

CMP: INR 146

Rating: BUY

Target Price: INR 214

Stock Info

BSE	543974
NSE	VPRPL
Bloomberg	VPRPL:IN
Reuters	VPRPL.NS
Sector	Infra
Face Value (INR)	10
Equity Capital (INR mn)	1,243
Mkt Cap (INR mn)	18,151
52w H/L (INR)	164 / 144

Shareholding Pattern %

(As on Aug, 2023)

Promoters	67.8
Public & Others	32.2

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Vishnu Prakash R Punglia Ltd has engaged in designing and constructing infra projects for the central, and state governments, autonomous & private bodies across 9 states and 1 union territory in India. The projects are mostly 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 executes around 38 WSP projects and is further focused on growing 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 plants etc.

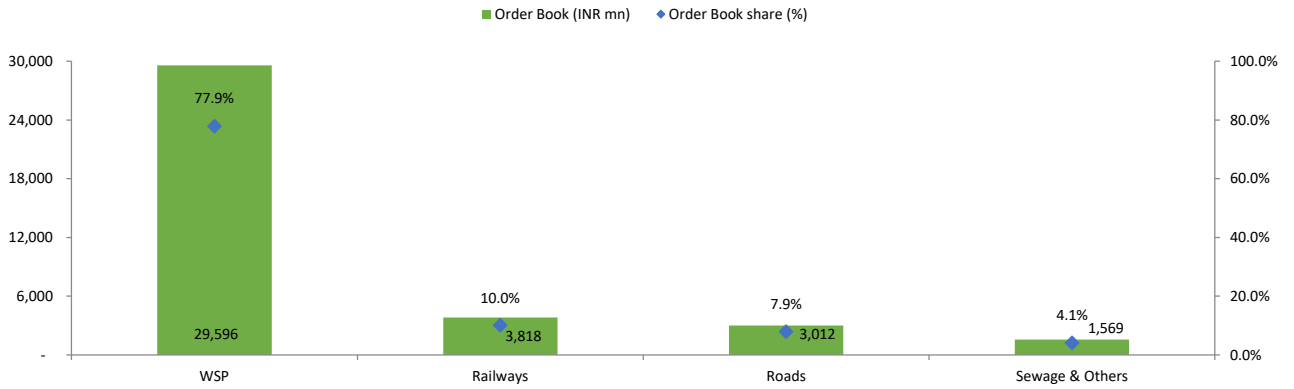
Focus on high value and EPC contracts: The company is focused on EPC projects with/without O&M which helps to reduce debt burden and maintain cash flows. The company has focused on upgrading equipment's in-order to meet efficiencies. The scale and complexities of contracts would lead to higher profitability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

Outlook & Valuation: 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 expected to grow at a CAGR ~35% over the period of FY23-26E on a conservative basis. 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 changes in the political environment won't impact execution and business. The in-house integrated model leads to reduced dependency on raw materials and key equipment from 3rd parties would reduce costs and improve margins. At the CMP of INR 146 per share, we have a "BUY" rating at a TP of INR 214 per share; valued at an EV/EBITDA of 7x and its FY26E EBITDA, an upside of 46.6%.

Vishnu Prakash R Punglia IPO Note: <https://bit.ly/3P92ITu>

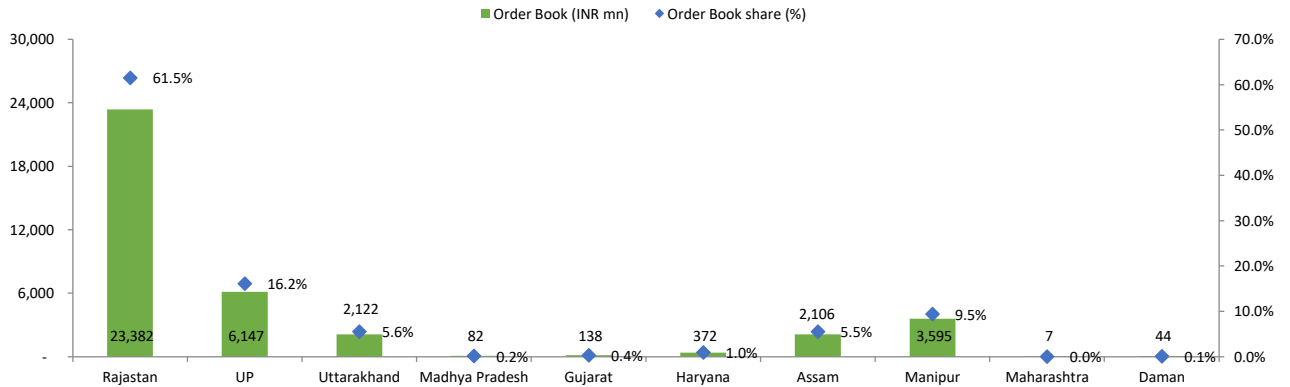
Order book and Client-wise revenue

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).



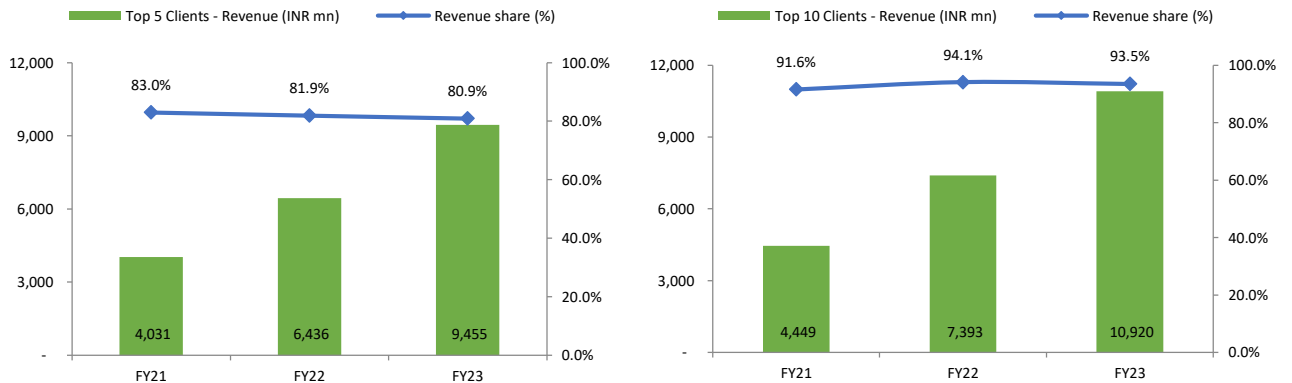
Source: Company reports, Arianth Capital Research

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

Order book

Exhibit 4: State-wise, Segment-wise value of work awarded in ongoing projects

S. No	State Name	Number of projects	WSP	Railways	Roads	Sewerage & others	Value of work awarded (INR mn)	Total value of work awarded (%)
1	Rajasthan	34	28,287	5,126	4,410	1,605	39,428	63.8%
2	Uttar Pradesh	4	9,230	-	-	-	9,230	14.9%
3	Uttarakhand	2	2,566	-	-	-	2,566	4.1%
4	Madhya Pradesh	1	-	484	-	-	484	0.8%
5	Gujarat	2	1,211	-	-	-	1,211	2.0%
6	Haryana	1	1,061	-	-	-	1,061	1.7%
7	Assam	4	3,243	-	-	-	3,243	5.2%
8	Manipur	1	4,333	-	-	-	4,333	7.0%
9	Maharashtra	1	-	130	-	-	130	0.2%
10	Daman	1	-	-	-	149	149	0.2%
Total		51	49,932	5,740	4,410	1,754	61,836	100.0%
Total value of work awarded (%)			80.7%	9.3%	7.1%	2.8%	100.0%	

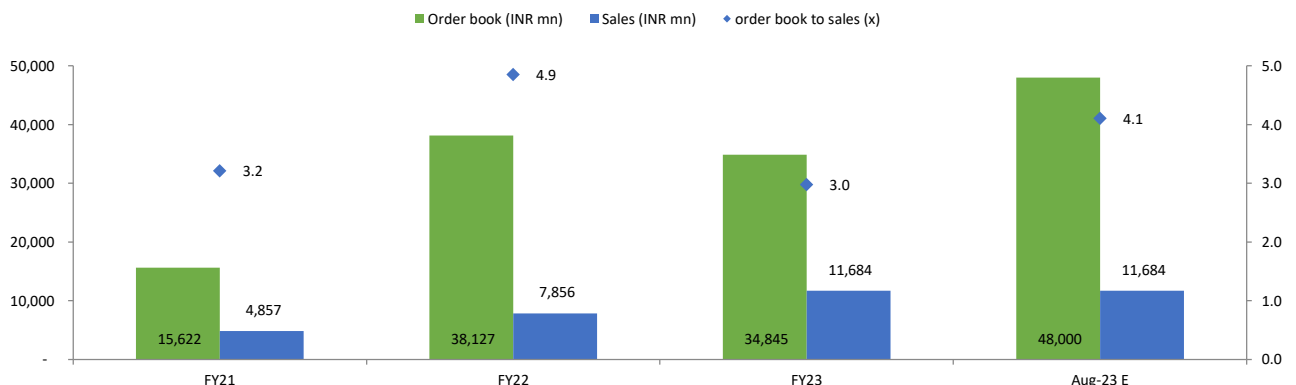
Source: Company Reports, Arianth Capital Research, order book as on 15th Jul 2023

Exhibit 5: State-wise, Segment-wise order book details

S. No	State Name	Number of projects	WSP	Railways	Roads	Sewerage & others	Total Order book (INR mn)	Order book (%)
1	Rajasthan	34	15,172	3,673	3,012	1,525	23,382	61.5%
2	Uttar Pradesh	4	6,147	-	-	-	6,147	16.2%
3	Uttarakhand	2	2,122	-	-	-	2,122	5.6%
4	Madhya Pradesh	1	-	138	-	-	138	0.4%
5	Gujarat	2	82	-	-	-	82	0.2%
6	Haryana	1	372	-	-	-	372	1.0%
7	Assam	4	2,106	-	-	-	2,106	5.5%
8	Manipur	1	3,595	-	-	-	3,595	9.5%
9	Maharashtra	1	-	7	-	-	7	0.0%
10	Daman	1	-	-	-	44	44	0.1%
Total		51	29,596	3,818	3,012	1,569	37,995	100.0%
Total Order book (%)			77.9%	10.0%	7.9%	4.1%	100.0%	

Source: Company Reports, Arianth Capital Research, order book as on 15th Jul 2023.

Exhibit 6: The order book stood at INR 37,995mn (~3.3x of FY23 revenue) as of 15th Jul 2023. We are estimating order book is expected around INR 48,000mn which translates 4x of order book to bill based on FY23 revenue.



Source: Company reports, Arianth Capital Research

Revenue Model

Exhibit 7: Revenue is expected to grow at a CAGR ~35% over the period of FY23-26E backed by strong execution. The order book stood at INR 37,995mn (~3.3x of FY23 revenue) as of 15th Jul 2023 shows potential revenue visibility going forward.

Segment-wise revenue (INR mn)	FY21	FY22	FY23	FY24E	FY25E	FY26E
Water supply projects	3,839	6,740	9,977	13,469	18,587	26,021
growth (%)		76%	48%	35%	38%	40%
Railway projects	805	885	790	853	955	1,099
growth (%)		10%	-11%	8%	12%	15%
Road projects	-	-	724	819	941	1,111
growth (%)			NA	13%	15%	18%
Irrigation & Network projects	201	190	116	112	114	119
growth (%)		-5%	-39%	-3%	2%	4%
Others	13	41	78	109	157	224
growth (%)		216%	91%	40%	45%	42%
Total Revenue	4,857	7,856	11,684	15,361	20,755	28,573
growth (%)		62%	49%	31%	35%	38%

Source: Company Reports, Aриhant Capital Research

Segment-wise revenue (%)	FY21	FY22	FY23	FY24E	FY25E	FY26E
Water supply projects	79.0%	85.8%	85.4%	87.7%	89.6%	91.1%
Railway projects	16.6%	11.3%	6.8%	5.6%	4.6%	3.8%
Road projects	0.0%	0.0%	6.2%	5.3%	4.5%	3.9%
Irrigation & Network projects	4.1%	2.4%	1.0%	0.7%	0.6%	0.4%
Others	0.3%	0.5%	0.7%	0.7%	0.8%	0.8%
Miscellaneous Revenue	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Total Revenue	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

Source: Company Reports, Aриhant Capital Research

Revenue (INR mn)	FY21	FY22	FY23	FY24E	FY25E	FY26E
Government Entities	4,844	7,807	11,569	15,207	20,548	28,288
growth (%)		61%	48%	31%	35%	38%
Private Entities	13	49	115	154	208	286
growth (%)		280%	137%	33%	35%	38%
Total	4,857	7,856	11,684	15,361	20,755	28,573

Source: Company Reports, Aриhant Capital Research

Particular (INR mn)	FY21	FY22	FY23	FY24E	FY25E	FY26E
Revenue	4,857	7,856	11,684	15,361	20,755	28,573
Revenue from JV	825	1,779	2,493	3,395	4,691	6,543
JV revenue as % total sales	17.0%	22.6%	21.3%	22.1%	22.6%	22.9%

Source: Company Reports, Aриhant Capital Research

Particular (INR mn)	FY21	FY22	FY23	FY24E	FY25E	FY26E
Revenue	4,857	7,856	11,684	15,361	20,755	28,573
Rajasthan Projects revenue (INR mn)	2,815	4,017	7,812	9,631	13,242	18,744
Rajasthan Projects revenue as % total sales	57.9%	51.1%	66.9%	62.7%	63.8%	65.6%

Source: Company Reports, Aриhant Capital Research

Financial Statements

Income statement summary

Y/e 31 Mar (INR mn)	FY21	FY22	FY23	FY24E	FY25E	FY26E
Revenue	4,857	7,856	11,684	15,361	20,755	28,573
Net Raw Materials	4,224	6,743	9,678	12,688	17,102	23,459
Employee Cost	101	150	265	346	457	629
Other Expenses	79	95	175	223	301	414
EBITDA	454	869	1,566	2,104	2,895	4,072
EBITDA Margin (%)	9.3%	11.1%	13.4%	13.7%	13.9%	14.2%
Depreciation	(41)	(42)	(70)	(104)	(172)	(210)
Interest expense	(175)	(241)	(302)	(321)	(383)	(407)
Other income	19	18	31	41	56	77
Profit before tax	257	604	1,224	1,720	2,396	3,532
Taxes	(67)	(155)	(318)	(447)	(623)	(918)
PAT	190	448	906	1,273	1,773	2,613
PAT Margin (%)	3.9%	5.7%	7.8%	8.3%	8.5%	9.1%
Other Comprehensive income	1	2	7	-	-	-
Total Comprehensive Income	191	451	913	1,273	1,773	2,613
EPS (INR)	6.8	16.0	9.8	10.2	14.3	21.0

Source: Company Reports, Aриhant Capital Research

Balance sheet summary

Y/e 31 Mar (INR mn)	FY21	FY22	FY23	FY24E	FY25E	FY26E
Equity capital	281	281	934	1,243	1,243	1,243
Reserves	855	1,305	2,211	6,572	8,346	10,959
Net worth	1,136	1,587	3,145	7,816	9,589	12,203
Provisions	7	10	9	4	6	8
Debt	1,177	1,889	2,595	2,655	3,025	3,000
Other non-current liabilities	22	23	32	46	62	86
Total Liabilities	2,342	3,509	5,781	10,521	12,682	15,296
Fixed assets	485	720	1,254	2,395	2,981	3,531
Capital Work In Progress	-	3	56	8	10	12
Investments	133	143	200	276	374	514
Other non current assets	12	0	15	15	21	29
Net working capital	1,358	2,176	3,453	5,775	7,679	10,271
Inventories	1,053	1,768	3,126	4,102	5,482	7,391
Sundry debtors	1,001	1,169	1,977	3,283	4,322	5,793
Loans & Advances	1.8	17.2	89.7	30.7	41.5	57.1
Other current assets	271	690	734	968	1,251	1,722
Sundry creditors	(941)	(1,181)	(2,062)	(2,070)	(2,691)	(3,692)
Other current liabilities & Prov	(27)	(287)	(412)	(538)	(726)	(1,000)
Cash	278	386	700	1,867	1,369	596
Other Financial Assets	76	80	105	184	249	343
Total Assets	2,342	3,509	5,781	10,521	12,682	15,296

Source: Company Reports, Aриhant Capital Research

Financial Statements

Cashflow summary

Y/e 31 Mar (INR mn)	FY21	FY22	FY23	FY24E	FY25E	FY26E
Profit before tax	257	604	1,224	1,720	2,396	3,532
Depreciation	41	42	70	104	172	210
Tax paid	(67)	(155)	(318)	(447)	(623)	(918)
Working capital Δ	(1,358)	(818)	(1,277)	(2,322)	(1,903)	(2,593)
Operating cashflow	(1,127)	(327)	(301)	(945)	42	231
Capital expenditure	(526)	(281)	(655)	(1,198)	(760)	(762)
Free cash flow	(1,653)	(608)	(956)	(2,143)	(718)	(531)
Equity raised	946	2	652	3,398	(0)	-
Investments	(133)	(9)	(57)	(77)	(97)	(141)
Others	(88)	7	(39)	(80)	(70)	(102)
Debt financing/disposal	1,177	712	706	60	370	(25)
Other items	29	4	8	9	18	26
Net Δ in cash	278	108	313	1,167	(498)	(773)
Opening Cash Flow	-	278	386	700	1,867	1,369
Closing Cash Flow	278	386	700	1,867	1,369	596

Source: Company Reports, Aриhant Capital Research

Ratio analysis

Y/e 31 Mar	FY21	FY22	FY23	FY24E	FY25E	FY26E
Growth matrix (%)						
Revenue growth		61.7%	48.7%	31.5%	35.1%	37.7%
Op profit growth		91.4%	80.3%	34.4%	37.6%	40.6%
Profitability ratios (%)						
OPM	9.3%	11.1%	13.4%	13.7%	13.9%	14.2%
Net profit margin	3.9%	5.7%	7.8%	8.3%	8.5%	9.1%
RoCE	13.8%	21.6%	24.5%	18.6%	17.8%	20.9%
RoNw	16.7%	32.9%	38.3%	23.2%	20.4%	24.0%
RoA	8.1%	12.8%	15.7%	12.1%	14.0%	17.1%
Per share ratios (INR)						
EPS	6.8	16.0	9.8	10.2	14.3	21.0
Cash EPS	8.2	17.4	10.4	11.1	15.6	22.7
Book value per share	40.4	56.4	33.7	62.9	77.1	98.2
Valuation ratios (x)						
P/E	21.5	9.1	14.9	14.3	10.2	6.9
P/CEPS	17.8	8.4	14.0	13.2	9.3	6.4
P/B	3.6	2.6	4.3	2.3	1.9	1.5
EV/EBITDA	10.7	6.3	9.8	8.9	6.7	4.9
Payout (%)						
Tax payout	26.1%	25.7%	26.0%	26.0%	26.0%	26.0%
Liquidity ratios						
Debtor days	75	50	49	62	67	65
Inventory days	91	76	92	104	102	100
Creditor days	78	55	59	57	49	48
WC Days	88	71	83	110	120	117

Source: Company Reports, Aриhant 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 8: Vishnu Prakash R Punglia order book to bill stood at 3.3 which is in-line with industry.

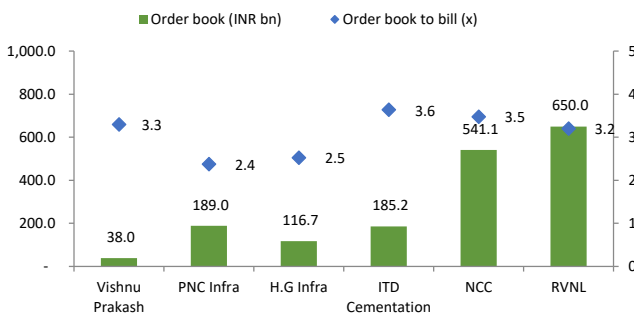


Exhibit 9: Vishnu Prakash R Punglia revenue growth is better than competitors over the period of FY21-23.

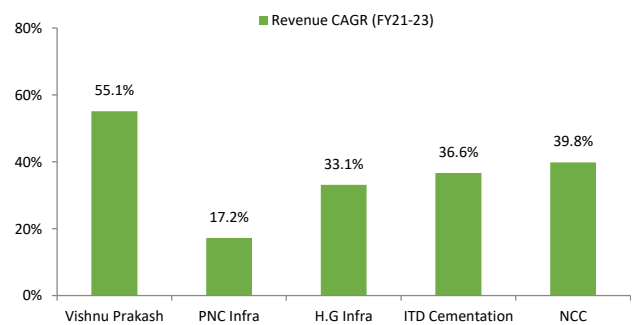


Exhibit 10: Vishnu Prakash R Punglia EBITDA margins has double digit margins in FY23.

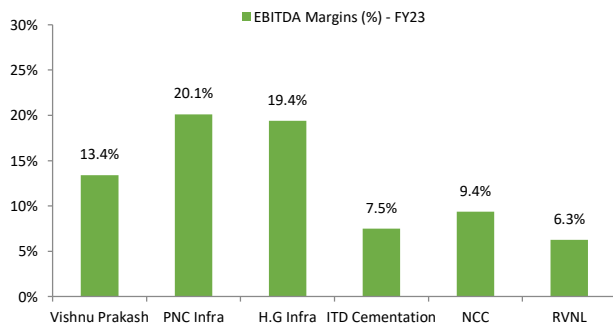


Exhibit 11: Vishnu Prakash R Punglia PAT margins were better in the industry.

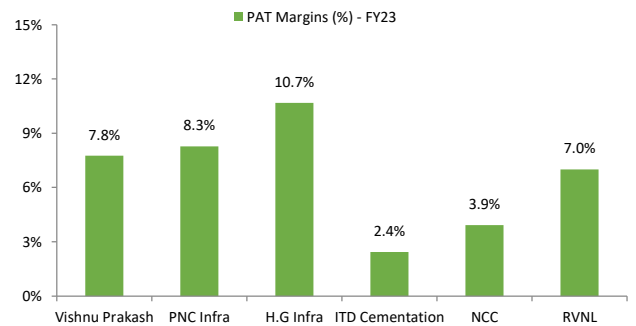


Exhibit 12: Vishnu Prakash R Punglia ROA were better in the industry.

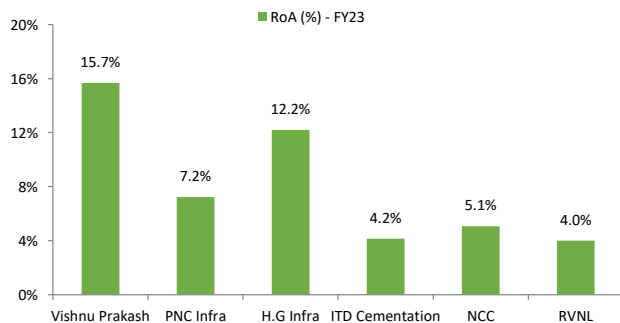
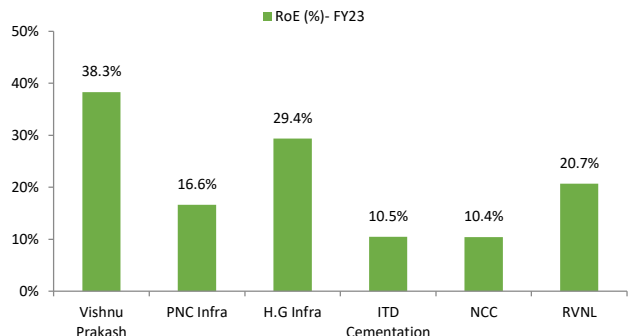


Exhibit 13: Vishnu Prakash R Punglia ROE were better in the industry.



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

Story in Charts

Exhibit 14: Revenue is expected to grow at a CAGR ~35% over the period of FY23-26E, backed by strong projects execution.

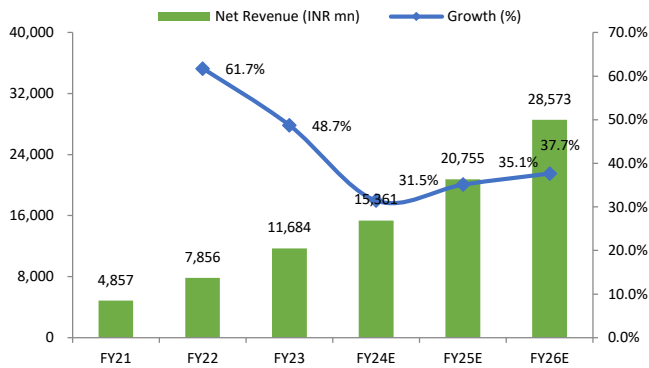


Exhibit 15: Gross margins were improved to 17.2% in FY23. In-house model would reduce dependence from 3rd party leads to cost reduction and margin improvement going forward.

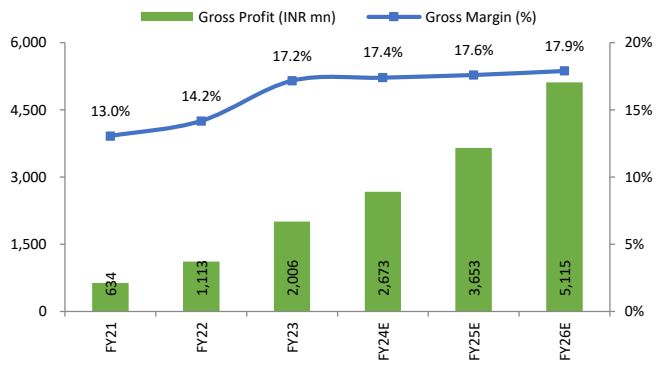


Exhibit 16: Growth in EBITDA & PAT levels

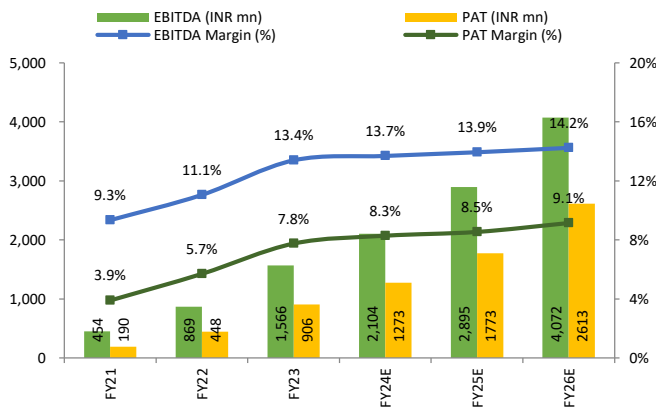


Exhibit 17: Return ratios is expected to maintain above 20% going forward.

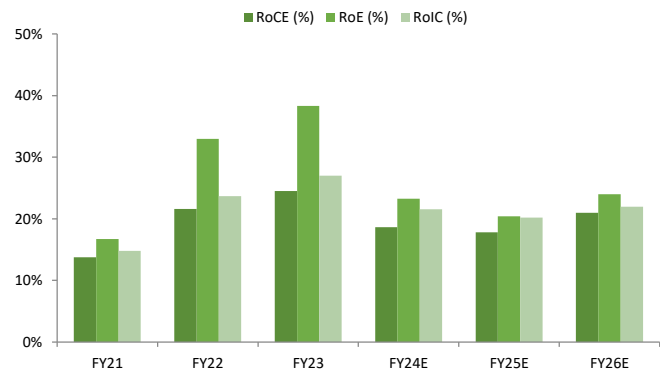


Exhibit 18: Working capital days is expected to increase due to higher value of projects.

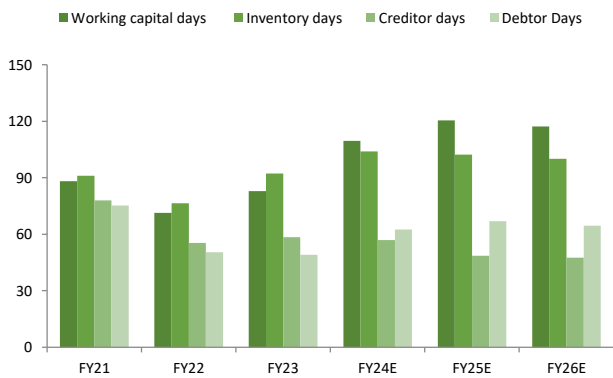
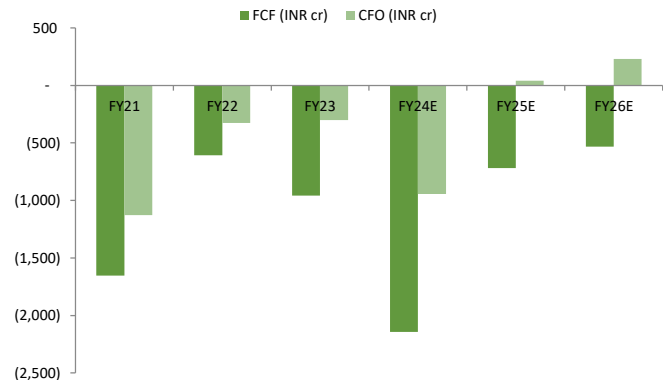


Exhibit 19: Higher working capital led to lower cash flows and expected to improve gradually going forward.



Source: Company Reports, Arianth Capital Research

Story in Charts

Exhibit 20: Working capital in-terms of sales is expected to maintain going forward.

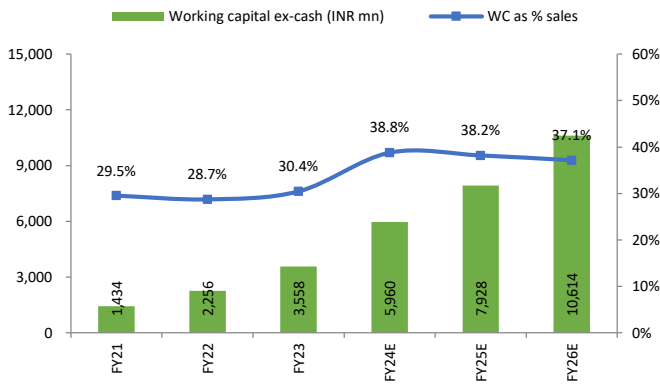


Exhibit 21: Interest cost as % of EBIT is expected to reduce going forward.

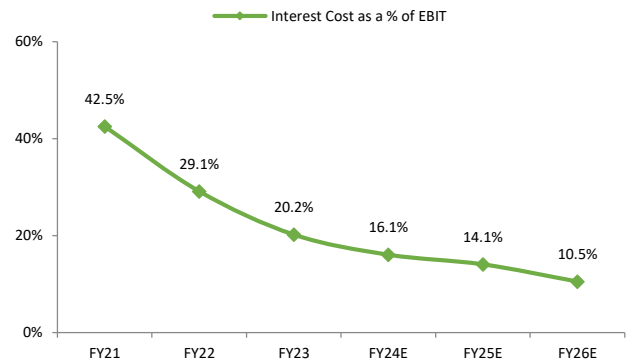


Exhibit 22: Employee cost is expected to be 2% to 2.5% of sales going forward.

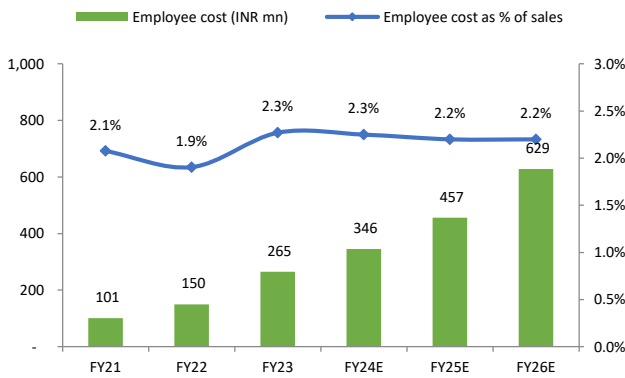


Exhibit 23: Raw material cost is expected to moderate due to high value projects.

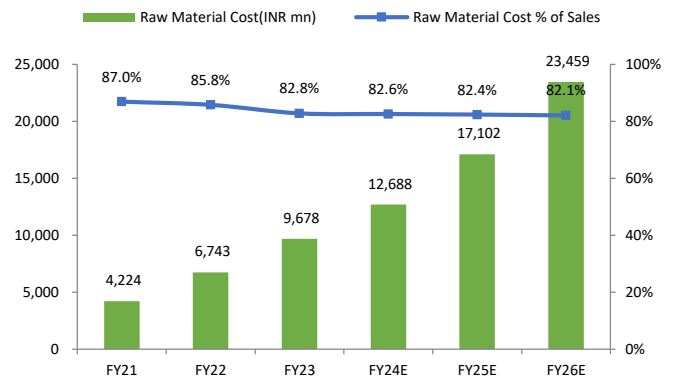


Exhibit 24: Sub-contracting expenses were reduced to less than 50% of sales and expected to maintain going forward.

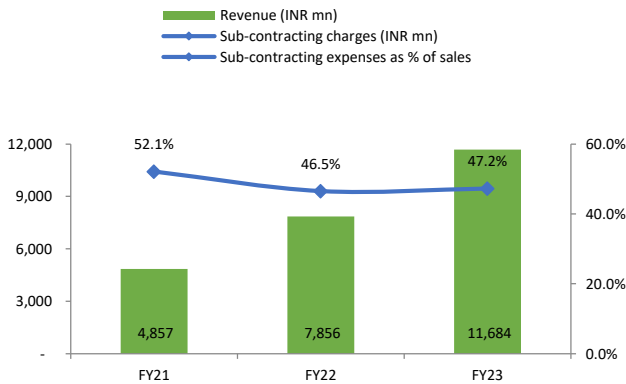
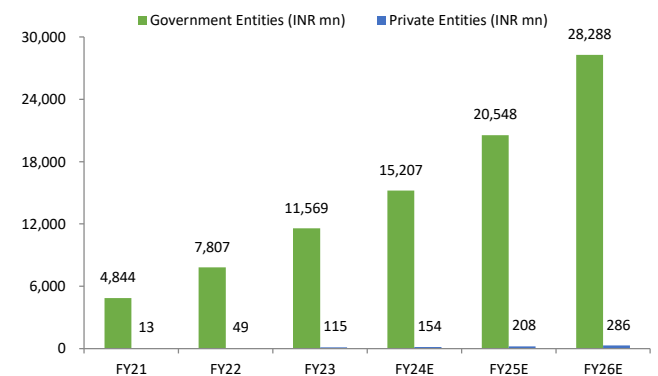


Exhibit 25: Government projects is expected to contribute more than 95% going forward.



Source: Company Reports, Arianth Capital Research

Arihant Research DeskEmail: instresearch@arihantcapital.com

Tel. : 022-42254800

Head Office	Registered Office
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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%

Research Analyst Registration No.	Contact	Website	Email Id
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