

31 May 2024

India | Equity Research | Q4FY24 results review

GR Infraprojects

Construction

Strong order book; awaiting appointment date

GR Infraprojects (GR Infra) has been struggling with building up orderbook for sustainable growth in execution and has guided for FY25 revenue growth of 0-5%, EBITDA margin of 15-16% and order inflow of INR 200bn. While executable orderbook stands low at INR 100bn (1.25x FY24 revenue), its orderbook including L1 has improved significantly to INR 211bn (2.6x FY24 revenue). While FY24 was a washout year in terms of order wins, FY25E is likely to be strong with a large project in the pipeline, and many more likely to be bid out post elections. While launch of INVIT has improved its ability to churn assets and improve profitability, improved order inflow in FY25E can set the stage for GR Infra for a strong medium-term growth. We maintain **BUY** on the stock with SoTP-based revised target price of INR 1,820/share.

In-line result given the lower orderbook

GR Infra reported 13% YoY growth in revenue to INR 22.5bn in Q4FY24 with EBITDA margin of 17.7% (+320bps YoY), led by higher execution in Q4FY24 as compared to 9MFY24. As a result, EBITDA grew 38% YoY to INR 4bn and similarly PAT fell 25% YoY to INR 1.2bn. Reported PAT for Q4 stood at INR 14.9bn owing to one-off gain of INR 13.7bn due to transferring of assets to INVIT. However, for FY24 revenue/EBITDA/Adj. PAT saw -3%/-4%/-17% decrease, respectively.

Guidance remains muted for FY25; OB at INR 211bn (incl. L1)

The management has maintained its guidance for FY25 with revenue growth likely at 0-5% owing to lower executable orderbook, EBITDA margin of 15% and order inflow target of INR 200bn. Orderbook (incl. L1) stands at INR 211bn (2.6x FY24 revenue); however, executable orderbook stands at INR 100bn as of Mar'24.

INVIT improves the ability to flip assets

GR Infra has successfully launched INVIT and has transferred 7 operational assets to it. While there has been no cash inflow, it will hold 43.56% stake in the INVIT. GR Infra will be able to flip its operational assets quickly to free up capital for future investments.

Maintain BUY with a revised target price of INR 1,820

We maintain **BUY** rating on the stock with revised TP of INR 1,820/share.

Financial Summary

Y/E March (INR mn)	FY23A	FY24A	FY25E	FY26E
Net Revenue	80,147	77,880	78,520	90,298
EBITDA	11,802	11,354	11,895	13,677
EBITDA Margin (%)	14.7	14.6	15.1	15.1
Net Profit	8,518	19,517	7,834	9,188
EPS (INR)	88.1	201.9	81.0	95.0
EPS % Chg YoY	0.1	(0.2)	0.4	0.2
P/E (x)	20.9	26.3	19.2	16.4
EV/EBITDA (x)	13.5	11.4	9.7	8.8
RoCE (%)	13.5	8.9	10.1	10.4
RoE (%)	15.0	9.2	10.3	11.0

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Market Data

Market Cap (INR)	151bn
Market Cap (USD)	1,807mn
Bloomberg Code	GRINFRA IN
Reuters Code	GINF BO
52-week Range (INR)	1,670 /1,025
Free Float (%)	25.0
ADTV-3M (mn) (USD)	3.3

Price Performance (%)	3m	6m	12m
Absolute	28.4	50.3	34.5
Relative to Sensex	26.5	40.0	17.1

Previous Reports

16-11-2023: [Q2FY24 results review](#)

14-08-2023: [Re-initiating coverage](#)

Outlook and valuation

Over the past couple of years, GR Infra was struggling for execution growth on account of lower order inflow and thus low executable order backlog of INR 211bn as on Mar'24 i.e. 2.5x FY24 revenue of INR 78bn. However, executable orderbook stands at INR 100bn which is 1.25x FY24 revenue.

It witnessed robust order inflow worth INR 170bn over the past couple of quarters across segments like roads, tunnelling, logistics parks, hydro power, etc. However, recently, two large ropeway orders worth INR 35bn were cancelled and thus the orderbook as of Mar'24 was down to INR 163bn and it has won two road projects in Maharashtra worth INR 43bn post Mar'24 (L1).

Given the lower orderbook, we largely maintain our estimates for FY25E and FY26E with flat revenue growth for FY25E and 15% revenue growth for FY26E.

Moreover, GR Infra has successfully launched its INVIT and has transferred 7 operational HAM projects to the INVIT and had booked a one-off gain of INR 13.4bn in Q4FY24. This INVIT will act as a platform for GR Infra to offload its operational assets to churn cash and invest in future projects, thus, improving its profitability.

Given a decent order build up (including L1), stable input price environment, strong bidding pipeline and the possibility of liquidation of operational assets, we maintain **BUY** rating on the stock with a revised target price of INR 1,820/share (SoTP based) .

Exhibit 1: SoTP-based target price of INR 1,820/share

In Rsmn	Basis of valuation	PAT/Equity value	Multiple	Valuation	Per share
EPC	PEx FY26E	8,073	12	96,872	999
BOT & HAM	1.7x FY26E equity invested	35,732	1.7	61,102	630
INVIT Value	10% Holding dicount	47,290	43.6%	18,540	191
Total				176,514	1,820
Shares outstanding					97

Source: I-Sec research

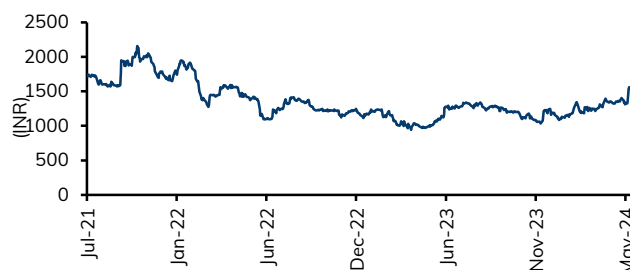
Key risks – 1) Delay in receiving appointment dates for L1 orders, 2) lower order inflow, 3) delay in listing of INVIT.

Exhibit 2: Shareholding pattern

%	Sep'23	Dec'23	Mar'24
Promoters	79.7	79.7	74.7
Institutional investors	16.6	16.5	21.4
MFs and others	15.6	15.6	20.6
FIs/Banks	0.0	0.0	0.0
Insurance	0.0	0.0	0.0
FIIIs	1.0	0.9	0.8
Others	3.7	3.8	3.9

Source: Bloomberg

Exhibit 3: Price chart



Source: Bloomberg

Financial Summary

Exhibit 4: Profit & Loss

(INR mn, year ending March)

	FY23A	FY24A	FY25E	FY26E
Net Sales	80,147	77,880	78,520	90,298
Operating Expenses	1,598	1,552	2,004	2,204
EBITDA	11,802	11,354	11,895	13,677
EBITDA Margin (%)	14.7	14.6	15.1	15.1
Depreciation & Amortization	2,457	2,442	2,657	2,942
EBIT	9,346	8,912	9,238	10,735
Interest expenditure	1,022	1,032	1,181	1,350
Other Non-operating Income	1,809	1,990	2,388	2,865
Recurring PBT	10,133	9,870	10,446	12,251
Profit / (Loss) from Associates	-	-	-	-
Less: Taxes	2,943	4,155	2,611	3,063
PAT	7,189	5,715	7,834	9,188
Less: Minority Interest	-	-	-	-
Extraordinaries (Net)	1,329	13,803	-	-
Net Income (Reported)	8,518	19,517	7,834	9,188
Net Income (Adjusted)	8,518	7,547	7,834	9,188

Source Company data, I-Sec research

Exhibit 5: Balance sheet

(INR mn, year ending March)

	FY23A	FY24A	FY25E	FY26E
Total Current Assets	61,602	54,239	94,747	1,07,414
of which cash & cash eqv.	1,010	2,594	44,686	40,107
Total Current Liabilities & Provisions	13,876	12,526	17,354	19,904
Net Current Assets	47,726	41,713	77,392	87,510
Investments	857	25,871	4,207	4,707
Net Fixed Assets	14,366	12,159	12,502	12,560
ROU Assets	-	-	-	-
Capital Work-in-Progress	738	754	594	594
Total Intangible Assets	-	-	-	-
Other assets	-	-	-	-
Deferred Tax Assets	-	-	-	-
Total Assets	63,687	80,497	94,695	1,05,371
Liabilities				
Borrowings	10,759	7,389	13,179	15,015
Deferred Tax Liability	777	2,072	2,072	2,072
provisions	-	-	-	-
other Liabilities	-	-	-	-
Equity Share Capital	483	483	483	483
Reserves & Surplus	51,668	71,474	78,960	87,800
Total Net Worth	52,152	71,957	79,443	88,283
Minority Interest	-	-	-	-
Total Liabilities	63,687	80,497	94,695	1,05,371

Source Company data, I-Sec research

Exhibit 6: Cashflow statement

(INR mn, year ending March)

	FY23A	FY24A	FY25E	FY26E
Operating Cashflow	23	30,931	16,904	(2,567)
Working Capital Changes	(10,986)	7,598	6,413	(14,697)
Capital Commitments	(2,121)	(1,174)	(1,918)	(3,000)
Free Cashflow	2,144	32,104	18,821	433
Other investing cashflow	2,198	(25,014)	21,664	(500)
Cashflow from Investing Activities	77	(26,187)	19,747	(3,500)
Issue of Share Capital	-	-	-	-
Interest Cost	(1,022)	(1,032)	(1,181)	(1,350)
Inc (Dec) in Borrowings	-	-	-	-
Dividend paid	-	-	(348)	(348)
Others	923	(28,315)	26,717	(315)
Cash flow from Financing Activities	(99)	(29,347)	25,188	(2,012)
Chg. in Cash & Bank balance	(76)	1,584	42,092	(4,579)
Closing cash & balance	1,010	2,594	44,686	40,107

Source Company data, I-Sec research

Exhibit 7: Key ratios

(Year ending March)

	FY23A	FY24A	FY25E	FY26E
Per Share Data (INR)				
Reported EPS	74.4	59.1	81.0	95.0
Adjusted EPS (Diluted)	88.1	201.9	81.0	95.0
Cash EPS	113.5	227.1	108.5	125.5
Dividend per share (DPS)	-	-	3.6	3.6
Book Value per share (BV)	539.4	744.2	821.6	913.1
Dividend Payout (%)	-	-	4.4	3.8
Growth (%)				
Net Sales	0.0	0.0	0.0	0.2
EBITDA	0.0	0.0	0.0	0.1
EPS (INR)	0.1	(0.2)	0.4	0.2
Valuation Ratios (x)				
P/E	20.9	26.3	19.2	16.4
P/CEPS	13.7	6.9	14.4	12.4
P/BV	2.9	2.1	1.9	1.7
EV / EBITDA	13.5	11.4	9.7	8.8
P / Sales	1.9	1.9	1.9	1.7
Dividend Yield (%)	-	-	0.2	0.2
Operating Ratios				
Gross Profit Margins (%)	16.7	16.6	17.7	17.6
EBITDA Margins (%)	14.7	14.6	15.1	15.1
Effective Tax Rate (%)	29.0	42.1	25.0	25.0
Net Profit Margins (%)	9.0	7.3	10.0	10.2
NWC / Total Assets (%)	73.4	48.6	34.5	45.0
Net Debt / Equity (x)	17.1	(29.3)	(45.0)	(33.8)
Net Debt / EBITDA (x)	75.3	(185.6)	(300.2)	(217.9)
Profitability Ratios				
RoCE (%)	13.5	8.9	10.1	10.4
RoE (%)	15.0	9.2	10.3	11.0
RoIC (%)	13.5	8.9	10.1	10.4
Fixed Asset Turnover (x)	5.5	5.9	6.4	7.2
Inventory Turnover Days	41	35	49	52
Receivables Days	87	80	62	66
Payables Days	40	37	44	47

Source Company data, I-Sec research

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