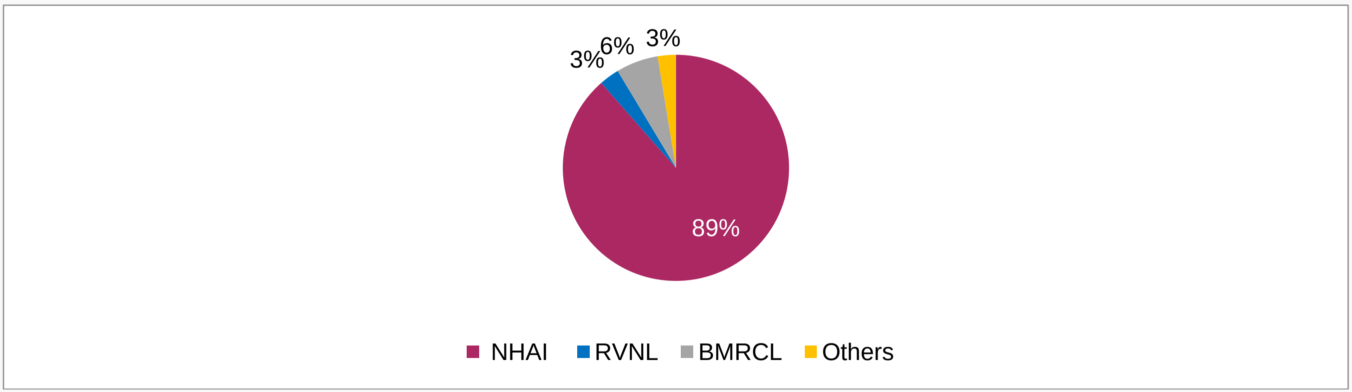
Source: Company AR22, Axis Securities

Exhibit 1: Order Book Break Up



Source: Company, Axis Securities

Exhibit 2: Client-wise Split



Source: Company, Axis Securities

Key Growth Drivers

- Opportunities under **Prime Minister GatiShakti Scheme and National Infrastructure Pipeline.**
- **Multimodal connectivity** between mass urban transport and railway stations.
- **Introduction of PPP model** to implement National Ropeways Development Programme.
- **Emerging opportunities in urban development programmes**.
- New models of operation like **Hybrid Annuity Mode, Toll Operate and Transfer and Operate Maintain and Transfer**
- **The monetisation of assets** through the infrastructure investment trusts route
- **Introduction of electronic toll collection** across highways
- Growing projects across the power transmission and railways sector

Key Strategies Moving Forward

- **Consistent focus on expanding the Road EPC/HAM business:** The company continues to
  - Focus on the execution of existing projects while seeking opportunities to expand the portfolio of road projects through focused and selective bidding.
  - Emphasis on selective bidding for road construction projects.
  - Focus on projects of higher contract value with geographical advantages.
  - Invest in the latest equipment and technologies to support its expanding operations and growth.
  - Explore the monetisation of its BOT/HAM projects.
  - Focus on geographical diversification to reduce its reliance on a particular state, allowing it to capitalise on different growth (opportunities) in various states across India.
- **Pursue other segments within the EPC space:** The company continues to leverage road sector experience to foray into other infrastructure sectors and diversification across sectors like railways, metro, ropeways, and power transmission amongst others.
- **Maintain continuous focus on technology & operational efficiency and enhanced in-house capabilities:** The company intends to
  - Reduce critical dependence on third parties to integrate its IT systems with strong data analytics and data security tools to automate internal processes, providing real-time data from project sites, and enabling click-based visibility of all important data across departments that lead to faster decision making.
  - Implement ERP systems to facilitate single-click solutions for the day-to-day activities of employees.
  - Provide business automation software, enabling faster sharing of information across all project sites.
  - Adopting various advanced design tools, strengthening the in-house design and engineering team.

- **Drive financial discipline and strategy to monetise assets:** The company continue its practices of strict cost control through:
    - Ownership and maintenance of modern construction equipment and centralising procurement of major construction equipment and raw materials, careful selection of projects, cautious expansion into new businesses or new geographical areas.
    - Reduction in the number of banks in consortium banks from 16 to 12 with the increase in the working capital limit to Rs 4,300 Cr from Rs 3,700 Cr and reduction in commission on bank guarantees and rate of interest.
    - Refinancing of debt in Operational SPVs, resulting in a reduction in the rate of interest by ~1.5% per annum. Exploring alternate means of generating cashflows, including divesting its stake in the road infrastructure projects as it has done in the past. Exploring other means of raising capital, including, among others, setting up appropriate infrastructure investment trusts.

Business Outlook

India's infrastructure sector is rapidly evolving and the key trends demonstrate positivity and optimism. The Government of India is also progressively stepping up its infrastructure spending through Budgetary and non-Budgetary support. The roadmap for the sector over the next few years appears to be firmly in place. However, much will depend on the proper allocation of funds, achievement of targeted short-term goals and the execution mechanism being put in place.

Managerial Remuneration

The average percentile increase in salaries of employees other than the managerial personnel in FY22 is 11% and the managerial remuneration has increased by 3.44% for the same period. Hence, there is no exceptional circumstance to increase managerial remuneration. Remuneration is as per the remuneration policy of the company.

Risks & Mitigation

- **Competition risk:** Increasing competition in the past few years in most business streams that the company operates.

  Mitigation: The company continuously focuses on building a competitive advantage in its core business areas to ensure that it is competitively well positioned. Its rich experience in the infrastructure sector continuous operational improvements, process excellence, financial discipline and timely completion of projects have strengthened the company's overall competitive position in the sector.

- **Geographical risk:** The company is operating in multiple states and is exposed to risks on account of different site conditions, labour requirements, and related regulatory compliances

  Mitigation: The company has mitigation strategies in place that performs a detailed risk assessment of each site. It has robust manpower planning, site mobilisation and de-mobilisation standard operating procedures, and a compliance checklist to mitigate such risks.

- **Liquidity-cash flow/Concentration Risk:** It is a risk resulting in difficulty of the company not meeting its financial obligations that are settled by delivering cash or another financial asset

  ✓ **Mitigation:** The company has maintained strong financial discipline through the adequate budgeting process, close monitoring of project cost, undertaking transformation projects to make various processes efficient, and continuous monitoring of macro and micro economic factors to take timely and appropriate financial decisions.

- **Disruption of operations risk:** This risk could occur due to various factors such as supply chain disruption, dependency on sub-contractors, and unavailability of Plant & Equipment.

  ✓ **Mitigation:** The company has adopted a backward integration model to ensure the availability of plant & equipment and key materials, modern technologies, best-in-class supplier assessment, contracting and performance evaluation procedures to minimise disruptions in the supply chain.

- **Cyber Risk:** Digital transformation and cybersecurity had become key concerns for the continuity of the business. Vulnerabilities like targeted attacks, ransomware threats, and phishing have enhanced the importance of protecting the information technology infrastructure and data of the company.

  ✓ **Mitigation:** Although the company's business has not been affected by cyber-attacks yet, it has instituted processes to assess its vulnerability to such risks and has actions in place that would trigger to mitigate if such contingencies arose. For this, the company has instituted Cyber Posture Assessment and Vulnerability Assessment & Penetration Testing. The company has strengthened its network infrastructure and security with advanced technologies.

- **Health, Safety and Environment (HSE) risk:** HSE risks include the effects of natural disasters (floods, earthquakes, among others) and safety lapses on human capital. A major HSE incident, such as fire, accident, or security breach can result in the loss of life, environmental degradation, and overall disruption in business activities.

  ✓ **Mitigation:** The company has always ensured to provide a safe and secure environment to all its employees and workers. Compliance with HSE requirements is done through a systematic risk assessment programme starting from project ideation, design, commissioning, normal operations and up to the decommissioning phase. To minimize the risk, the company has adopted a comprehensive approach to mitigating HSE risk by defining standard operating procedures, providing periodic training to the employees/workers, regular maintenance of equipment, zero tolerance to work without PPEs, etc.

- **Fraud risk:** Like any other company/Sector, the company is also exposed to fraud risks.
  - ✓ **Mitigation:** The company has conducted a fraud risk assessment to identify potential gaps. To mitigate such risks, it has implemented various policies, standard operating procedures, IT system-related controls, codes of conduct, etc. Additionally, the company has the process of performing risk-based internal audits for various processes and IT systems.

Progress on sustainability

The company is conscious of its environmental impact and is committed to working responsibly. The company is consistently minimising their environmental footprint through prudent use of resources such as fuel, electricity, water, and raw materials. Global climate change has already had observable effects on the environment. Glaciers have shrunk, ice on rivers and lakes is breaking up earlier, plant and animal ranges have shifted and trees are flowering sooner. Effects that scientists had predicted in the past would result from global climate change are now occurring: loss of sea ice, accelerated sea level rise and longer, more intense heat waves. As responsible corporate citizens, it will continue to focus on implementing greener practices in its project implementations and work proactively towards a better and greener tomorrow. The company have always paid great emphasis on eco-friendly practices and has consciously tried to increase its dependence on renewable energy sources.

Corporate Social Responsibility

At GRIL, it strongly believes in giving back to society by doing its part in helping solve socio-economic challenges. In addition to executing projects responsibly, it has invested in education, environmental sustainability, economic empowerment, rural development, health care and sanitation.

Education

- Undertook the construction of a college building in Sahwa, Rajasthan Undertook the maintenance of a School (Vanvasi Kalyan Parishad School), Rajasthan Provided Financial Support for Education in Delhi.
- Financial support for setting up of smart classrooms across various districts of Uttar Pradesh Contribution to the construction of Girls hostel, Vivekanand Bal Kalyan Samiti Neemuch, Madhya Pradesh

Healthcare

- Undertook the construction of Hospital at Gurugram Undertook construction of Sidhmukh Hospital, Sahawa, Rajasthan. Provided medical Support given to Bharat Vikas Parishad, Maharana Pratap Nyas in Gurugram.
- Undertook maintenance of Mohini Devi Chachan Rajkiya Samudayik Kendra (Hospital), Rajasthan.
- Provided financial Support for Medical Treatment in Delhi Undertook Maintenance of Children Ward at MB Hospital, Udaipur
- Contribution to purchase of equipment at MDM Hospital, Rajasthan Supplied ambulance at SMDC Hospital, Rajasthan

Rural development

- Constructed warehouses to store dry husk for cows at Shri Mahaveer Gaushala Kalyan Sansthan, Rajasthan.
- Constructed warehouses to store dry husk at Sri Krishan Gau Sewa Samiti, Rajasthan.
- Supplied gym equipment for training young athletes across various districts of Uttar Pradesh Supplied kabaddi mats for the training of young athletes across various districts of Uttar Pradesh

Relief and rehabilitation

- Provided financial assistance to contain covid19 in Gujarat and Madhya Pradesh
- Supplied and installed an oxygen generator plant at Level 2 COVID Hospital, Sultanpur, Uttar Pradesh
- Supplied and installed oxygen generator plant for Govt. hospital at VPO Sahawa, Rajasthan
- Distributed face shields for prevention of Covid-19, Rajasthan

Corporate Governance Philosophy

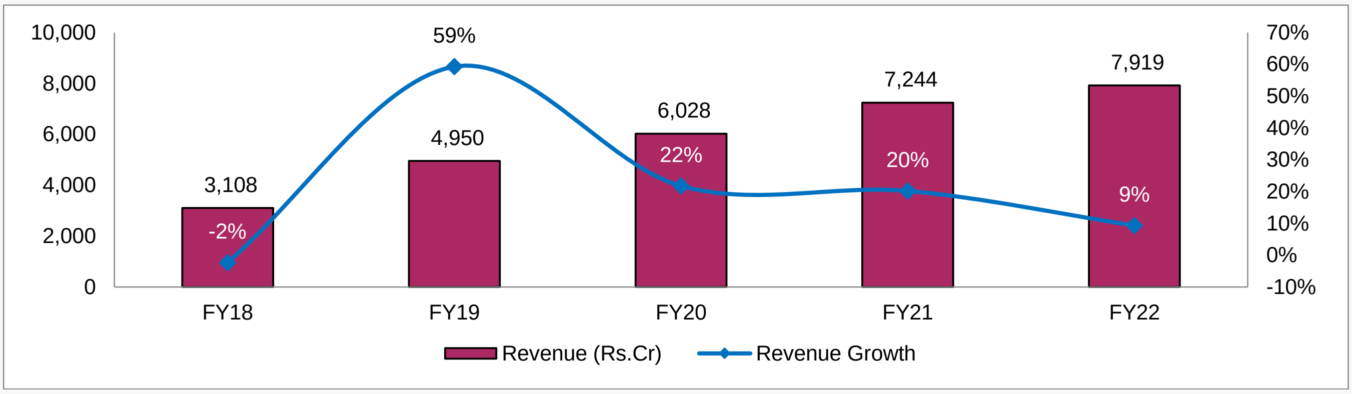
Effective corporate governance practices constitute the strong foundation on which successful commercial enterprises are built to last. The company's philosophy on corporate governance oversees business strategies and ensures fiscal accountability, ethical corporate behaviour and fairness to all stakeholders comprising regulators, employees, customers, vendors, investors and the society at large. The company believe that the company shall go beyond adherence to the regulatory framework. The corporate structure, business, operations and disclosure practices have been strictly aligned with the Corporate Governance Philosophy. Transparency, accountability, fairness and intensive communication with stakeholders is integral to its functioning. The company believe in system-driven performance and performance-oriented systems.

Profitability Analysis (Rs Cr)

Particulars	FY21	FY22	Change	Comments/Analysis
Sales	7,244	7,919	9.3%	Revenue growth was driven by an increase in the sale of services and products as well as an increase in other operating revenue. We expect the company to grow its revenue at 13% CAGR over FY22-FY24E, driven by a robust order book, better order inflows from all segments and its execution prowess.
Raw Materials	111	315	183.8%	Cost inflation and an increase in the purchase of RM resulted in higher costs during the year.
Gross Profits	1,856	1,982	6.8%	An increase in revenue is reflected in higher gross profits.
Operating Expenses	5,827	6,329	8.6%	Increase in expense majorly due to higher employee benefits and other expenses during the year.
Interest	140	127	-9.3%	Due to a decrease in interest on debentures, interest on mobilisation advances and interest on lease liabilities
EBIT	1,170	1,154	-1.4%	Lower EBIT owing to higher operating expenses and depreciation charges.
PAT	781	761	-2.6%	Profitability affected by higher raw material costs, operating expenses, and an increase in depreciation charges.
EPS	81	79	-2.5%	Earnings in line with profitability

Source: company; Axis Securities

Exhibit 5: Revenue (Cr) and Revenue Growth Trend (%)



Source: Company, Axis Securities

Growth Indicators (Rs Cr)

Particulars	FY21	FY22	Change	Comments/Analysis
Revenue	7,244	7,919	9.31%	Revenue growth was driven by an increase in the sale of services and products as well as an increase in other operating revenue. We expect the company to grow its revenue at 13% CAGR over FY22-FY24E, driven by a robust order book, better order inflows from all segments and its execution prowess.
EBITDA	1,438	1,413	-1.73%	Lower EBITDA owing to an increase in RM cost and operating expenses during the year.
PAT	781	761	-2.56%	Profitability affected by higher raw material costs, operating expenses, and an increase in depreciation charges.
EPS	80.7	78.7	-2.47%	Earnings in line with profitability

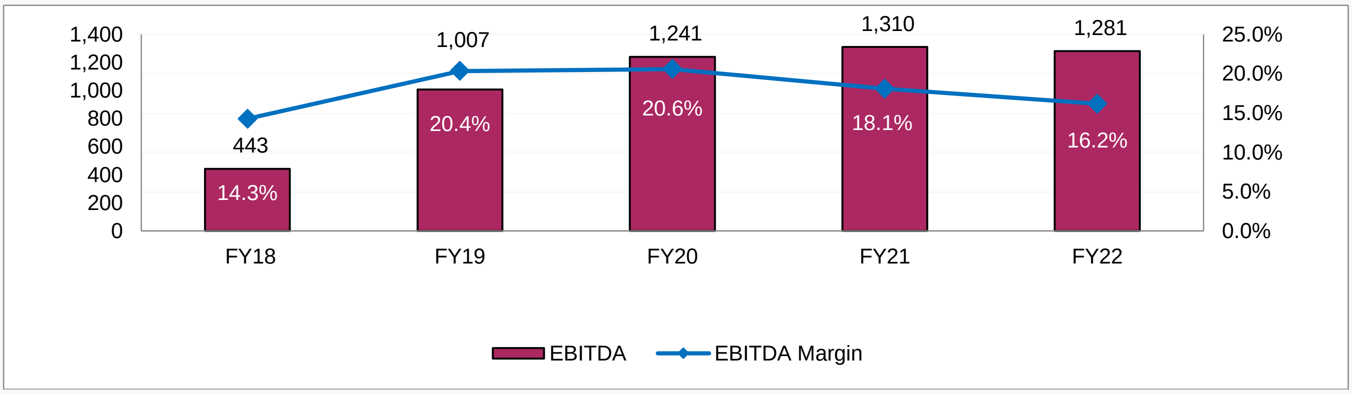
Source: company; Axis Securities

Profitability Margins

Particulars	FY21	FY22	Change	Comments/Analysis
GPM	25.6%	25.0%	-60bps	Slightly lower due to high raw material cost. We estimate the GP margin to improve to 26% and above in FY23E/FY24E as RM cost tapers down.
EBITDAM	18.1%	16.2%	-190bps	Lower EBITDA margin owing to high RM Cost and Operating expenses. We estimate EBITDA margins to improve to 17% and above in FY23E/FY24E as cost pressure eases.
PATM	11%	10%	-100bps	Profit margins are impacted by higher raw material cost and increase in depreciation charges.

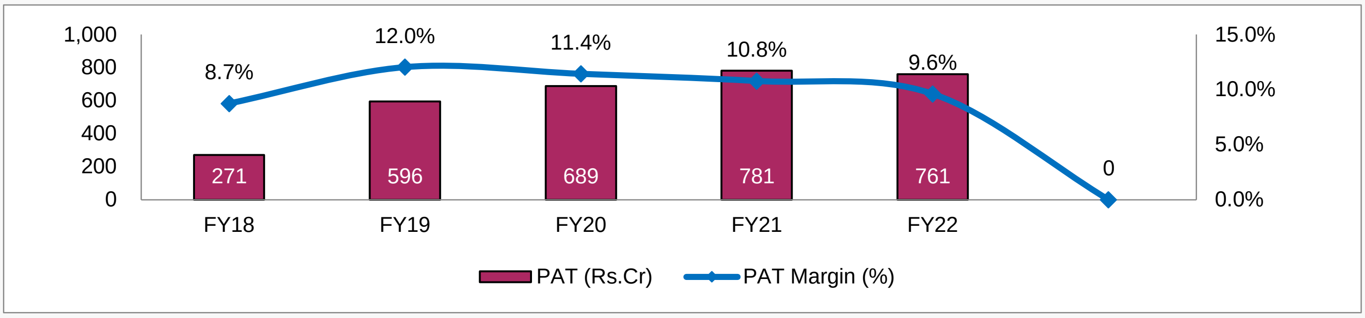
Source: company; Axis Securities

Exhibit 6: EBITDA (Cr) and EBITDAM Trend (%)



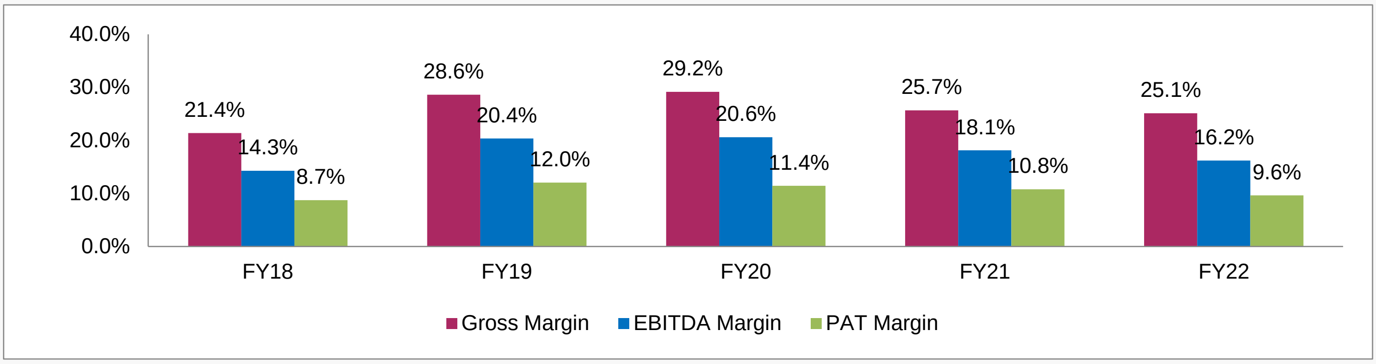
Source: Company, Axis Securities

Exhibit 7: Net Profit (Cr) and NPM Trend (%)



Source: Company, Axis Securities

Exhibit 8: Gross Margin, EBITDA Margin & Net Profit Margin



Source: Company, Axis Securities

Financial Ratios

Particulars	FY21	FY22	Change	Comments/Analysis
ROE	22%	17%	-5%	Lower returns due to a decrease in profits owning to higher costs
ROCE	31%	24%	-7%	Lower return due to increase in capital employed
Asset Turn	1.7x	1.6x	-0.1	Asset turnover is slightly lower owing to an increase in the Gross Block.
Net-debt/Equity	0.19	0.25	0.06	Higher owing to lower profit during the year.

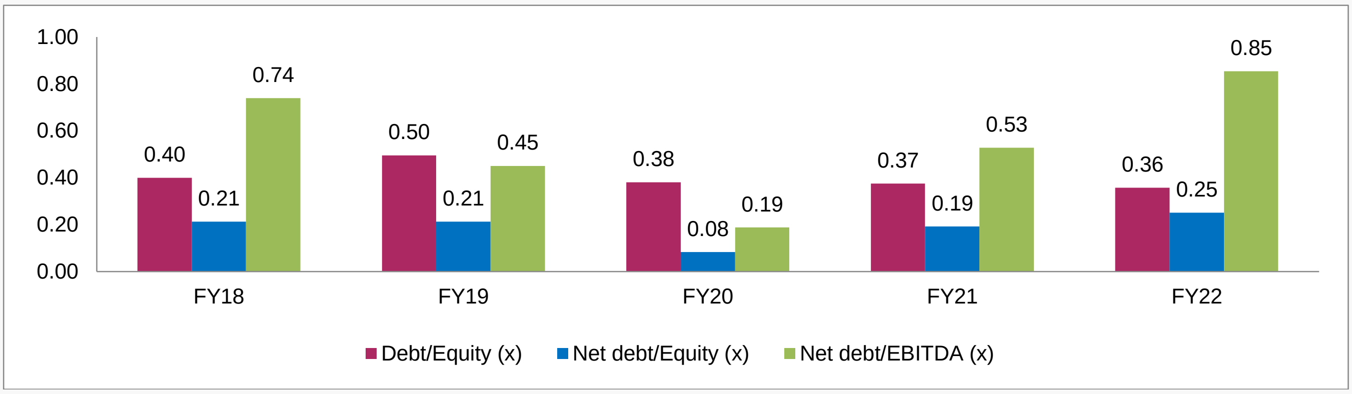
Source: company; Axis Securities

Key Balance Sheet Takeaways

- **Working Capital Management:** Working capital intensity reduced on an absolute basis and the cash conversion cycle stood at 50 days in FY22 from 64 days in FY21 owing to delayed payment and business disruption caused by the pandemic. During the year, OCF to EBITDA increased to 44% from 34% in FY21. Changes in working capital were negative at Rs 497 Cr against negative Rs 609 Cr in FY21.

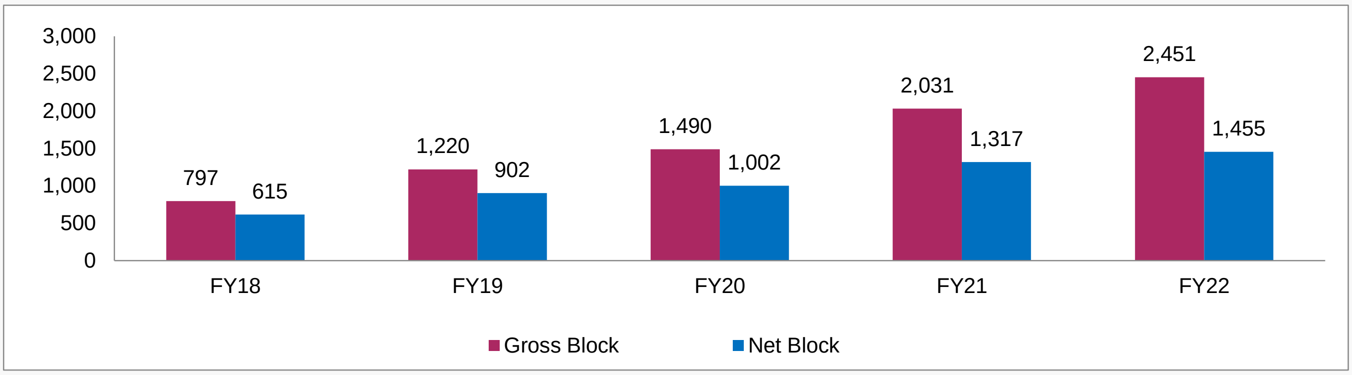
  The company generated a total OCF of Rs 2,366 Cr over FY18-FY22 and 85% of the total OCF (Rs 2,001 Cr) was utilized towards the company's Capex program, indicating a good Capex intensity. The company generated an FCF of Rs 364 Cr over FY18-FY22. For FY22, the OCF/Sales and FCF/Sales stood at 7% and 2% respectively.
- **Debt**: The company's net debt to equity stood at 0.25 against 0.19 owing to lower profit generation during the year.
- **Fixed capital formation:** Gross Fixed Capital formation reduced to Rs 435 Cr in FY22 from Rs 515 Cr in FY21. While overall GB increased to 2450 Cr from Rs 2031 Cr in FY21.
- **Cash and liquidity position*:*** The company's liquidity position has deteriorated owing to higher working capital requirements during the year and consequently it resulted in lower cash generation during the year. The cash & equivalent including bank balance stood at Rs 108 Cr in FY22 against Rs 218 Cr in FY21, a decrease of 50% YoY.

Exhibit 9: Leverage Ratio



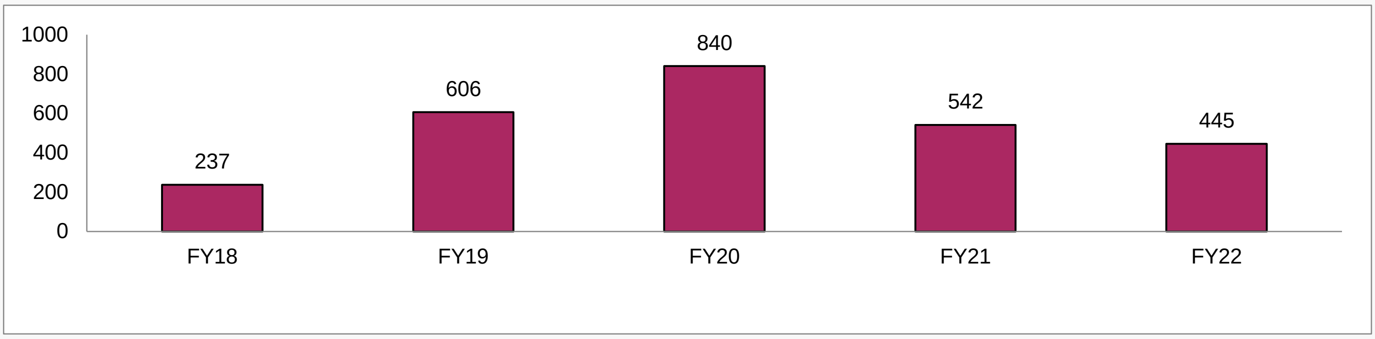
Source: Company, Axis Securities

Exhibit 10: Gross & Net Block



Source: Company, Axis Securities

Exhibit 11: Cash & Cash Equivalents inc Bank Balance



Source: Company, Axis Securities

Key Cashflow Takeaways (Rs Cr)

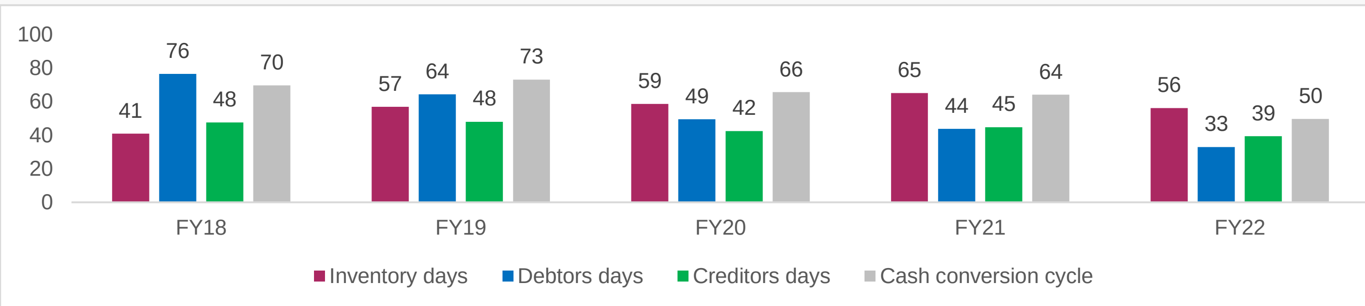
Particulars	FY21	FY22	Change	Comments/Analysis
PBT	1071	1002	-6.44%	Lower profits due to higher raw material costs
Depreciation	227	282	24.22%	Increase in depreciation and amortisation expense.
Finance cost	140	127	-9.28%	Due to a decrease in interest on debentures, interest on mobilisation advances, and interest on lease liabilities
Working capital	(609)	(497)	-18.39%	WC reduced owning to lower debtors and inventory and increase creditors
CFO	447	561	25.50%	CFO higher due to lower WC requirement
CFI	(826)	(238)	-71.18%	Lower CFI due to the sale of liquid investments
CFF	132	(381)	188.63%	Higher CFF owning to the repayment of borrowings
Capex	(515)	(435)	-15.53%	Decrease in capital expenditure.

Cash Conversion Cycle

Particulars	FY21	FY22	Change	Comments/Analysis
Inventory Days	65	56	-9	Lower owing to better procurement of RM
Trade Receivables	44	33	-11	Lower owing to better monitoring of receivables
Trade Payables	45	39	6	Higher owing to business conditions
Cash Conversion Cycle	64	50	-14	CCC decreased owing to the stringent WC management

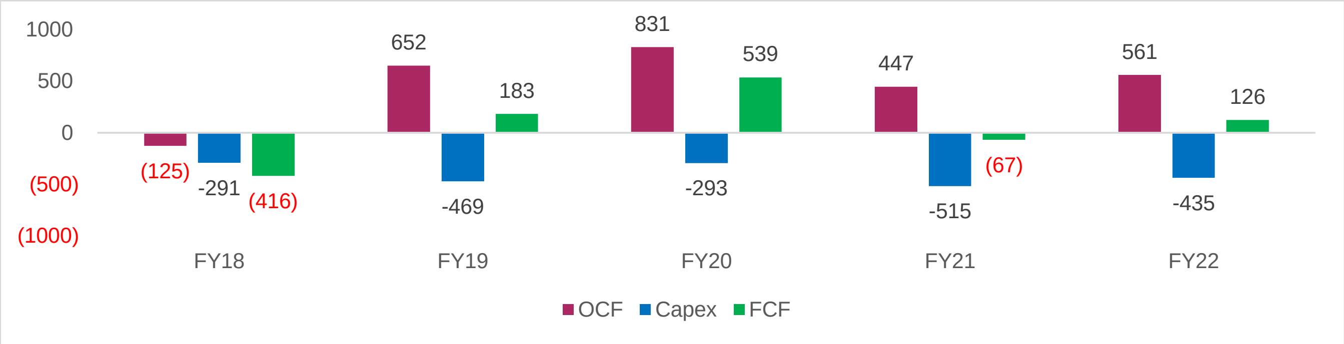
Source: company; Axis Securities

Exhibit 12: Cash Conversion Cycle



Source: Company, Axis Securities

Exhibit 13: OCF, Capex & FCF



Source: Company, Axis Securities

Contingent Liabilities Analysis

Particulars	FY21	FY22	Change	Comments / Analysis
Claims against the group not acknowledged as debts	25.89	25.62	-0.27	Indirect tax matters
Claims against the group not acknowledged as debts	25.62	22.16	-3.46	Other matters
Guarantees	32.02	29.37	-2.65	Corporate Guarantee for subsidiaries.

Note: It has reviewed all its pending litigations and proceedings and has adequately provided for where provisions are required and disas contingent liabilities where applicable, in its standalone financial statements. The company does not expect the outcome of these proceedings to have a materially adverse effect on its financial position. The company has paid under protest Rs 241 Lc to various authorities against the above litigations.

Other matters consist of various civil claims filed against the company related to construction contracts and the same is pending before various legal authorities. The management does not expect any material adverse effect on its financial position.

The company has provided a corporate guarantee to the lenders of the subsidiaries company to make good the shortfall, if any, between the secured obligations of the subsidiary company i.e. “Nagaur Mukundgarh Highways Private Limited” and “GR Ena Kim Expressway Private Limited”

Financials (Standalone)

Profit & Loss

(Rs Cr)

Y/E Mar, Rs Cr	FY21	FY22	FY23E	FY24E
Net sales	7,244	7,919	8,770	10,085
Other operating income	0	0	0	0
Total income	7,244	7,919	8,770	10,085
Cost of materials consumed	111	315	345	383
Civil construction cost	5,277	5,622	6,127	7,060
Changes in inventory	(4)	(6)	(13)	0
Contribution (%)	25.7%	25.1%	26.4%	26.2%
Other Expenses	550	707	807	928
Operating Profit	1,310	1,281	1,504	1,715
Other income	127	132	130	151
PBIDT	1,438	1,413	1,634	1,866
Depreciation	227	282	274	378
Interest & Fin Chg.	140	127	117	127
Extraordinary Inc./ (Exp.)	0	(3)	0	0
Pre-tax profit	1,071	1,002	1,243	1,360
Tax provision	291	241	311	340
PAT	781	761	933	1,020

Source: company, Axis Securities

Balance Sheet

(Rs Cr)

Y/E Mar, Rs Cr	FY21	FY22	FY23E	FY24E
Total assets	6,358	6,713	7,754	8,943
Net Block	1317	1455	1481	1503
CWIP	55	59	59	59
Investments	246	306	706	1106
Wkg. cap. (excl cash)	1198	1020	1126	1296
Cash / Bank balance	542	445	485	496
Other assets	3000	3428	3897	4482
Capital employed	6,358	6,713	7,754	8,943
Equity capital	48	48	48	48
Reserves	3556	4315	5248	6268
Minority Interests	0	0	0	0
Borrowings	896	1102	1082	1062
Other Liabilities	1857	1248	1376	1564

Source: company, Axis Securities

Cash Flow **(Rs Cr)**

Y/E Mar, Rs Cr	FY21	FY22	FY23E	FY24E
PBT	1071	1002	1243	1360
Depreciation	227	282	274	378
Interest Expense	140	127	117	127
Changes in Working Capital	-609	-497	-197	-267
Others	-112	-88	-130	-151
Tax Paid	-269	-265	-311	-340
Net Cash from Operations	447	561	997	1108
Capex	-515	-435	-300	-400
Investment	-10	-63	-400	-400
Others	-301	260	-120	-149
Net Cash from Investing	(826)	(238)	(820)	(949)
Borrowings	261	-233	30	30
Interest Expense	-134	-97	-117	-127
Others	5	-51	-50	-50
Net Cash from Financing	132	(381)	(137)	(147)
Net Change in Cash	(247)	(58)	40	5
Opening cash	465	166	109	148
Closing cash	218	108	148	160

Source: company, Axis Securities

Ratio Analysis (%)

Y/E Mar, Rs Cr	FY21	FY22	FY23E	FY24E
Growth Indicator				
Sales Growth	20%	9%	11%	15%
EBITDA Growth	6%	-2%	17%	14%
PAT Growth	13%	-3%	23%	9%
Profitability Ratio				
EBITDA Margin	18.1%	16.2%	17.1%	17.0%
Adjusted net margin	10.8%	9.6%	10.6%	10.0%
Efficiency Ratio				
Capital Turnover	2.0	1.8	1.7	1.6
Total Asset Turnover	1.7	1.6	1.5	1.5
Fixed Asset Turnover	5.3	5.2	5.7	6.5
Debtor days	44	33	33	33
Inventory days	65	56	56	56
Payable days	45	39	39	39
Cash Conversion Cycle (days)	64	50	50	50
Leverage Ratios				
Debt to equity	0.37	0.36	0.29	0.24
Net debt to equity	0.19	0.25	0.20	0.16
Interest coverage	0.53	0.85	0.69	0.59
Per Share Data	9	10	13	13
Diluted EPS (Rs)				
Book value per share (Rs)	81	79	96	105
DPS (Rs)	373	451	548	653
Return Ratios	0.0	0.0	0.0	0.0
Return on equity				
Return on capital employed	22%	17%	18%	16%
Valuation Ratio	31%	24%	25%	23%
P/E				
P/BV	0	18	15	13
EV/EBITDA	0.0	3.1	2.6	2.2
Cash Flow Ratio (%)	0.4	11.1	9.4	8.2
OCF/EBITDA				
OCF/Sales	34%	44%	66%	65%
FCF/Sales	6%	7%	11%	11%
OCF/ROIC	-1%	2%	3%	3%

Source: company, Axis Securities

GR Infra Project Price Chart and Recommendation History

Date	Reco	TP	Research
17-Mar-22	BUY	1,750	Initiating Coverage
31-May-22	BUY	1,765	Result Update
11-Aug-22	BUY	1,620	Result Update
26-Aug-22	BUY	1,620	AAA

Source: Axis Securities

AXIS SECURITIES

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