



VISHNU PRAKASH R PUNGLIA LIMITED

IPO Note



IPO Details		Company Background				
Opening Date	Aug 24, 2023	<ul style="list-style-type: none"> Vishnu Prakash R Punglia Limited was incorporated in the year 1986 and has its registered office in Mumbai, Maharashtra. Company is engaged in the business of design and construction of various infrastructure projects for the Central and State Government, autonomous bodies, and private bodies across 9 States and 1 Union territory in India. Company is an ISO 9001:2015 certified integrated engineering, procurement and construction ("EPC") company. As on March-23, Company has 57 employees on its payroll. 				
Closing Date	Aug 28, 2023					
Stock Exchange	BSE, NSE					
Lot Size	150 Shares					
Issue Price	₹ 94 to ₹ 99 per share					
Issue Size	Aggregating up to 308.88 Cr.					
Fresh Issue	Aggregating up to 308.88 Cr.					
Offer for Sale	-					
Application Amount (@ upper Band)	Min. Inv. - ₹ 14,850 (150 shares) Max. Inv. - ₹ 1,93,050 (1,950 shares)					
IPO Objective		Market Capitalization				
Capital expenditure requirements for purchase of equipment/machinery.		(In Cr.)				
Working Capital Requirements		Pre-Issue		Post-Issue		
General corporate purposes		₹ 925		₹ 1,234		
Pre-Issue Shareholding			Financial Summary			
			(In Lacs)			
Category	No. of Shares	% of Total Shares	For the Period Ended	Mar-21	Mar-22	Mar-23
Promoter & Promoter Group	8,45,19,000	90.45 %	Total Assets	33,104.50	48,781.20	82,548.30
Public	89,25,000	9.55%	Net Assets	11,361.40	15,869.00	31,450.70
Promoter of the Company			Total Borrowings	11,078.20	17,657.70	25,037.40
1	Vishnu Prakash Punglia		Total Revenue	48,767.30	78,738.70	1,17,146.40
2	Manohar Lal Punglia		Profit After Tax	1,898.20	4,484.70	9,064.30
3	Sanjay Kumar Punglia		Tentative Timeline			
4	Kamal Kishor Pungalia		Opening Date	Aug 24,2023		
5	Ajay Pungalia		Closing Date	Aug 28, 2023		
Competitive Strengths			Basis of Allotment	Aug 31, 2023		
1	Focused player is Water Supply Projects		Initiation of Refunds	Sept 01, 2023		
2	Robust order book		Credit of Shares to Demat	Sept 04, 2023		
3	Relationship with marquee client base		Listing Date	Sept 05, 2023		
4	Track record of completed projects					
5	In-house integrated model					



Company Background and Analysis

The Company was originally incorporated as on August 14, 1986. The company is an ISO 9001:2015 certified integrated engineering, procurement and construction (“EPC”) company with experience in design and construction of various infrastructure projects for the Central and State Government, autonomous bodies, and private bodies across 9 States and 1 Union territory in India. The company have been accredited with various registrations as a contractor with various departments and agencies viz. Jodhpur Development Authority, Jodhpur, Rajasthan, Public Health Engineering Department, Rajasthan, Water Resources Department, Rajasthan, roads and etc., pursuant to which company is also eligible to participate and undertake projects awarded by various other departments and agencies.

The company has a design and engineering, procurement, project management and quality management teams along with fleet of 499 construction equipment and vehicles. The inhouse teams deliver the projects from design to completion. This reduces the company’s dependency on third parties for key materials required in the development and construction of the projects.

The company undertake projects on EPC basis, with or without operation and maintenance services (O&M). The scope of the services includes detailed engineering of the project, procurement of key materials, and project execution at the sites with overall project management up to the commissioning of these projects. The company has not undertaken any sub-contracting assignments till date. The company undertake assignments independently or whenever required, through the joint ventures. The various stages involved in bidding of projects are i) Pre-bidding, ii) Post-bidding, iii) post-completion.

Engineering Procurement and Construction (EPC) operations are broadly divided into the following segments:

1. Water Supply Projects (WSP) - Survey, design, construction, commissioning, operation, maintenance, and management of water supply projects (WSPs) including supply, laying and testing of pipelines; construction of water tanks, reservoirs, overhead tanks, raw water reservoirs, water treatment plants, pumping stations, providing functional house hold tap connection, and etc.
2. Railway projects - Laying of railway tracks, construction of platforms, major bridges, rail-over-bridges, rail-underbridges, foot-over-bridges, station buildings, staff quarters, signal and telecommunication building.
3. Road Projects - Construction and/or strengthening of roads and highways on EPC mode, including minor bridges, major bridges, road-over-bridges, road-under-bridges, culverts.
4. Irrigation Network Projects - Survey, design, construction, operation, maintenance, and management of irrigation network including construction of tunnels, canals (lined and unlined), raw water reservoirs, pumping stations, pressurized piping system and related electro mechanical and instrumentation works on EPC single responsibility turnkey basis.

The company also undertakes construction of sewerage treatment plants, sewerage pipelines, sewer tank drain, construction and commissioning of tube settlers; construction of multi-storey RCC framed structures, construction of tunnels, ware houses.



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Types of EPC Contracts includes Design Build Contracts (DBC), Item Rate Contracts. Under Integrated In-House Model resources includes equipment, Design and Engineering Team, Procurement Team, Project Management Team, Quality Management Team.

The company has around 51 ongoing projects as on July 15, 2023 value of work awarded amounting to Rs. 6,18,358.1 lakhs. The state-wise, segment-wise value of work awarded in the ongoing projects as on July 15th 2023 is given below-

(Amount in Lakhs)

State Name	Number of Projects	Segments				Value of work awarded	Percentage of total of value of work awarded
		WSP	Railways	Roads	Sewerage & Others		
Rajasthan	34	2,82,869.10	51,258.90	44,101.00	16,049.30	3,94,278.30	63.76
Uttar Pradesh	4	92,303.20	-	-	-	92,303.20	14.93
Uttarakhand	2	25,655.90	-	-	-	25,655.90	4.15
Madhya Pradesh	1	-	4,842.20	-	-	4,842.20	0.78
Gujarat	2	12,113.00	-	-	-	12,113.00	1.96
Haryana	1	10,614.70	-	-	-	10,614.70	1.72
Assam	4	32,434.20	-	-	-	32,434.20	5.25
Manipur	1	43,329.50	-	-	-	43,329.50	7.01
Maharashtra	1	-	1,295.80	-	-	1,295.80	0.21
Daman	1	-	-	-	1,491.30	1,491.30	0.24
Total	51	4,99,319.60	57,396.90	44,101.00	17,540.60	6,18,358.10	100.00
Percentage of total value of work awarded (in %)		80.75	9.28	7.13	2.84	100.00	

To conclude, the company was originally incorporated in the year 1986. The company has around 51 ongoing projects going on currently. The company is planning to raise Rs. 3,08,88 lakhs out of which Rs. 6,217.7 lakhs are to be utilized for capital expenditure for the purchase of equipment and machineries, Rs. 15,000 lakhs are to be utilized for working capital requirements of the company.



Business Strategies

1. Geographical diversification.

The company believes that the strategy of focusing on further developing the existing markets as well as expanding into new markets with growth potential will enable company to effectively target growth opportunities, widen the revenue base, as well as reduce the risk of volatile market conditions and price fluctuations resulting from concentration of resources in a particular geographic region.

2. Continued focus on Water Supply Projects (WSP) business.

The company intends to grow the portfolio of water supply turnkey projects and other projects by capitalising on the experience, asset base, market position and ability to execute and manage multiple projects across various geographies. A key element of the company's growth strategy is to seek to improve the performance and competitiveness of the existing activities. To fuel the growth strategy, the company intends to invest in latest equipment and technology to support the expanding operations.

3. Pursuing other segments.

The company intends to continue focusing on bidding for projects with higher contract values. Further, to fuel the growth and expand operations, the company intends to invest in latest equipment and technology, wherever necessary. To increase the equipment fleet, the company intends to purchase latest equipment from reputed manufacturers and continue with the strategy of placing minimum reliance on hired or leased equipment.

4. Focus on high value contracts and investment in latest equipment.

The company plans to continue developing or purchasing new equipment/machineries through the issue proceeds, which can improve the efficiency to satisfy consumer demand. The company also plans to upgrade the equipment with an aim to further increase the efficiencies.

5. Leverage core competencies with enhanced in-house integration.

The company intends to enhance the design and engineering capabilities in-house in the areas of water supply systems, fabrication of steel girders, rail over-bridges, road safety and traffic management solutions for road infrastructure. The company believes that further developing specialized in-house capabilities would reduce dependence on third parties.

Competitive Scenario and Peer Mapping

Competition

The company faces competition from other construction companies operating in the same geographies. The infrastructure industry in which the company operates in has less barrier to entry. There are no unique products. The bargaining power with the consumers is high.

Peer Analysis

The comparison of the key performance indicators of the listed peers as on Mar-23 is given below –

Particulars	Vishnu Prakash R Punglia Limited	PNC Infratech Limited	H.G. Infra Engineering Limited	NCC Limited	Rail Vikas Nigam Limited	ITD Cementation India Limited
	31st Mar 2023	31st Mar 2023	31st Mar 2023	31st Mar 2023	31st Mar 2023	31st Mar 2023
Net Profit Margin	7.76%	8.27%	10.67%	4.15%	7.01%	2%
EBITDA Margin	13.40%	20.11%	19.36%	9.38%	6.15%	8%
Return on Capital Employed	39.48%	12.55%	23.18%	18.86%	8.76%	19%
Return on Equity	28.82%	15.36%	25.65%	10.48%	19.40%	10%
EPS (INR)	10.41	25.67	75.68	9.70	6.81	7.23

The comparison of the key performance indicators of the listed peers as on Mar-22 is given below –

Particulars	Vishnu Prakash R Punglia Limited	PNC Infratech Limited	H.G. Infra Engineering Limited	NCC Limited	Rail Vikas Nigam Limited	ITD Cementation India Limited
	31st Mar 2022	31st Mar 2022	31st Mar 2022	31st Mar 2022	31st Mar 2022	31st Mar 2022
Net Profit Margin	5.71%	8.05%	10.13%	4.44%	6.10%	2%
EBITDA Margin	11.06%	21.28%	18.95%	9.23%	6.10%	8%
Return on Capital Employed	40.57%	12.81%	25.86%	13.79%	8.91%	15%
Return on Equity	28.26%	15.99%	26.46%	8.86%	18.49%	6%
EPS (INR)	5.31	22.62	58.31	7.91	5.67	4.01

The comparison of the key performance indicators of the listed peers as on Mar-21 is given below

Particulars	Vishnu Prakash R Punglia Limited	PNC Infratech Limited	H.G. Infra Engineering Limited	NCC Limited	Rail Vikas Nigam Limited	ITD Cementation India Limited
	31st Mar 2021	31st Mar 2021	31st Mar 2021	31st Mar 2021	31st Mar 2021	31st Mar 2021
Net Profit Margin	3.91%	8.59%	9.08%	3.56%	6.44%	1%
EBITDA Margin	9.34%	24.57%	18.54%	11.56%	5.71%	8%
Return on Capital Employed	30.47%	13.34%	23.45%	12.91%	7.32%	9%
Return on Equity	16.71%	16.28%	22.32%	5.50%	17.60%	2%
EPS (INR)	2.25	19.39	36.31	4.40	4.76	0.92

Industry Overview

Exhibit 1: Road Construction Per Day (kms)

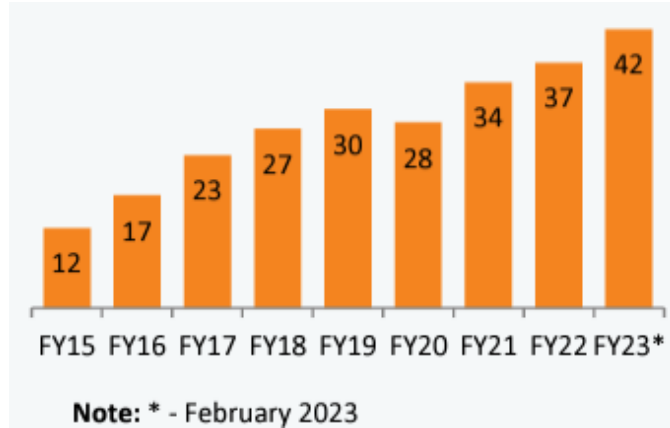


Exhibit 2: Trends in Passenger Volume (in billion)

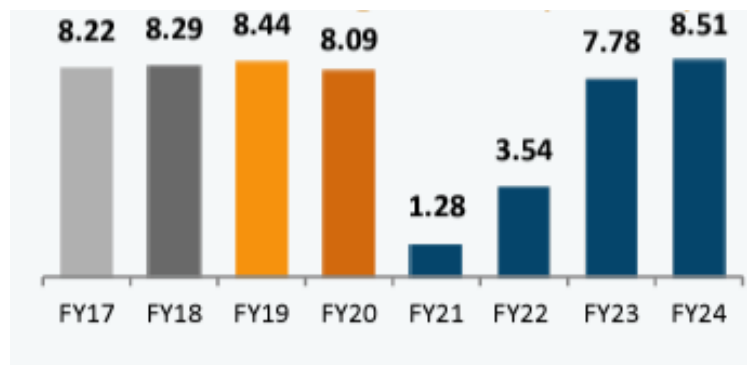
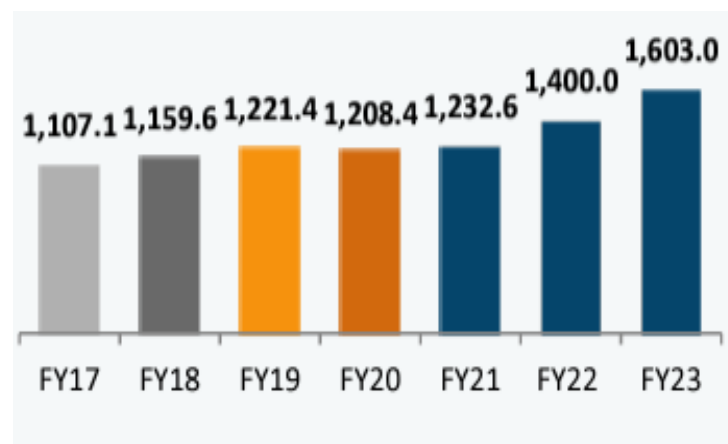


Exhibit 3: Trends in Freight Volume (in million tonnes)



(Source: ibef.com)



Infrastructure Industry -

Infrastructure sector is a key driver for the Indian economy. The sector is highly responsible for propelling India's overall development and enjoys intense focus from the Government for initiating policies that would ensure time-bound creation of world class infrastructure in the country. Infrastructure sector includes power, bridges, dams, roads, and urban infrastructure.

Water Supply and Waste-Water Management -

India is the world's second most populous country with 1.39 billion people. Out of this, 65% of the population lives in rural areas and 35% are connected to the urban centres². The metropolitan cities of the country are seeing major expansion as a result of economic expansions and reforms. This expansion in urban population is unsustainable without efficient planning of cities and provision of utility services especially clean and affordable water. Water allocation in cities is usually done from common pool with multiple sectoral demand.

Railways -

The reasons for the same are improvement in passenger earnings which happened by introduction of new trains and special trains or premium special trains etc. by increase in freight earnings like rationalizing merry-go-round policy, reducing distance in mini rakes etc., by leasing of parcel space to private parties and by liberalization of parcel policy. Apart from this, Indian railways is also considering to explore areas like changing coaches' compositions, having additional streams by monetizing traffic on digital booking on IRCTC.

Roads and Highway Industry -

India's road infrastructure has seen consistent improvement in the last few years. Connectivity has improved and road transportation has become a focus of rapid development. Roads are providing better access to services, ease of transportation and movement to people. Recognizing the significance of a reliable and swift road network in the country and the role it plays in influencing its economic development, the MoRTH has taken up the responsibility of building quality roads and highways across the country.

(Source: prospectus)



Key Managerial Personnel

Vishnu Prakash Punglia, aged 67, is one of the Promoters, Chairman, and the Whole-Time Director of the company. He has an experience of more than thirty-eight (38) years in the construction and EPC business and is instrumental in making strategic decisions of the Company.

Manohar Lal Punglia, aged 50, is one of the Promoters and Managing Director of the company. He has an experience of more than three decades in the construction and EPC business.

Sanjay Kumar Punglia, aged 43, is one of the Whole-time Directors and Chief Executive Officer of the Company. He holds a bachelor of Technology Degree in Civil (Lateral Entry), Master of Technology (Civil Engineering) Degree. He has an experience of over eighteen (18) years in the EPC business. He leads the in-house design team, is actively involved in continuous value engineering using the latest specifications and methodologies and takes care of the procurement function.

Kamal Kishor Pungalia, aged 45, is one of the Promoters, Whole-time Director of the Company. He holds a Technician Engineers Membership. He has an experience of over twentyone (21) years in undertaking water supply turnkey projects and projects relating to the Central Government like, Railways & MES, etc. He takes care of human resource and administrative functions.

Ajay Pungalia, aged 38, is one of the Promoters, and Whole-Time Director of the company. He has experience of over eighteen (18) years in the EPC business. He is actively involved in business development of the Company and oversees the core finance function. He is also responsible for the management of capital assets and oversees the Information Technology department.

Krishna Murari Lal Mathur, aged 75, is the Independent Director of the Company. He holds a Bachelor in Civil Engineering Degree. He has an experience of over thirty-nine (39) years in undertaking water supply projects.

To conclude, the company has 5 promoters and they have vast knowledge and experience in the fields which help in the growth of the business. The remaining directors also have good knowledge and experience in the fields which help in the growth of the business.



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Financial Snapshot

Profit and Loss Statement			(In Lacs)
Particulars	FY 21	FY 22	FY 23
Revenue from Operations	48,573.10	78,561.30	1,16,840.40
Other Income	194.20	177.40	306.00
Total Income	48,767.30	78,738.70	1,17,146.40
Expenses			
Purchase Cost	14,739.50	34,562.30	48,843.40
Construction Expenses	27,866.60	40,012.60	61,506.30
Changes in Inventories	-370.10	-7,147.50	-13,573.70
Employee benefits expense	1,008.70	1,497.10	2,652.90
Finance costs	1,754.00	2,407.30	3,022.80
Depreciation and Amortization expense	410.30	418.70	697.60
Other expenses	790.50	950.10	1,753.20
Total Expenses	46,199.50	72,700.60	1,04,902.50
Earnings Before Interest, Taxes, Depreciation & Amortization	4,537.90	8,686.70	15,658.30
EBITDA Margin	9%	11%	13%
Profit/(Loss) before tax	2,567.80	6,038.10	12,243.90
Tax Expense			
Current Tax	671.70	1,541.30	3,088.80
Deferred tax (net)	-2.10	12.10	90.80
Total Tax Expense	669.60	1,553.40	3,179.60
Profit/(Loss) for the year	1,898.20	4,484.70	9,064.30
Net Profit Margin	4%	6%	8%

Balance Sheet			(In Lacs)
Particulars	FY 21	FY 22	FY 23
ASSETS			
Non-Current Assets			
Property, Plant and Equipment	4,849.80	7,204.40	12,536.70
Capital Work in Progress	-	32.70	555.60
Investment Property	688.20	944.20	938.40
Financial Assets	-	-	-
i) Investments	24.10	54.40	86.30
ii) Other Financial Assets	622.00	429.70	971.00
Other non-current assets	117.30	2.60	151.20
Total Non-Current assets	6,301.40	8,668.00	15,239.20
Current Assets			
Inventories	10,533.80	17,681.30	31,255.00
Loans & Advances	17.90	172.20	897.30
Trade Receivables	10,009.00	11,686.90	19,774.00
Cash and Cash Equivalents	448.90	1,319.10	1,500.10
Other bank balances	2,327.80	2,548.80	5,495.00
Other Financial Assets	759.80	801.90	1,045.50
Current Tax Assets (Net)	327.10	800.80	849.20
Other current assets	2,378.80	6,102.20	6,493.00
Total Current assets	26,803.10	41,113.20	67,309.10
Total Assets	33,104.50	49,781.20	82,548.30
EQUITY AND LIABILITIES			
Equity			
Share Capital	2,814.80	2,814.80	9,344.40
Other Equity	8,546.60	13,054.20	22,106.30
Total Equity	11,361.40	15,869.00	31,450.70



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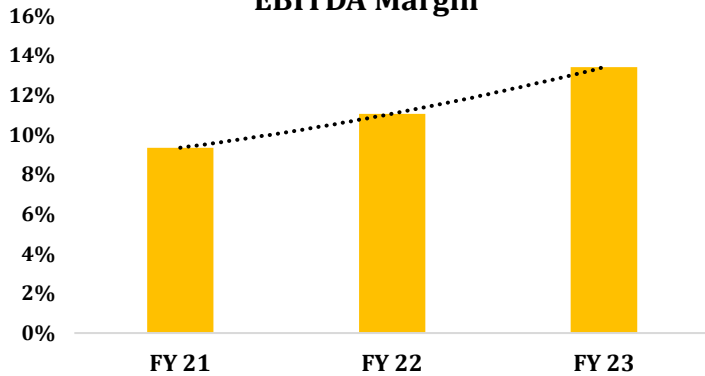
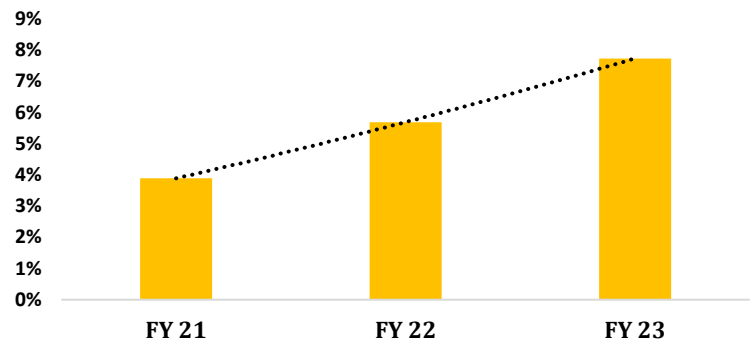
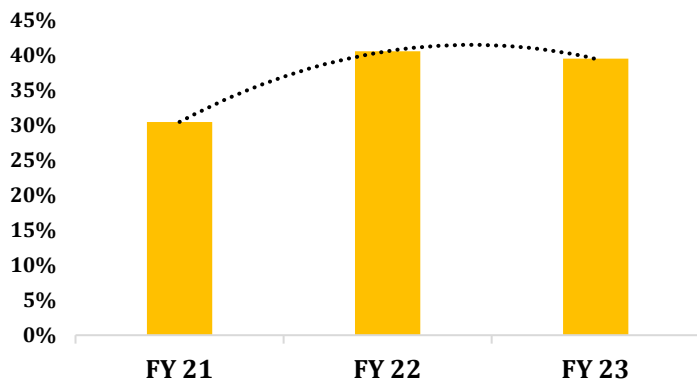
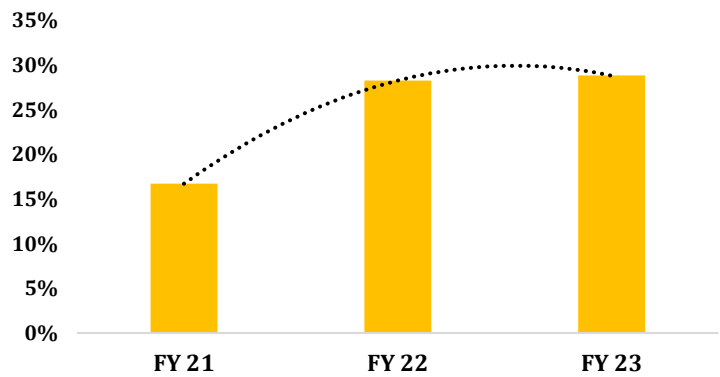
IPO Note



Liabilities			
Non-current liabilities			
Financial Liabilities			
Borrowings	1,905.60	4,186.20	6,029.70
Provisions	64.80	97.90	91.00
Deferred tax liabilities (Net)	215.60	227.70	318.20
Total Non-current liabilities	2,186.00	4,511.80	6,438.90
Current liabilities			
Financial Liabilities			
(i) Short Term Borrowings	9,172.60	13,471.50	19,007.70
(ii) Trade Payables	-	-	-
i) Due to micro and small enterprises	3,152.70	1,016.90	2,919.10
ii) Due to other than micro and small enterprises	6,258.40	10,796.70	17,701.10
iii) Other Financial Liabilities	690.10	1,234.70	911.20
Other Current Liabilities	273.50	2,877.80	3,502.20
Provisions	9.80	2.80	3.30
Current tax liabilities (Net)	-	-	614.10
Total Current liabilities	19,557.10	29,400.40	44,658.70
Total Liabilities	21,743.10	33,912.20	51,097.60
Total Equity and Liabilities	33,104.50	49,781.20	82,548.30

Cash Flow Statement			
	(In Lacs)		
Particulars	FY 21	FY 22	FY 23
Net Cash Flow from Operating Activities	3,483.90	-332.70	-840.60
Net Cash Flow from Investing Activities	-534.00	-2,969.30	-9,785.20
Net Cash Flow from Financing Activities	-2,897.70	4,172.20	10,806.80

Ratio Sheet			
Particulars	FY 21	FY 22	FY 23
Per Share Data			
Diluted EPS	2.25	5.31	10.41
BV per share	9.12	12.73	25.23
Operating Ratios (%)			
EBITDA Margins	9%	11%	13%
PAT Margins	4%	6%	8%
Inventory days	79.16	82.15	97.64
Debtor days	75.21	54.30	61.77
Creditor days	233.05	124.76	154.09
Return Ratios (%)			
RoCE	30%	41%	39%
RoE	17%	28%	29%
Valuation Ratios (x)			
EV/EBITDA	4.85	3.71	3.51
Market Cap / Sales	2.54	1.57	1.06
P/E	44.00	18.64	9.51
Price to Book Value	10.86	7.78	3.92
Solvency Ratios			
Debt / Equity	0.98	1.11	0.80
Current Ratio	1.37	1.40	1.51
Quick Ratio	0.83	0.80	0.81
Asset Turnover	1.47	1.58	1.42
Interest Coverage Ratio	2.35	3.43	4.95

Financial Charts
EBITDA Margin

Net Profit Margin

Return On Capital Employed

Return on Equity

Key Risk Factors

1. There are certain outstanding litigations involving the Company, which, if determined adversely, may affect the business operations and reputation. 3 criminal proceedings by the company amounting to Rs. 10,457.9 lakhs. 4 criminal proceedings against the company amounting to Rs. 287.7 lakhs. 1 criminal proceeding against the director amounting to Rs. 12.6 lakhs.
2. The company has certain contingent liabilities and the financial condition and profitability may be adversely affected if any of these contingent liabilities materialize. For the fiscal year ended 2021, 2022, and 2023 the contingent liability stood at Rs. 20,178.6 lakhs, 18,071.4 lakhs, and 27,765.8 lakhs respectively.
3. The company has reported negative cash flow from operation for the financial year ended 2022, and 2023. Sustained negative cash flow could impact the growth and business.
4. Significant portion of the revenues is concentrated from a limited number of clients. The loss of any of the significant clients may have an adverse effect on the business, financial condition, results of operations, and prospect. The top 10 clients for the fiscal year ended 2021, 2022, and 2023 contributed to 91.60%, 94.10%, and 93.46% of the revenue respectively.
5. There are certain civil writ petitions involving the Company and Military Engineering Services, which if determined adversely, may affect the business operations and reputation. The company is involved in three connected litigations against Military Engineering Services ("MES") before the Rajasthan High Court, Jodhpur.

**Track Record of Lead Manager**

The lead manager to the issue is Choice Capital Advisors Private Limited, Pantomath Capital Advisors Private Limited. A table has been set below highlighting the details of the IPO of the last 5 companies handled by the Lead Managers in recent times –

Choice Capital Advisors Private Limited –

The lead manager does not have any recent IPO from the past 3 years as per the offer document.

Pantomath Capital Advisors Private Limited –

Sr. No.	Company Name	Issue Size in Cr.	Issue Price/Share (In INR)	Listing Date	CMP* (INR)
1.	Urban Enviro Waste Management Limited	11.42	100.00	June 22, 2023	90.01
2.	Sah Polymers Limited	66.30	65.00	January 12, 2023	110.00
3.	AB Cotspin India Limited	10.09	35.00	January 11, 2022	67.2
4.	Exxaro Tiles Limited	161.09	120.00	August 16, 2021	116.00
5.	V-Marc India Limited	23.40	39.00	April 09, 2021	96.00

*CMP for all the above-mentioned company is taken as on 18th August 2023.

As per the offer document Pantomath Capital Advisors Private Limited have had 5 mandates in the last three fiscal years. For Pantomath Capital Advisors Private Limited out of the 5 mentioned above, all opened at premiums ranging from 0.1% to 0.41% on the listing day.



Recommendation

The company has been into the industry since 1986 thus has very vast experience in the industry. The company's financials have seen a consistent increase in its bottom line and top line. The overall cash flow for the company looks decent. The management outlook of the company is good with the top management having good experience in the industry.

The PE on an annualised and Post IPO basis is around 13.61 times which seems to be fairly priced by looking at the performance of the company and its peers.

The company operates in a competitive segment. The company has seen an overall growth in its financials consistently over the years. The company does have certain litigations details of which have been mentioned in the risk factor of this report but with all the ongoing projects/order book, the company can see a good growth in the future. Thus, one can **APPLY** for this IPO keeping in mind that this is for a long-term investment.



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