

H2FY25 To See Better Operating Performance; Retain BUY

Est. Vs. Actual for Q2FY25: Revenue – **MISS**; EBITDA Margin – **MISS**; PAT – **MISS**
Change in Estimates post Q2FY25 (Abs)

FY25E/FY26E: Revenue: -8%/-8%; EBITDA: -14%/-8% PAT: -4%/-1%

Recommendation Rationale

- **Robust Order book:** The company's order book position, including L1 projects, stands at Rs 19,641 Cr, providing revenue visibility for the next 24-36 months. For FY25, the company anticipates an order inflow of Rs 15,000-20,000 Cr across all segments, with 60% expected from the Road sector and the balance from Power, Railways, Tunneling, and Transmission projects.
- **Strong bidding pipeline & Segment Diversification:** The bidding pipeline remains strong, exceeding Rs 2.5 Lc Cr, as identified by the company, with Rs 1.7 Lc Cr from the road sector, comprising EPC, HAM, and BOT verticals, and the balance from other sectors. In addition to road projects, the company has successfully diversified into other segments such as Railways, Ropeways, Optical Fibre, Multi-Modal Logistic Parks (MMLPs), and Power Transmission to reduce its dependence on road projects.
- **Dividend from InvIT:** During H1FY25, the company received Rs 135 Cr as dividend and interest income from Bharat Highways InvIT and expects to receive Rs 90 Cr on its units with InvIT in H2FY25. This will support the company's profitability moving forward.
- **Appointed Date (AD) Crucial:** There are currently 4 Hybrid Annuity Model (HAM) projects and 1 MMLP project awaiting the Appointed Date (AD). The management anticipates receiving the AD for 3 projects in Q3FY25 and 2 projects in Q4FY25. Obtaining the AD is crucial for the future growth of the company.

Sector Outlook: Positive

Company Outlook & Guidance: The company expects a revenue degrowth of 5-10% and EBITDA margins of 12%-13% for FY25. However, it aims for double-digit growth in FY26, driven by a large executable order book and new order intake. The management also indicated higher EBITDA margins in the range of 14%-15%, supported by increased order inflow as current capacities are underutilized.

Current Valuation: 15x FY26E EPS (Earlier Valuation: 16x FY25E EPS) and HAM & Transmission assets at 1x book value.

Current TP: Rs 1,760 /Share (Earlier TP: Rs 1,820/share)

Recommendation: We maintain our **BUY** rating on the company.

Financial Performance

GR Infraprojects Ltd. (GRIL) reported Q2FY25 numbers below expectations. The company recorded revenue of Rs 1,128 Cr, down 28% YoY, due to slower execution caused by the high monsoon. EBITDA stood at Rs 117 Cr, down 40% YoY, and PAT amounted to Rs 115 Cr, down 7% YoY. EBITDA margins for Q2FY25 were reported at 10.4% (compared to our estimate of 12.1%) versus 12.3% in Q2FY24.

Key Financials (Standalone)

(Rs Cr)	Q2FY25	QoQ (%)	YoY (%)	Axis Est.	Variance
Net Sales	1,128	-41%	-28%	1,635	-31%
EBITDA	117	-52%	-40%	198	-41%
EBITDA Margin	10.4%	(260 bps)	(190 bps)	12.1%	(170 bps)
Net Profit	115	-24%	-7%	140	-18%
EPS (Rs)	12	-24%	-7%	14	-18%

Source: Company, Axis Securities Research

(CMP as of 8th November 2024)

CMP (Rs)	1595
Upside /Downside (%)	10%
High/Low (Rs)	1860/1025
Market cap (Cr)	15,431
Avg. daily vol. (6m) Shrs	1,25,400
No. of shares (Cr)	96.7

Shareholding (%)

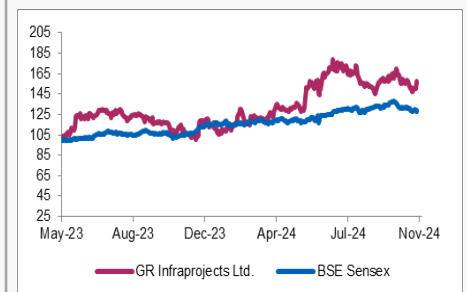
	Mar-24	Jun-24	Sep-24
Promoter	74.7	74.7	74.7
FIIs	0.8	1.4	2.1
MFs / UTI	20.6	20.4	20.1
Banks / FIIs	0.0	0.0	0.0
Others	3.9	3.4	3.2

Financial & Valuations

Y/E Mar (Rs Cr)	FY24	FY25E	FY26E
Net Sales	7,788	7,124	8,193
EBITDA	1,135	875	1,131
Net Profit	1,977	688	913
EPS (Rs)	205	71	94
PER (x)	8	22	17
P/BV (x)	2.2	2.0	1.8
EV/EBITDA (x)	14	18	14
ROE (%)	27%	9%	10%

Change in Estimates (%)

Y/E Mar	FY25E	FY26E
Sales	-8%	-8%
EBITDA	-14%	-8%
PAT	-4%	-1%

Relative performance


Source: Ace Equity

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Outlook

- In FY24, the National Highways Authority of India (NHAI) experienced a relatively low volume of project awards, which impacted the infrastructure sector's momentum. However, the outlook for FY25 appears promising, with a significant increase in project awards expected. GR Infraprojects Ltd. (GRIL) anticipates strong order intake due to a robust bidding pipeline across multiple sectors, particularly in EPC and HAM projects led by NHAI. Beyond roads, GRIL is also exploring opportunities in the railways, ropeways, and transmission and distribution (T&D) sectors, which offer substantial growth potential. These diverse prospects position GRIL to leverage its expertise across various infrastructure domains and capitalize on the sector's anticipated expansion. Nonetheless, a critical challenge persists in delays in obtaining appointed dates for current projects. This issue remains a key area of concern, as such delays can impact project timelines and revenue realization.

Valuation & Recommendation

- The stock is currently trading at an implied PE of 19x/13x FY25E/FY26E EPS. **We maintain our BUY rating on the stock with a target price of Rs 1,760/share, implying an upside of 10% from the CMP.**

Key Concall Highlights

- **Order Book:** As of 30th Sep'24, the order book stands at Rs 14,641 Cr (excluding L1 of Rs 5,000 Cr). The order book comprises 74% Road, 5% MMLP, 4% Transmission, 2% Tunneling, 2% Railways and Metro, 1% OFC, and 12% from other sectors. The company has emerged as the lowest bidder for 2 road projects and 1 metro project worth Rs 5,000 Cr from MSRDC and MMRCL. After the quarter-end, it received an LOA for 1 MSRDC project amounting to Rs 1,886 Cr. The current executable order book is Rs 13,300 Cr. The company expects EBITDA margins to trend higher with new order inflows, in the range of 14-15%. However, due to the current lower executable order book, margin pressure is expected to persist for some time.
- **Order Inflow:** The company anticipates an order inflow of Rs 15,000-20,000 Cr in FY25 across all segments, with 60% expected from the Road sector and the remainder from Power, Railways, and Tunneling projects. The current bid pipeline exceeds Rs 2.5 Lc Cr, with Rs 1.7 Lc Cr comprising HAM, EPC, and BOT projects, while the balance includes Metro, Tunnel, Power Transmission, and Railways projects.
- **HAM Projects:** The company has 28 HAM projects, of which 6 are operational, 17 are under construction, 5 are awaiting the Appointed Date (AD), and 8 have been transferred to InvIT. During Q2FY25, 1 operational HAM asset was transferred to Bharat Highways InvIT for approximately Rs 339 Cr.
- **Equity Investments in Subsidiaries:** As of 30th Sep'24, the company's total equity investment in HAM projects stands at Rs 1,895 Cr. The remaining equity investment required in HAM projects is Rs 2,200 Cr, with the management planning to invest Rs 700 Cr in FY25, Rs 800 Cr in FY26, and the balance in FY27.
- **Working Capital Days:** The company's net working capital days increased to 153 days in Q2FY25 from 122 days in Q1FY25, due to an increase in SPV debtors.
- **Capex:** FY25 Capex is projected at Rs 100-150 Cr, with potential increases based on new orders secured. In Q2FY25, Rs 27 Cr was incurred on Capex.
- **Balance Sheet:** As of 30th Sep'24, total debt stood at Rs 689 Cr, cash and bank balances at Rs 265 Cr, trade receivables at Rs 2,200 Cr (including SPV debtors of Rs 2,000 Cr), inventories at Rs 625 Cr, and unbilled revenue at Rs 527 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	
	FY25E	FY26E	FY25E	FY26E	FY25E	FY26E
Sales	7124	8193	7703	8858	-8%	-8%
EBITDA	875	1,131	1,013	1,222	-14%	-8%
PAT	688	913	715	923	-4%	-1%

Source: Company, Axis Securities Research

Result Review Q2FY25

(Rs Cr)	Quarterly Performance				
	Q2FY25	Q1FY25	Q2FY24	% Change (QoQ)	% Change (YoY)
Sales	1,128	1,897	1,574	-41%	-28%
Other Op. Inc	0	0	0		
Total Revenue	1,128	1,897	1,574	-41%	-28%
Expenditure					
Cost of material consumed	49	58	91	-16%	-46%
Change in Inventory	787	1384	1104	-43%	-29%
Employee Cost	146	172	162	-15%	-10%
Other Expenses	30	36	28	-16%	8%
Total Expenditure	1011	1650	1380	-39%	-27%
EBITDA	117	247	194	-52%	-40%
	10.4%	13.0%	12.3%	(260 bps)	(190 bps)
Oth.Inc.	131	108	61	21%	113%
Interest	21	28	28	-24%	-23%
Depreciation	63	63	62	0%	2%
Exceptional Item	36	-49	0	-172%	0%
PBT	199	214	166	-7%	20%
Tax	84	62	42	36%	99%
PAT	115	152	123	-24%	-7%
EPS (Rs)	11.9	15.7	12.8	-24%	-7%

Source: Company, Axis Securities Research

Note: Q1FY25 Revenue includes bonus/claim amounts received and PAT includes exceptional gain from the sale of HAM assets.

Financials (Standalone)

Profit & Loss

(Rs Cr)

Y/E March	FY23	FY24	FY25E	FY26E
Net sales	8,148	7,788	7,124	8,193
Other operating income	0	0	0	0
Total income	8,148	7,788	7,124	8,193
Cost of materials consumed	232	286	271	303
Civil construction cost	5,812	5,547	5,124	5,899
Changes in inventory	-1	1	0	0
Contribution (%)	25.8%	25.1%	24.3%	24.3%
Other Expenses	791	820	854	860
Operating Profit	1,313	1,135	875	1,131
Other income	181	225	471	451
PBIDT	1,494	1,361	1,346	1,581
Depreciation	246	244	250	262
Interest & Fin Chg.	102	104	107	103
Extraordinary Inc./ (Exp.)	0	1,380	(14)	0
Pre-tax profit	1,146	2,393	975	1,217
Tax provision	294	416	287	304
PAT	852	1,977	688	913

Source: Company, Axis Securities Research

Balance Sheet

(Rs Cr)

Y/E March	FY23	FY24	FY25E	FY26E
Total assets	7,756	9,395	10,071	11,195
Net Block	1422	1296	1196	1134
CWIP	72	74	74	74
Investments	86	2587	2987	3387
Wkg. cap. (excl cash)	1898	1698	1561	1796
Cash / Bank balance	242	411	474	400
Other assets	4037	3328	3778	4404
Capital employed	7,756	9,395	10,071	11,195
Equity capital	48	48	48	48
Reserves	5167	7147	7836	8748
Minority Interests	0	0	0	0
Borrowings	1076	739	739	789
Other Liabilities	1465	1460	1448	1609

Source: Company, Axis Securities Research

Cash Flow

(Rs Cr)

Y/E March	FY23	FY24	FY25E	FY26E
PBT	1146	2393	975	1217
Depreciation	246	244	250	262
Interest Expense	102	104	107	103
Changes in Working Capital	-336	-91	75	-299
Others	-100	-1523	-471	-451
Tax Paid	-294	-280	-287	-304
Net Cash from Operations	764	848	649	527
Capex	-297	-118	-150	-200
Investment	-15	-385	-400	-400
Others	-365	238	71	51
Net Cash from Investing	(678)	(265)	(479)	(549)
Borrowings	134	-138	0	0
Interest Expense	-109	-83	-107	-103
Others	-151	-203	0	50
Net Cash from Financing	(126)	(424)	(107)	(53)
Net Change in Cash	(40)	158	64	(75)
Opening cash	109	101	259	323
Closing cash	68	259	323	248

Source: Company, Axis Securities Research

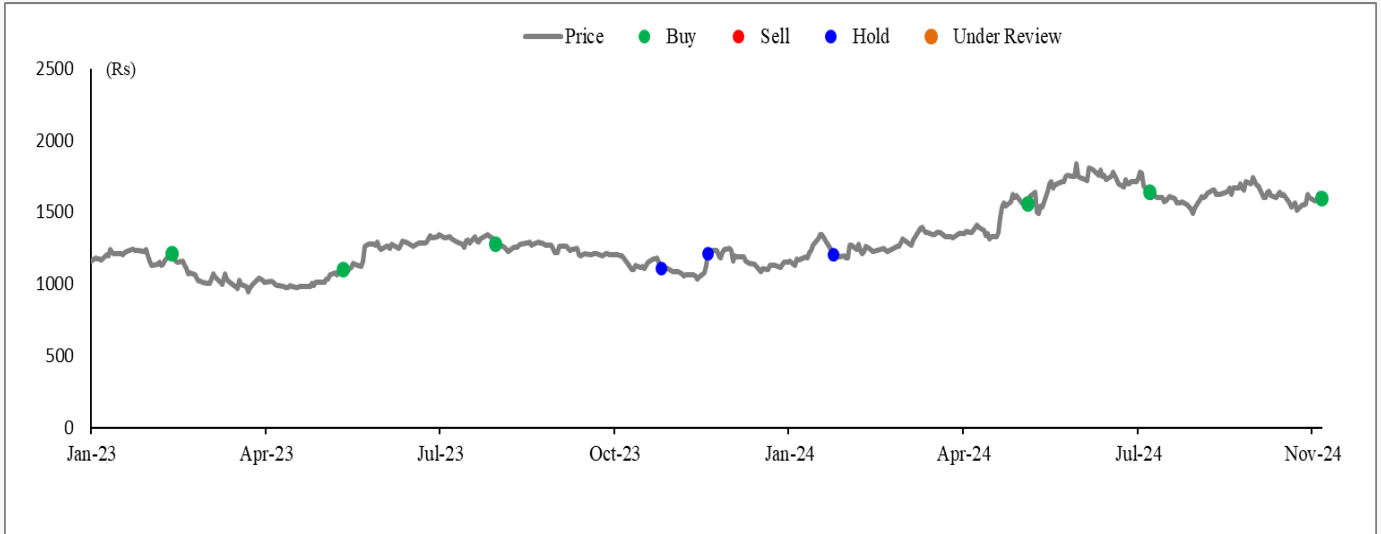
Ratio Analysis

(%)

Y/E March	FY23	FY24	FY25E	FY26E
Growth Indicator				
Sales Growth	3%	-4%	-9%	15%
EBITDA Growth	3%	-14%	-23%	29%
PAT Growth	12%	132%	-65%	33%
Profitability Ratio				
EBITDA Margin	16.1%	14.6%	12.3%	13.8%
Adjusted net margin	10.5%	25.4%	9.7%	11.1%
Efficiency Ratio				
Capital Turnover (x)	1.6	1.1	0.9	0.9
Total Asset Turnover (x)	1.4	1.0	0.8	0.9
Fixed Asset Turnover (x)	5.5	5.7	5.6	6.8
Debtor days	84	81	81	81
Inventory days	47	42	42	42
Payable days	46	43	43	43
Cash Conversion Cycle (days)	85	79	79	79
Leverage Ratios (x)				
Debt/ equity	0.21	0.10	0.09	0.09
Net debt/ equity	0.16	0.05	0.03	0.04
Net debt/EBITDA	0.63	0.29	0.30	0.34
Interest coverage	13	11	8	11
Per Share Data				
Diluted EPS (Rs)	88	205	71	94
Book value per share (Rs)	539	744	815	910
DPS (Rs)	0.0	0.0	0.0	0.0
Return Ratios				
Return on equity	16%	27%	9%	10%
Return on capital employed	23%	16%	14%	15%
Valuation Ratio(x)				
P/E	18	8	22	17
P/BV	2.9	2.2	2.0	1.8
EV/EBITDA	12	14	18	14
Cash Flow Ratio				
OCF/EBITDA	58%	75%	74%	47%
OCF/Sales	9%	11%	9%	6%
FCF/Sales	6%	4%	1%	-1%
OCF/ROIC	15%	22%	18%	13%

Source: Company, Axis Securities Research

GR Infra Project Price Chart and Recommendation History



Date	Reco	TP	Research
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
31-May-24	BUY	1,720	Result Update
06-Aug-24	BUY	1,820	Result Update
11-Nov-24	BUY	1,760	Result Update

Source: Axis Securities Research

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