

Challenging Quarter; Retain HOLD

Est. Vs. Actual for Q3FY24: Revenue –**MISS**; EBITDA Margin – **MISS**; PAT – **MISS**

Change in Estimates post Q3FY24 (Abs)

FY24E/FY25E: Revenue: -4%/-11%; EBITDA: -9%/-11% PAT: -6%/-16%

Recommendation Rationale

- Robust Order Book:** The company's order book position, including L1 projects, stands at Rs 19,253 Cr, providing revenue visibility for the next 2.5-3 years. For FY24, the company anticipates an order inflow of Rs 4,000-5,000 Cr, a reduction from the previous target of Rs 10,000 Cr due to slower awarding activity across all segments, with a significant contribution from the Road sector. However, with a strong bid pipeline of Rs 2,00,000 Cr, the company remains optimistic and expects an order inflow of Rs 15,000 Cr in FY25.
- Segment Diversification:** In addition to road projects, the company has successfully diversified into other segments such as Railways, Ropeways, Multi-Modal Logistic Parks (MMLPs), and Power transmission to reduce its dependence on road projects. The order book comprises 83% Road projects, 4% MMLP projects, 11% Tunnels, and 2% Railways & Metro projects.
- Appointed Date (AD) Crucial:** There are currently 13 Hybrid Annuity Model (HAM) projects valued at Rs 9,600 Cr awaiting the Appointed Date (AD). Management anticipates receiving AD for 5-6 projects by Q4FY24. However, the delay in AD has resulted in a lower executable order book, impacting the company's revenue growth. Consequently, we have revised our revenue growth guidance downward to (4%) for FY24E and (11%) for FY25E. Additionally, we have adjusted the EBITDA margin from the earlier range of 14%-15% to 13%-14%.

Sector Outlook: Positive

Company Outlook & Guidance: The company expects revenue de-growth of 0-5% and an EBITDA margin of 12%-13.5% in FY24E/FY25E. However it aims to grow in double digit in FY26 on the back of large executable order book and new orders. It has guided for order inflow of Rs 4,000-5,000 Cr in FY24E, including road construction and others.

Current Valuation: 10.5x FY26E EPS (Earlier Valuation: 10.5x FY25E EPS) and HAM assets at 1x book value.

Current TP: Rs 1,255/Share (Earlier TP: Rs 1,210/share)

Recommendation: We maintain our **HOLD** rating on the stock and roll over our estimates to FY26.

Alternative BUY Ideas from our Sector Coverage

H.G Infra Engineering (TP- 1080/share), PNC Infratech (TP- 510/share), KNR Constructions (TP- 310/share)

Financial Performance

GR Infraprojects Ltd. (GRIL) reported a weak set of numbers in Q3FY24. The company recorded revenue of Rs 1,806 Cr, a decrease of 5% YoY, attributed to the delay in awarding AD for HAM projects. EBITDA stood at Rs 228 Cr, down 18% YoY, below expectations due to delay in receiving appointed date, negative operating leverage and delays in realizing operating revenue. APAT amounted to Rs 155 Cr, marking an 11% YoY decline. EBITDA Margins for Q3FY24 were reported at 12.6% (compared to our estimate of 13.8%), down from 14.6% in Q3FY23.

Outlook

With a robust bidding pipeline in EPC and HAM projects from NHAI, along with railways, ropeway, and T&D projects, we believe GRIL is well-positioned to capitalize on growth opportunities in this sector. However, delays in appointed dates for existing projects and new order inflow remain concerns that warrant attention.

Valuation & Recommendation

The stock is currently trading at 18x/16x FY25/FY26 EPS. We **maintain our HOLD rating** on the stock with a target price of Rs 1,255/share, implying an upside of 4% from the CMP.

Key Financials (Standalone)

(Rs Cr)	Q3FY24	QoQ (%)	YoY (%)	Axis Est.	Variance
Net Sales	1806	15%	-5%	1994	-9.4%
EBITDA	228	18%	-18%	275	-17.1%
EBITDA Margin	12.6%	30 bps	(200 bps)	13.8%	(120 bps)
Net Profit	155	26%	-11%	171	-9.3%
EPS (Rs)	16.1	26%	-11%	17.7	-9.3%

Source: Company, Axis Research

(CMP as of 13th Feb, 2024)

CMP (Rs)	1,203
Upside /Downside (%)	4
High/Low (Rs)	1,382/930
Market cap (Cr)	11,685
Avg. daily vol. (6m) Shrs	83660
No. of shares (Cr)	9.7

Shareholding (%)

	Jun-23	Sep-23	Dec-23
Promoter	79.7	79.7	79.7
FIIs	0.6	0.7	0.6
MFs / UTI	15.8	15.6	15.6
Banks / Fls	0.0	0.0	0.0
Others	3.8	4.0	4.1

Financial & Valuations

Y/E Mar (Rs Cr)	FY24E	FY25E	FY26E
Net Sales	7,687	7,841	8,507
EBITDA	1,032	1,043	1,174
Net Profit	689	648	726
EPS (Rs)	71.3	67.0	75.0
PER (x)	17	18	16
P/BV (x)	2.0	1.8	1.6
EV/EBITDA (x)	12	12	11
ROE (%)	12%	10%	10%

Change in Estimates (%)

Y/E Mar	FY24E	FY25E
Sales	-4%	-11%
EBITDA	-9%	-19%
PAT	-6%	-16%

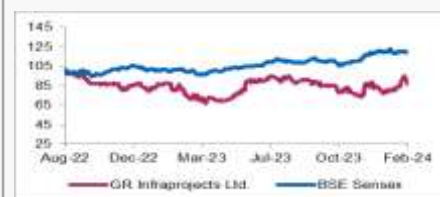
ESG disclosure Score**

Environmental Disclosure	NA
Social Disclosure Score	NA
Governance Disclosure	NA
Total ESG Disclosure Score	NA
Sector Average	49

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 2022 disclosures

Relative performance



Source: Axis Securities

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Key Concall Highlights

- **Order book:** The total order book, including L1 projects, of the company as of 31st Dec'23 is Rs 19,253 Cr. The order book consists of 83% Road, 4% MMLP, 11% Tunnelling, 2% Railways, and Metro projects. The current executable order book is around Rs 9,632 Cr.
- **Order Inflow:** In FY24, the company expects an order inflow of Rs 4,000-5,000 Cr across all segments with a major contribution from the Road sector. The current bid pipeline stands at around Rs 2,00,000 Cr across all segments with Rs 1,85,000 Cr from the road sector, including HAM, EPC & BOT projects.
- **HAM Projects:** The company has 36 HAM projects, of which 10 are operational and 13 are under construction. For the remaining 13 projects, AD is pending. For 5-6 projects worth Rs 4,000 Cr, AD is expected to be declared by the end of Mar'24.
- **Equity Investments in Subsidiaries:** The company's total equity investment in HAM projects till 31st Dec'23 stands at Rs 2,399 Cr, including Rs 450 Cr in 9MFY24, and the balance of Rs 2,100 Cr to be invested in the next 2-2.5 years. The management expects to invest Rs 150-200 Cr in Q4FY24, Rs 700-750 Cr in FY25, and Rs 700-750 Cr in FY26.
- **Working capital days:** The company's net working capital days stood at 97 days in Q3FY24 vs 92 days in Q2FY24.
- **Capex:** In FY24, Capex is expected to be Rs 100 Cr, which may increase depending on the new orders won. During the quarter and 9MFY24, the company invested Rs 39 Cr & Rs 80 Cr in fixed assets, respectively.
- **As of 31st Dec'23,** total debt stood at Rs 898 Cr, Cash/Bank Balances at Rs 401 Cr, Trade Receivables at Rs 1,367 Cr, Trade Payables at Rs 926 Cr, Inventories at Rs 838 Cr, Unbilled Revenue at Rs 915 Cr, and Mobilisation Advances at Rs 248 Cr.

Key Risks to our Estimates and TP

- Lower project awarding and delays in getting AD may impact revenue growth.
- Higher input costs may impact the margin.

Change in Estimates

	New		Old		% Change	
	FY24E	FY25E	FY24E	FY25E	FY24E	FY25E
Sales	7687	7841	8014	8816	-4%	-11%
EBITDA	1,032	1,043	1,133	1,287	-9%	-19%
PAT	689	648	733	776	-6%	-16%

Source: Company, Axis Securities

Result Review Q3FY24

(Rs Cr)	Quarterly Performance				
	Q3FY24	Q2FY24	Q3FY23	% Change (QoQ)	% Change (YoY)
Sales	1,806	1,574	1,899	15%	-5%
Other Op. Inc	0	0	0		
Total Revenue	1,806	1,574	1,899	15%	-5%
Expenditure					
Cost of material consumed	66	91	49	-27%	34%
Change in Inventory	1291	1104	1371	17%	-6%
Employee Cost	168	162	154	4%	9%
Other Expenses	45	28	45	63%	0%
Total Expenditure	1578	1380	1622	14%	-3%
EBITDA	228	194	277	18%	-18%
	12.6%	12.3%	14.6%	30 bps	(200 bps)
Oth.Inc.	58	61	42	-6%	37%
Interest	24	28	25	-12%	-1%
Depreciation	61	62	61	-1%	0%
Exceptional Item	8	0	0	0%	0%
PBT	209	166	233	26%	-10%
Tax	53	42	59	26%	-9%
PAT	155	123	174	26%	-11%
EPS (Rs)	16.1	12.8	18.0	26%	-11%

Source: Company, Axis Securities

Financials (Standalone)

Profit & Loss

(Rs Cr)

Y/E March	FY23	FY24E	FY25E	FY26E
Net sales	8,148	7,687	7,841	8,507
Other operating income	0	0	0	0
Total income	8,148	7,687	7,841	8,507
Cost of materials consumed	232	293	290	315
Civil construction cost	5,812	5,533	5,645	6,125
Changes in inventory	-1	8	0	0
Contribution (%)				
Other Expenses				
Operating Profit	25.8%	24.1%	24.3%	24.3%
Other income	791	821	862	893
PBIDT	1,313	1,032	1,043	1,174
Depreciation	181	231	180	179
Interest & Fin Chg.	1,494	1,262	1,223	1,353
Extraordinary Inc./ (Exp.)	246	243	252	269
Pre-tax profit	102	104	108	116
Tax provision	0	8	0	0
PAT	1,146	923	864	968

Source: Company, Axis Securities

Balance Sheet

(Rs Cr)

Y/E March	FY23	FY24E	FY25E	FY26E
Total assets	7,756	8,510	9,258	10,297
Net Block	1422	1378	1277	1208
CWIP	72	72	72	72
Investments	86	486	886	1286
Wkg. cap. (excl cash)	1898	1474	1504	1632
Cash / Bank balance	242	560	441	420
Other assets	4037	4540	5079	5680
Capital employed	7,756	8,510	9,258	10,297
Equity capital	48	48	48	48
Reserves	5167	5856	6504	7230
Minority Interests	0	0	0	0
Borrowings	1076	1076	1076	1226
Other Liabilities	1465	1530	1630	1793

Source: Company, Axis Securities

Cash Flow

(Rs Cr)

Y/E March	FY23	FY24E	FY25E	FY26E
PBT	1146	923	864	968
Depreciation	246	243	252	269
Interest Expense	102	104	108	116
Changes in Working Capital	-336	175	-72	-184
Others	-100	-231	-180	-179
Tax Paid	-294	-234	-216	-242
Net Cash from Operations	764	981	755	748
Capex	-297	-200	-150	-200
Investment				
Others	-15	-400	-400	-400
Net Cash from Investing	-365	-169	-220	-221
Borrowings	(678)	(769)	(770)	(821)
Interest Expense	134	0	0	0
Others	-109	-104	-108	-116
Net Cash from Financing	-151	0	0	150
Net Change in Cash	(126)	(104)	(108)	34
Opening cash	(40)	107	(122)	(40)
Closing cash	109	101	208	86

Source: Company, Axis Securities

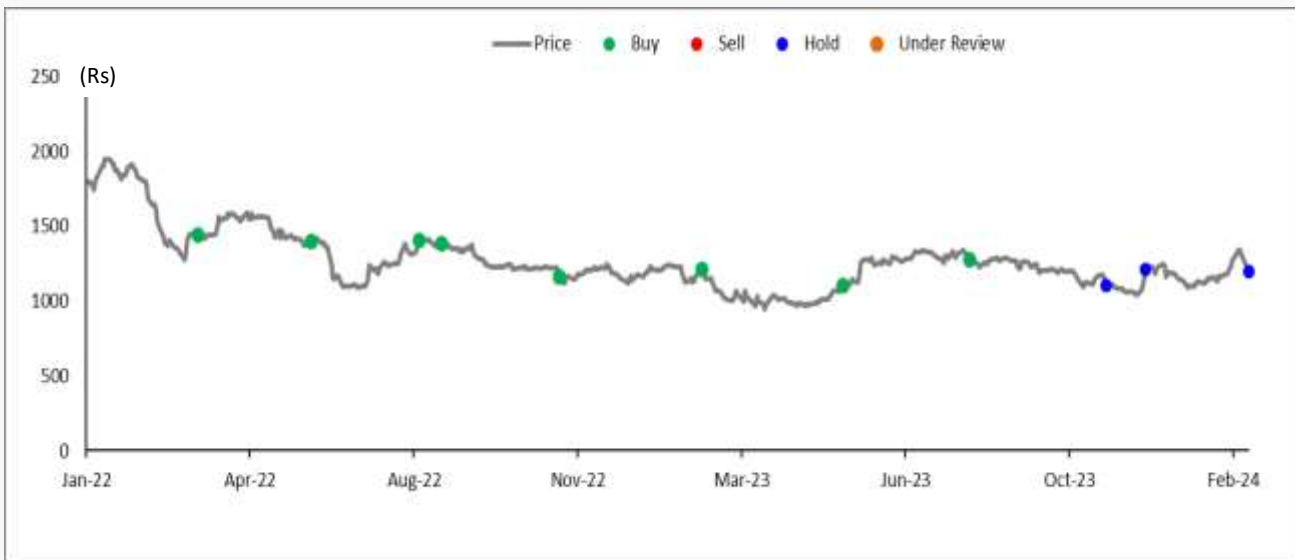
Ratio Analysis

(%)

Y/E March	FY23	FY24E	FY25E	FY26E
Growth Indicator				
Sales Growth	3%	-6%	2%	9%
EBITDA Growth	3%	-21%	1%	13%
PAT Growth	12%	-19%	-6%	12%
Profitability Ratio				
EBITDA Margin	16.1%	13.4%	13.3%	13.8%
Adjusted net margin	10.5%	9.0%	8.3%	8.5%
Efficiency Ratio				
Capital Turnover (x)				
Total Asset Turnover (x)	1.6	1.3	1.2	1.2
Fixed Asset Turnover (x)	1.4	1.2	1.1	1.0
Debtor days	5.5	5.3	5.8	6.6
Inventory days	84	70	70	70
Payable days	47	47	47	47
Cash Conversion Cycle (days)	46	47	47	47
Leverage Ratios (x)				
Debt/ equity				
Net debt/ equity	0.21	0.18	0.16	0.17
Net debt/EBITDA	0.16	0.12	0.13	0.14
Interest coverage	0.63	0.70	0.81	0.88
Per Share Data				
Diluted EPS (Rs)	13	10	10	10
Book value per share (Rs)	88	71	67	75
DPS (Rs)	539	611	678	753
Return Ratios				
Return on equity				
Return on capital employed	16%	12%	10%	10%
Valuation Ratio(x)				
P/E				
P/BV	14	17	18	16
EV/EBITDA	2.2	2.0	1.8	1.6

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
14-Nov-22	BUY	1,600	Result Update
15-Feb-23	BUY	1,550	Result Update
22-May-23	BUY	1,400	Result Update
11-Aug-23	BUY	1,410	Result Update
13-Nov-23	HOLD	1,210	Result Update
07-Dec-23	HOLD	1,210	AAA
14-Feb-24	HOLD	1,255	Result Update

Source: Axis Securities

About the analyst

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SELL	Less than -10%
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UNDER REVIEW	We will revisit our recommendation, valuation and estimates on the stock following recent events
NO STANCE	We do not have any forward-looking estimates, valuation or recommendation for the stock

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