

Rating: Subscribe for Long Term

Issue Offer

Fresh Issue of 31,200,000 equity shares aggregating upto INR 3,088.8mn.

Issue Summary

Price Band (INR)	94-99
Face Value (INR)	10
Implied Market Cap (INR mn)	12,340
Market Lot	150
Issue Opens on	Aug, 24, 2023
Issue Close on	Aug, 28, 2023
No. of share pre-issue	93,444,000
No. of share post issue	124,644,000
Listing	NSE / BSE

Issue Break-up (%)

QIB Portion	≤ 50
NIB Portion	≥15
Retail Portion	≥35

Book Running Lead Managers

Choice Capital Advisors

Pantomath Capital Advisors

Registrar

Link Intime India Pvt Ltd

Shareholding Pattern

	Pre-Issue	Post-Issue
Promoters	90.5%	67.8%
Public & Others	9.5%	32.2%

Objects of the issue

➤Funding capital expenditure requirements for the purchase of equipment/machinery.

➤Funding the working capital requirements of the company

➤General corporate purposes

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Vishnu Prakash R Punglia Ltd has engaged in designing and constructing infra projects for the central, state governments, autonomous & private bodies across 9 states and 1 union territory in India. The projects are majorly from Water Supply Projects (WSP), Railway Projects, Road Projects, and Irrigation Network Projects. The company has been accredited with various registrations as a contractor with various departments and agencies. The order book stood at INR 37,995mn (~3.3x of FY23 revenue) as of Q1FY24. The company is bidding for more projects and the conversion rate is around 16% to 18%.

Investment Rationale

Fundraising to fuel the growth: The fundraising of INR 3,088.8mn will be utilized for purchasing capital equipment and machineries (INR 621.77mn), Working capital (INR 1,500mn), and the remaining INR 967mn will be utilized for general corporate purposes. The majority of funds go for working capital requirements due execution of projects and the ability to take on new projects. The order book stood at INR 37,995mn (~3.3x of FY23 revenue) as of 15th Jul 2023. The order book breakups are WSP (77.9%), Railways (10%), Roads (7.9%), and Sewage and others (4.1%). The order book will be executable for the next 24 to 30 months. The order book to sales is expected to maintain around 3x over the medium term.

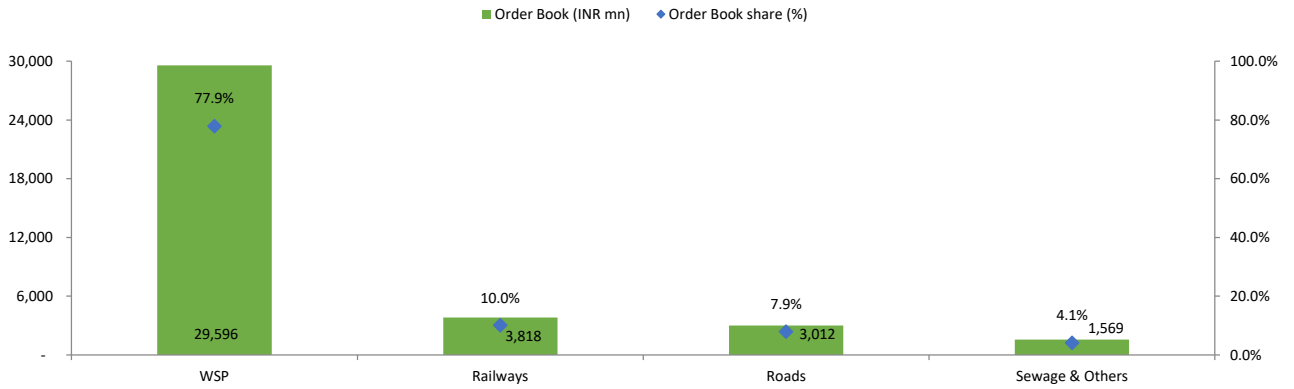
Focusing on WSP projects and pursuing other segments: The company focused on central and state governments on Jal Jeevan Mission and AMRUT scheme. The Water Supply Projects (WSP) order book share stood at 77.9% as of 15th Jul 2023 and intends to strengthen in the execution of WSPs on a turnkey basis in India. The company executing around 38 WSP projects and further focused to grow water supply turnkey projects in India. The company also focuses on the railways sector which includes earthwork, construction of bridges, and supply of materials and track lining etc. The railways order book stood at around INR 3,600mn and got one of the major revamping of Udaipur station and execution started 1.5 to 2 months back. The company also focused on the road sector which includes highways, bridges, culverts, flyovers, and subways; projects related to Irrigation like dams, canals, tunnels etc; and other sectors like Sewerage, Industrial effluent treatment plant etc.

Focus on high value and EPC contracts: The company is focused on EPC projects with/without O&M which helps to reduce debt burden and maintain cash flows. The company has focused on upgrading equipment's in-order to meet efficiencies. The scale and complexities of contracts would lead to higher profitability and the company is focusing on high-value complexity projects.

Valuation and View: Vishnu Prakash R Punglia has a strong order book of INR 37,995mn (~3.3x of FY23 revenue) as of 15th Jul 2023 and execution within 24-30 months shows potential revenue visibility. The company is bidding on more projects with a conversion rate of 16%-18% and the company is expected to maintain an order book to bill of 3x going forward. The majority of IPO funds will be utilized for working capital requirements of projects indicating strong execution of projects over the medium term. The focus on EPC projects would reduce the debt burden and lead to cash flows. Most projects are from Rajasthan and change in the political environment won't impact execution and business. The in-house integrated model leads to reduce dependency on raw materials and key equipment from 3rd parties would reduce costs and improve margins. At the upper band of INR 99, the issue is valued at an EV/EBITDA of 7x based on FY23 EBITDA and PE of 10.1x based on FY23 EPS of INR 9.8. We are recommending "Subscribe for Long Term" for this issue.

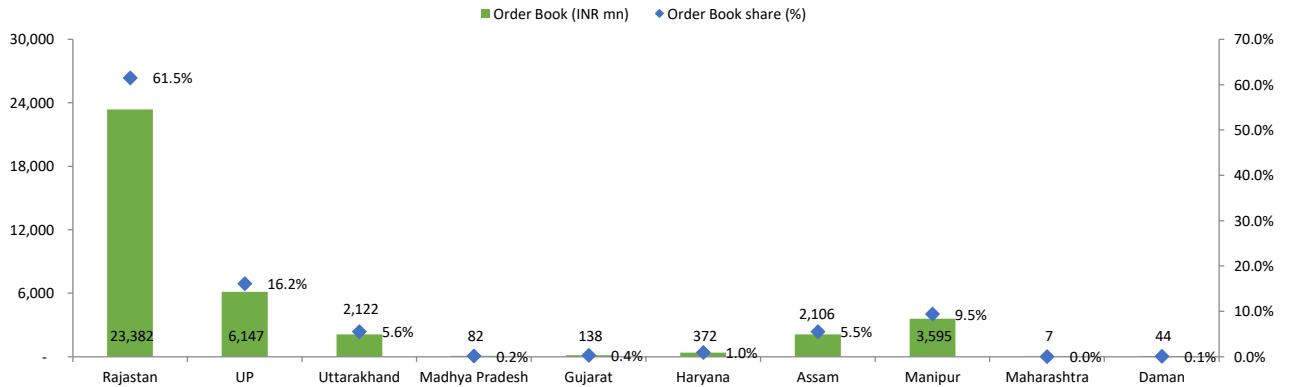
Order book and Client-wise revenue

Exhibit 1: The order book stood at INR 37,995mn (~3.3x of FY23 revenue) as of 15th Jul 2023. The company has bid for many projects and conversion ratio around 16%-18%. Majority of order book from Water Supply Projects (WSP).



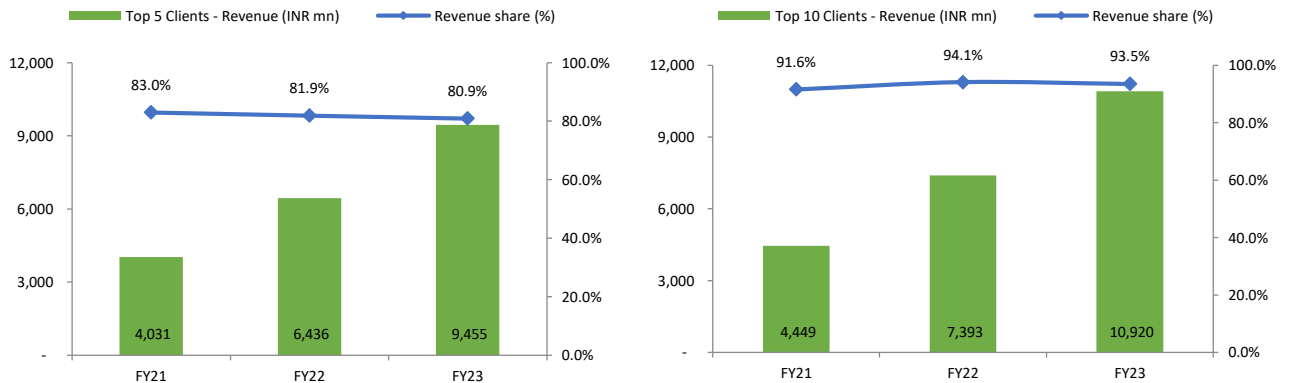
Source: Company reports, Arianth Capital Research

Exhibit 2: The company is executing projects over 9 states and 1 union territory. Majority of the order book is from Rajasthan. The company is focused to penetrate in Rajasthan and other states.



Source: Company reports, Arianth Capital Research

Exhibit 3: Top 5 clients revenue accounted around 80% of sales and Top 10 clients revenue accounted for more than 90% of revenue. The company majorly executing Central and State government projects.



Source: Company reports, Arianth Capital Research

Peer Comparison

Peer Comparison

Sectors	Vishnu Prakash	PNC Infra	H.G Infra	ITD Cementation	NCC	RVNL
Roads	✓	✓	✓	✓	✓	✗
Railways	✓	✗	✓	✗	✓	✓
Power	✗	✓	✓	✗	✓	✗
Urban Infra						
- Transport	✗	✗	✗	✓	✗	✗
- Water Supply & Sanitation	✓	✓	✓	✓	✓	✗
- Housing and Commercial Space	✓	✗	✗	✗	✓	✗
Irrigation	✓	✓	✗	✓	✓	✗
Others	✗	✓	✓	✓	✓	✗

Source: Company Reports, Arianth Capital Research

Exhibit 4: Vishnu Prakash R Punglia order book to bill stood at 3.3 which is in-line with industry.

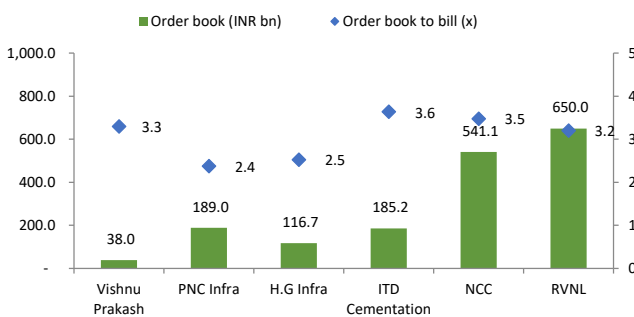


Exhibit 5: Vishnu Prakash R Punglia revenue growth is better than competitors over the period of FY21-23.

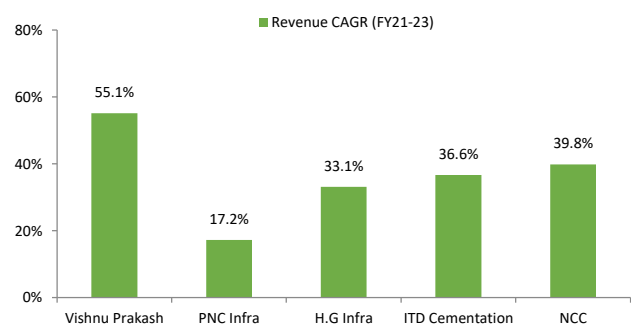


Exhibit 6: Vishnu Prakash R Punglia EBITDA margins has double digit margins in FY23.

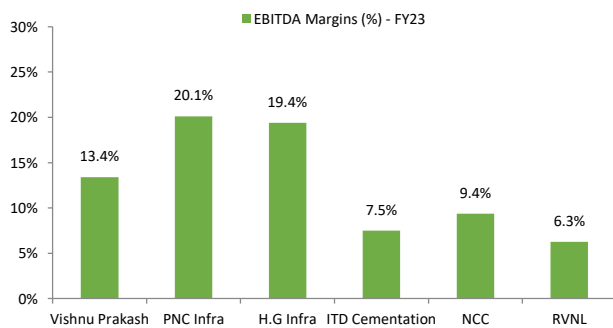


Exhibit 7: Vishnu Prakash R Punglia PAT margins were better in the industry.

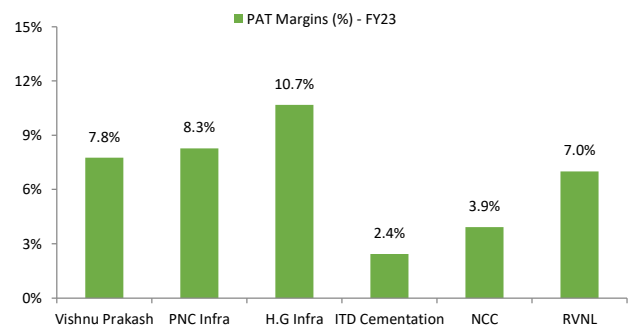


Exhibit 8: Vishnu Prakash R Punglia ROA were better in the industry.

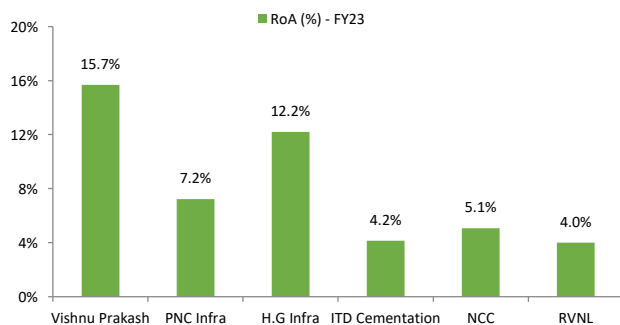
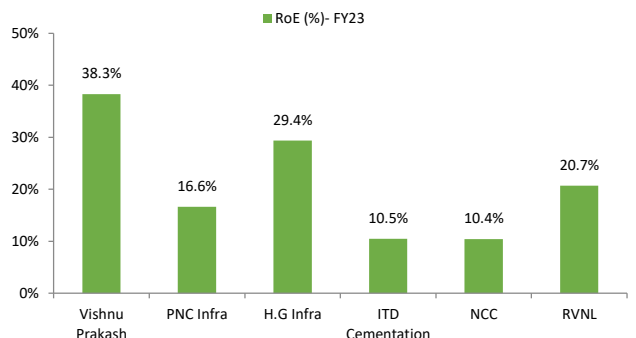


Exhibit 9: Vishnu Prakash R Punglia ROE were better in the industry.



Source: RHP, Company Reports, Arianth Capital Research
Order book as of Q1FY24, Vishnu Prakash order book as of 15th Jul 2023.

Financial Statements

Income statement summary

Y/e 31 Mar (INR mn)	FY21	FY22	FY23
Revenue	4,857	7,856	11,684
Net Raw Materials	4,224	6,743	9,678
Employee Cost	101	150	265
Other Expenses	79	95	175
EBITDA	454	869	1,566
EBITDA Margin (%)	9.3%	11.1%	13.4%
Depreciation	(41)	(42)	(70)
Interest expense	(175)	(241)	(302)
Other income	19	18	31
Profit before tax	257	604	1,224
Taxes	(67)	(155)	(318)
PAT	190	448	906
PAT Margin (%)	3.9%	5.7%	7.8%
Other Comprehensive income	1	2	7
Net profit	191	451	913
EPS (INR)	6.8	16.0	9.8

Source: Company Reports, Arihant Capital Research

Balance sheet summary

Y/e 31 Mar (INR mn)	FY21	FY22	FY23
Equity capital	281	281	934
Reserves	855	1,305	2,211
Net worth	1,136	1,587	3,145
Provisions	7	10	9
Debt	1,177	1,889	2,595
Other non-current liabilities	22	23	32
Total Liabilities	2,342	3,509	5,781
Fixed assets	485	720	1,254
Capital Work In Progress	-	3	56
Investments	133	143	200
Other non current assets	12	0	15
Net working capital	1,358	2,176	3,453
Inventories	1,053	1,768	3,126
Sundry debtors	1,001	1,169	1,977
Loans & Advances	1.8	17.2	89.7
Other current assets	271	690	734
Sundry creditors	(941)	(1,181)	(2,062)
Other current liabilities & Prov	(27)	(287)	(412)
Cash	278	386	700
Other Financial Assets	76	80	105
Total Assets	2,342	3,509	5,781

Source: Company Reports, Arihant Capital Research

Cashflow summary

Y/e 31 Mar (INR mn)	FY21	FY22	FY23
Profit before tax	257	604	1,224
Depreciation	41	42	70
Tax paid	(67)	(155)	(318)
Working capital Δ	(1,358)	(818)	(1,277)
Operating cashflow	(1,127)	(327)	(301)
Capital expenditure	(526)	(281)	(655)
Free cash flow	(1,653)	(608)	(956)
Equity raised	946	2	652
Investments	(133)	(9)	(57)
Others	(88)	7	(39)
Debt financing/disposal	1,177	712	706
Other items	29	4	8
Net Δ in cash	278	108	313
Opening Cash Flow	-	278	386
Closing Cash Flow	278	386	700

Source: Company Reports, Arihant Capital Research

Ratio analysis

Y/e 31 Mar	FY21	FY22	FY23
Growth matrix (%)			
Revenue growth		61.7%	48.7%
Op profit growth		91.4%	80.3%
Profitability ratios (%)			
OPM	9.3%	11.1%	13.4%
Net profit margin	3.9%	5.7%	7.8%
RoCE	22.8%	21.6%	24.5%
RoNW	28.2%	32.9%	38.3%
RoA	8.1%	12.8%	15.7%
Per share ratios (INR)			
EPS	6.8	16.0	9.8
Cash EPS	8.2	17.4	10.4
Book value per share	40.4	56.4	33.7
Valuation ratios (x)			
P/E	14.6	6.2	10.1
P/CEPS	12.1	5.7	9.5
P/B	2.5	1.8	2.9
EV/EBITDA	7.8	4.8	7.0
Payout (%)			
Tax payout	26.1%	25.7%	26.0%
Liquidity ratios			
Debtor days	75	50	49
Inventory days	91	76	92
Creditor days	78	55	59
WC Days	88	71	83

Source: Company Reports, Arihant Capital Research

Story in Charts

Exhibit 10: Vishnu Prakash R Punglia grew at a CAGR 55.1% over the period of FY21-23 backed by strong execution. The current order book of INR 37,995mn (~3.3x of FY23 revenue) shows double digit growth over medium term.

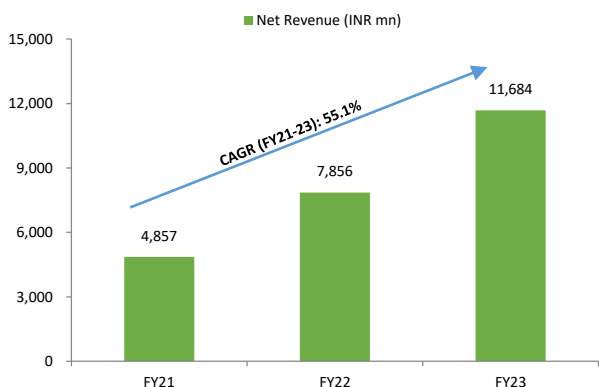


Exhibit 11: Gross margins were improved to 17.2% in FY23. In-house model would reduce dependence from 3rd party leads to cost reduction and margin improvement going forward.

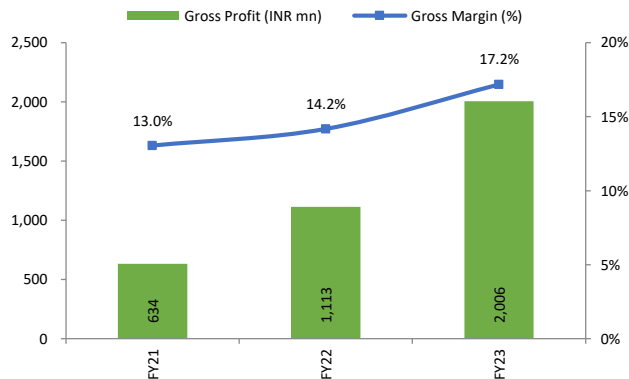


Exhibit 12: EBITDA margins improved to 13.4% in FY23 and further expansion is expected due to high value contracts. The complexity of projects execution would lead to higher margins.

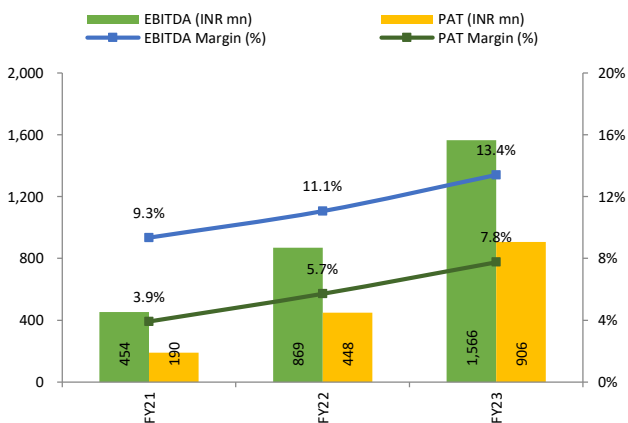


Exhibit 13: Working capital stood around ~30% of sales in FY23. Majority of IPO funds will be utilised for projects working capital requirements.

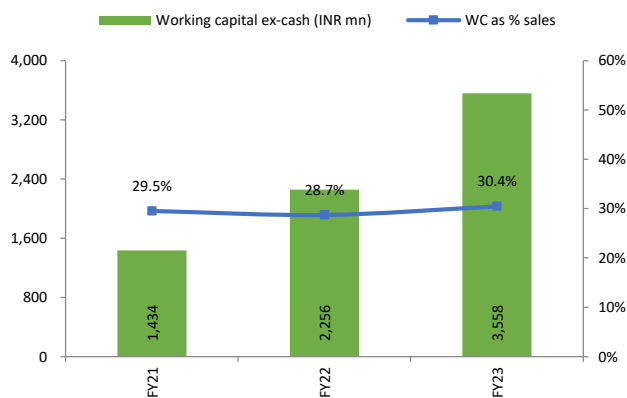


Exhibit 14: Witnessed improvement on Return ratios in FY23. The focus on high value projects with strong execution would improve further going forward.

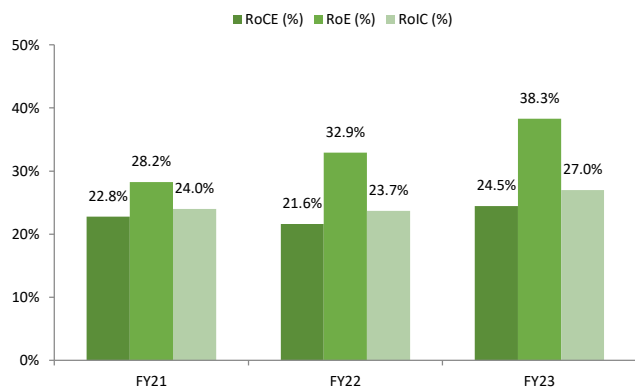
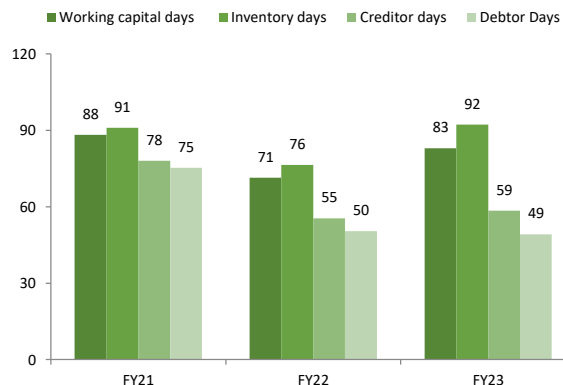


Exhibit 15: Working capital days were reduced.



Source: RHP, Company Reports, Arihant Capital Research

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Stock Rating Scale	Absolute Return
BUY	>20%
ACCUMULATE	12% to 20%
HOLD	5% to 12%
NEUTRAL	-5% to 5%
REDUCE	-5% to -12%
SELL	<-12%

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