

One Stop Investment Avenue



**GEPL
CAPITAL**



IPO Note

**GARUDA
CONSTRUCTION
AND ENGINEERING
LIMITED**

Oct 08, 2024





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Details of the Issue

Price Band	₹ 92 - ₹ 95
Issue Size	₹ 264.10 Cr
Face Value	₹ 5
Bid Lot	157
Listing on	BSE, NSE
Post Issue Mcap	₹ 883.9 Cr
Investment Range	₹ 14,444 - ₹ 14,915

Important Indicative Dates (2024)

Opening	08 - Oct
Closing	10 - Oct
Basis of Allotment	11 - Oct
Refund Initiation	14 - Oct
Credit to Demat	14 - Oct
Listing Date	15 - Oct

Lead Manager

Corpwis Advisors Private Limited

Offer Details

Offer Size	₹ 264.10 Cr
Fresh Issue	₹ 173.85 Cr
OFS	₹ 90.25 Cr

Type	In Rs Cr	No of Shares (Mn)		% of Issue
		Upper	Lower	
QIB	132	13.90	14.35	50
NIB	40	4.17	4.30	15
Retail	92	9.73	10.04	35
Em- ploy.	-	-	-	-
Total	264	27.80	28.70	100

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Company Profile

Garuda Construction and Engineering Private Limited, incorporated on September 21, 2010, focuses on expanding its execution capabilities in civil construction projects across various sectors such as residential, commercial, infrastructure, and industrial. The company started with hospitality sector projects, including the Golden Chariot Vasai Hotel & Spa in 2010, and has since grown its portfolio. Key projects include the refurbishment of Golden Chariot Boutique Hotel (2015) and the construction of Rivali Park, Kandivali (2017) and the Delhi Police Headquarters (2021). Garuda's order book, which aggregates to ₹1,40,827.44 lakhs, includes 12 ongoing projects, with 7 of these having a contract value of over ₹10,000 lakhs each. Currently, the company is engaged in six residential, two commercial, one industrial, and one infrastructure project.

Business Highlights & Services

The company offer comprehensive civil construction services across residential, commercial, industrial, and infrastructure projects, covering all aspects from design to project delivery. Historically, it has operated primarily within the Promoter Group, executing in-house projects. With years of expertise and management experience, company now transitioning to third-party contracts, expanding the business scope. Additionally, the venturing into roles as developers, leveraging the knowledge in operations and project management to capture larger opportunities in both private and government sectors. Company experience positions them for sustained growth in the construction and development industry.

Company is expanding the presence in the civil construction sector by venturing into real estate development. Leveraging the extensive construction expertise and industry knowledge, it aim to capitalize on their solid reputation for developing and marketing both residential and commercial projects. The promoters, already experienced in procuring development projects, are contracting them for construction, providing valuable exposure to developer roles. The current order book includes two projects where it engaged as developers or joint developers, one residential and one commercial, positioning GCEL for growth in this new vertical.

The company's focus on "lock-and-key" projects, which integrate full construction services including MEP, finishing, and interiors, presents a strategic growth avenue. By handling all stages of construction, the company achieves cost efficiencies through the distribution of indirect costs, thereby increasing per-project revenue potential. Despite the current low contribution of these services to overall revenues, management sees strong growth potential due to higher profit margins. The company aims to expand its footprint in this segment by pursuing new contracts and leveraging relationships with existing clients. Additionally, a commitment to quality execution, advanced project management tools, and best practices from various sectors is expected to enhance productivity, asset utilization, and client satisfaction. This positions the company to drive long-term value creation in the civil construction space.

The company's asset-light model in civil construction effectively relies on third-party subcontractors for equipment, materials, and labor. Given the geographical diversity of projects across locations such as MMR, Punjab, Karnataka, New Delhi, Tamil Nadu, Rajasthan, and Arunachal Pradesh, mobilizing heavy machinery is both challenging and economically unfeasible. Instead of heavy capital investments in equipment, which could be better deployed elsewhere, the company primarily utilizes rental machinery from third-party vendors, minimizing fixed costs and enhancing project execution efficiency.



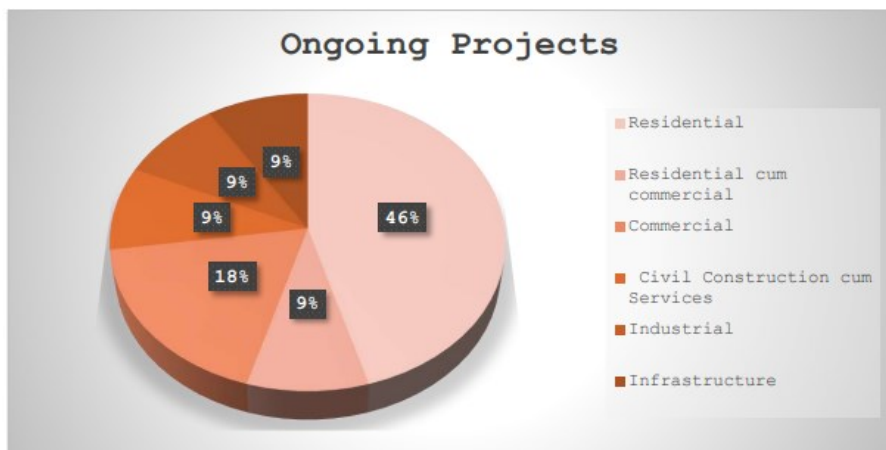
This strategy not only boosts profit margins but also supports the company's geographical expansion beyond the MMR region. By diversifying its project portfolio, the company mitigates risks associated with concentration in specific areas, protecting against fluctuations in demand. The expansion into various regions such as New Delhi, Rajasthan, Karnataka, Tamil Nadu, Amritsar, and Arunachal Pradesh allows the company to reduce dependence on any single state while capitalizing on new opportunities. Additionally, as existing clients expand their geographical footprints, the company is positioned to secure projects across the country, leveraging established relationships for further growth.

Order Book & Contract Details

(₹ in Lakhs)					
Sr No.	Nature of Contract	Location	Sector	Area to be constructed (in sq. ft.)	Contract Value
1.	Construction contract of Trinity Oasis at Ghodbunder Road, Thane	Ghodbunder Road, Thane	Civil construction (Residential cum commercial)	4,00,000	10,800.00
2.	Construction contract for the residential project "Garuda Shatrunjay" at Borivali West, Mumbai	Borivali West, Mumbai	Civil construction (Residential)	2,87,400	16,798.53
3.	Complete finishing works along with miscellaneous construction and beautification work of the residential project Garuda Shatrunjay at Borivali West, Mumbai	Borivali West, Mumbai	Civil construction cum services	-	5,748.00
4.	Construction Contract for slum rehabilitation project at Borivali East, Mumbai	Borivali East, Mumbai	Civil construction (Residential)	4,91,800	25,614.30
5.	Construction, development and completion of the project "Options World" at Santacruz West, Mumbai	Santacruz West, Mumbai	Civil construction (Commercial)	4,00,804	17,250.00
6.	Construction of proposed office building at Bandra Kurla Complex, Mumbai	Bandra Kurla Complex, Mumbai	Civil construction (Commercial)	-	5,500.00
7.	Construction of proposed residential building at Amritsar	Village Meharbanpura & Nijjarpura, Amritsar, Punjab	Civil construction (Residential)	3,68,869	13,002.63
8.	Construction work shall include civil work, barrage structure, intake cum feeder channel, desilting basin, power channel, forebay and spillway, penstock and anchor blocks and electro mechanical work, etc.	Hailuyang, Anjaw District, Arunachal Pradesh	Civil construction (Infrastructure)	-	10,650.27
9.	Agro-processing cluster EPC contract dated February 09, 2023 in Jalore, Rajasthan	Village Chandrai, Ahore - Jalore, Rajasthan	Civil construction (Industrial)	-	3,638.71
10.	Finishing and Completion of Residential Building	Kalyan, Thane	Civil construction (Residential)	1,45,000	1,357.00
11.	Construction and Development of Residential Project	Kalyan, Thane	Civil construction (Residential)	7,00,000	25,000.00
12.	Redevelopment of Immovable Property in Mumbai	Lower Parel, Mumbai	Civil construction (Residential)	1,75,000	5,675.00
Total				29,68,873	1,40,827.44



Project Details



Geographical Presence



- Ongoing/Upcoming - Rajasthan:1, Punjab:1, Arunachal Pradesh:1, MMR:9,
- Completed- Completed: MMR:5, Karnataka:1, Delhi: 2, Tamil Nadu:1

Peers Comparison

Name of the company	Face Value (₹)	Total Income (₹ Cr)	EPS	NAV (₹)	P/E	RoNW(%)
Garuda Construction Limited	5	154	4.87	16	NA	36.14%
Peers Group						
PSP Projects Limited	10	2,462	34.16	254	20	17.73%
Capacite Infraprojects Limited	10	1,932	16.09	223	23.61	9.35%
Vascon Engineers Limited	10	1,053	3.05	44	22.66	11.32%
Ahluwalia Contracts (India) Limited	2	3,855	55.95	238	22.97	17.14%
BL Kashyap & Sons Limited	1	1,245	2.33	22	48.67	13.38%



Companies Competitive Strength :

- Exclusive and focused business approach.
- Strong project management capacity and execution capabilities.
- Strong financial performance and healthy balance sheet.
- Established and proven track record.
- Visible growth through increasing order book.
- Experienced Promoter, Directors & Management Team.

Key Strategies Implemented by Company

- Thrust into the Construction and Development segment.
- Increase the focus on and execute greater number of projects on a lock-and-key basis.
- Continue focusing on timely completion.
- Continue to maintain an asset light model for the business operations.
- Expand the geographical footprint.
- Expand the Construction activities across sectors

Particular (INR in Cr)	Q1FY25	FY24	FY23	FY22
Equity Capital	37	37	12	12
Reserves and Surplus	85	82	70	29
Net Worth	123	119	83	42
Revenue	12	154	160	770
Growth (%)	-	-4%	-79%	-
EBITDA	5	50	56	272
EBITDAM (%)	40%	32%	35%	35%
PAT	4	36	41	19
PATM (%)	29%	24%	25%	2%
ROCE (%)	4%	47%	71%	41%
ROE (%)	3%	36%	66%	58%

Valuations and Recommendation:

- Based on annualized FY24 earnings to post-IPO paid-up equity capital of the company, The issue is priced at a P/E of 21X. Thus the issue appears to be fairly priced compared to earning and growth of the business.
- GCEL is specializes in civil construction, offering comprehensive services for residential, commercial, industrial, and infrastructure projects. Historically focused on in-house work for its promoter group, GCEL is now shifting to third-party contracts to evolve into a professionally managed firm. The company has a strong order book of INR 1,408 crore, reflecting solid future earnings visibility. Despite a 26% CAGR in revenue from FY22 to FY24, PAT dropped to INR 36 crore in FY24 from INR 41 crore, alongside a 4% revenue decline, indicating financial inconsistency. As of April 30, 2024, trade receivables reached INR 182 crore, representing 77% of the balance sheet, leading to increased debtor days and working capital needs. Additionally, promoter Mr. Pravin Kumar Brijendra Kumar Agarwal faces a pending criminal proceeding, which may negatively impact the company's reputation and business operations. Hence, we recommend a "Avoid" rating for the issue.



Notes

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