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IPO Note

V. L. Infraprojects Limited

Recommendation: **APPLY!**



IPO Details

Opening Date	July 23, 2024
Closing Date	July 25, 2024
Allotment Date	July 26, 2024
Listing Date	July 30, 2024
Stock Exchange	NSE SME
Lot Size	3,000 Shares
Issue Price Per Share	₹39 to ₹42
Issue Size	18.52 Cr.
Fresh Issue	18.52 Cr.
Offer for Sale	-
Application Amt	₹ 1,26,000 (3,000 shares)

Company Background -

- Originally formed and incorporated as 'V. L. Infraprojects Private Limited' on December 19, 2014. The registered office is located at Ahmedabad, Gujarat.
- The Company is engaged in executing water supply and sewerage infrastructure projects. They also provide operations & maintenance services for water distribution pipelines.
- The company is a Government Approved Contractor in "AA" Class with the Government of Gujarat, Civil/Electrical Contractor License from Karnataka State Public Works department, Special class registration in Government of Telangana and contractor registration in Government of Madhya Pradesh.
- The company had 30 employees as of March 31, 2024.

Objects of the Issue -

- Working Capital Requirements
- General Corporate Expenses.

Promoters Name -

Rajagopal Reddy Annam Reddy, Mydhili Rajagopal Reddy and Nageswara Rao Repuri

Rationale for recommendation -

- ✓ The company has seen an increase in the top line, bottom line and profitability margins for FY 2024.
- ✓ The company has a P/E of 10.75 times on Post IPO basis compared to Industry P/E of 13.92 times.
- ✓ Good performance compared to its peer.
- ✓ The management overview is decent.
- ✓ The infrastructure industry is a growing industry and expected to grow at a CAGR of 9.57% during the forecast period 2024-2029.
- ✓ The company has 15 on-going projects which will help grow their revenue over the years.

KPIs

(In Lakhs)

KPI's	FY 22	FY 23	FY 24
Revenue	3,555.34	4,555.70	11,393.16
EBITDA	313.82	471.78	1,090.41
Net Profit	110.58	222.67	614.01
RoCE	26.67%	33.69%	52.42%
ROE	15.13%	21.79%	37.53%
P/E	40.38	20.00	7.73

Promoter Share Holding Pattern

Pre-Issue	Post Issue
90.91%	65.39%

Valuation Parameters

Particulars	Pre-Issue	Post Issue
EPS	5.43	3.91
BVPS	14.47	22.20
P/E	7.73	10.75
P/BV	2.90	1.89
Mkt Cap (In Cr)	47.47	65.99

Lead Managers -

Beeline Capital Advisors Private Limited

Registrar -

Skyline Financial Services Private Limited

Business Overview -

V. L. Infraprojects was Originally formed and incorporated as 'V. L. Infraprojects Private Limited' on December 19, 2014. The company has 30 employees as of March 31, 2024. They have locational presence in the state of Madhya Pradesh, Telangana, Maharashtra, and Gujarat.

The company is engaged in executing water supply and sewerage infrastructure projects. They undertake projects on (Engineering, Procurement, Construction) (EPC) basis, with or without operation and maintenance services ("O&M") as well. Water pipeline projects mainly involve the procurement of pipes and their laying, joining, and commissioning with backward integration including all allied civil engineering works like construction of civil work, pumping stations and installation of electro-mechanical equipment for distribution of water supply from the river to household.

The company has successfully handled and executed various water infrastructure projects of Gujarat Water Supply and Sewerage Board, Gujarat Water Infrastructure Limited, Nagarpalikas, Public Works Department (PWD) also with Joint Venture with Spun Pipe Construction co (Baroda Private Limited), HM Electro mech Limited, Krishna Construction Co., Partnership Firm.

The company enters into joint venture agreements, as and when required for bidding and execution of projects and the revenue generated by the joint ventures has seen a significant increase from 2.41% in FY ended 2022 to 62.20% in FY ended 2024.

On – Going Projects –

The company has 15 on – going projects valuing to Rs. 15,995.69 lakhs which majorly include water pipeline construction projects.

Revenue Bifurcation service wise -

(Amt in lakhs)

Particulars	FY 2021-22	FY 2022-23	FY 2023-24
Water Pipeline Construction including of O&M Services	1,770.10	3,324.80	8,992.62
Irrigation Projects	-	-	296.88
Road Construction	1,114.64	525.52	684.87
Building Construction	670.61	499.33	422.43
Product Sale of Construction Materials	-	206.04	996.37
Total	3,555.35	4,555.69	11,393.17

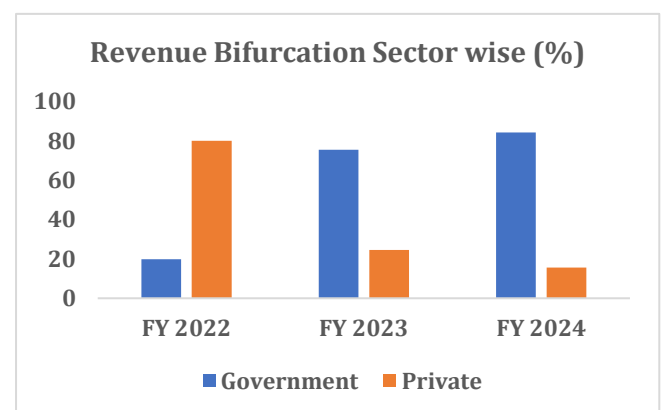
Business Operations -

Water Pipeline Construction – The company has executed numerous water supply projects in several cities and rural areas of India. They are one of the key players in the country in bulk pipelines and RWSS projects. Service of water pipeline construction consist of around 85% of total services.

Irrigation Projects – Micro irrigation system is useful in optimizing the yield of crops and minimize the losses which are inevitable in conventional system. Service of irrigation consist of around 5% of total services.

Road Construction – Presently the company is executing small sub-contracting works in Road projects like road shoulder bund preparation, small bridges and RCC road works only. Service of road construction consist of around 5% of total services.

Building Construction – They are doing private building works as sub-contractor that mainly includes execution of the Earth work, RCC works, and brick masonry works for Office buildings and residential apartments. Service of building construction consist of around 5% of total services.



Competition -

The Infrastructure Industry is competitive where the key factors of competition primarily comprise quality of service and price.

The company faces competition from organized as well as unorganized players in both domestic and international market.

The company has slightly lower barriers to entry.

The bargaining power is slightly high with the suppliers.

The bargaining power is slightly high with customers.

Business Strategies -

Continue to enhance project execution capabilities: The company intends to focus on performance and project execution ability to maximize operating margins and client satisfaction. They are also focusing on strengthening their internal systems.

Leveraging market skills and relationship: This is a continuous process in the organization and the skills they impart in their employees give importance to customers and build industry relationships.

Maintaining edge over competitors: The company intends to enhance and scale existing executional capabilities to deliver best quality construction to their clients by which they can maintain an edge over their competitors.

Expand to new geographic regions: The company intends to expand geographical footprint and grow the business by increasing orders from outside of Gujarat.

Risk Factors -

The company derived 89.74% of its revenue from the state of Gujarat for FY 2023-24.

The company has 13 outstanding cases against it for taxation matters amounting to Rs. 155.70 lakhs and 1 outstanding case against the company for statutory/regulatory authorities.

The company derives majority of its revenue from top 10 customers which accounted for 95.48%, 99.93% and 100% for the FY ended 2024, 2023 and 2022 respectively.

The company is dependent on top 10 suppliers for purchase which accounted for 82.87%, 84.90% and 64.09% for the FY ended 2024, 2023 and 2022 respectively.

The company has contingent liabilities amounting to Rs. 869.86 lakhs for FY 2023-24.

The company had negative cash flow from operations for FY 2024 and 2022.

PEER ANALYSIS

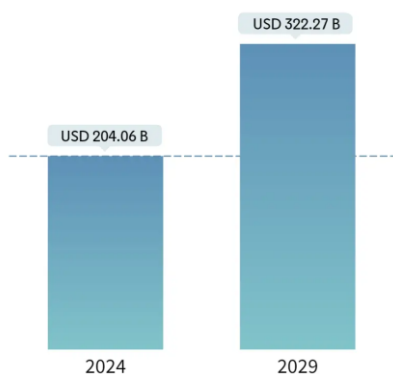
Particulars	V. L. Infraprojects Limited			EMS Limited		
	FY 22	FY 23	FY 24	FY 22	FY 23	FY 24
NP Margin	3.1%	4.9%	5.4%	21.5%	20.2%	19.2%
EBITDA Margin	9%	10%	10%	32%	29%	28%
RoCE	27%	34%	52%	29%	27%	24%
ROE	15%	22%	38%	21%	22%	19%
EPS (INR)	1.04	2.10	5.43	16.63	22.88	29.38
P/E	40.38	20.00	7.73	-	-	13.70

Indian 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 Government for initiating policies that would ensure time-bound creation of world class infrastructure in the country.

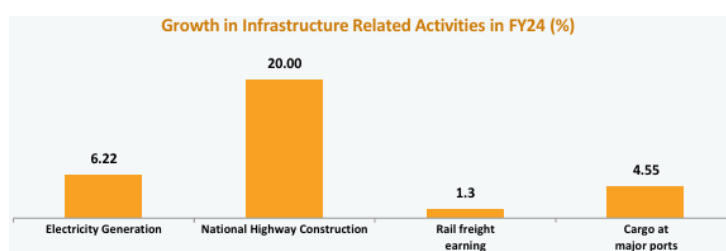
India intends to enhance its infrastructure to reach its 2025 economic growth target of US\$ 5 trillion. In Budget 2023-24, capital investment outlay for infrastructure is being increased by 33% to Rs.10 lakh crore (US\$ 122 billion), which would be 3.3 per cent of GDP. As per the Union Budget 2023 24, a capital outlay of Rs. 2.40 lakh crore (US\$ 29 billion) has been provided for the Railways, which is the highest ever outlay and about 9 times the outlay made in 2013-14.

India Infrastructure Sector Market
Market Size in USD Billion
CAGR 9.57%



Source : Mordor Intelligence

India plans to spend US\$ 1.4 trillion on infrastructure through ‘National Infrastructure Pipeline’ in the next five years. As of August 22, 2022, 122.69 lakh houses have been sanctioned, 103.01 lakh houses have been grounded, and 62.21 lakh houses have been completed, under the Pradhan Mantri Awas Yojna scheme (PMAY-Urban).



(source: www.ibef.org)

Government Initiatives-

- Jal Jeevan Mission, is envisioned to provide safe and adequate drinking water through individual household tap connections by 2024 to all households in rural India. The programme will also implement source sustainability measures as mandatory elements, such as recharge and reuse through grey water management, water conservation, rainwater harvesting.
- Atal Mission for Rejuvenation and Urban Transformation (AMRUT) was launched on 25th June 2015 in selected 500 cities and towns across the country. The Mission focuses on development of basic infrastructure, in the selected cities and towns, in the sectors of water supply; sewerage and septage management; storm water drainage; green spaces and parks; and non-motorized urban transport.

Road Ahead -

India's Infrastructure forms an integral part of the country's economic ecosystem. There has been a significant shift in the industry that is leading to the development of world-class facilities across the country in the areas of roads, waterways, railways, airports, and ports, among others. The country-wide smart cities programmes have proven to be industry game changers. The infrastructure sector has experienced a tremendous boom because of India's necessity and desire for rapid development. The expansion has been aided by urbanisation and an increase in foreign investment in the sector.

The infrastructure sector has become the biggest focus area for the Government of India. India plans to spend US\$ 1.4 trillion on infrastructure during 2019-23 to have a sustainable development of the country. The Government has suggested investment of Rs. 5,000,000 crore (US\$ 750 billion) for railways infrastructure from 2018-30. India's GDP is expected to grow by 8% over the next three fiscal years, one of the quickest rates among major, developing economies, according to S&P Global Ratings. India and Japan have joined hands for infrastructure development in India's Northeast states and are also setting up an India-Japan Coordination Forum for development of Northeast to undertake strategic infrastructure projects for the region.

Key Management -

Key Management Persons Name -	Rajagopal Reddy Annam Reddy
Age	49
Designation and No. of years of experience	Promoter, Chairman, Managing Director and CEO, 20+ Years of experience
Qualification	Bachelor of Engineering (Mechanical) and MBA
Roles and Responsibility	-
Other Directorships	-

Key Management Persons Name -	Mydhili Rajagopal Reddy
Age	41
Designation and No. of years of experience	Promoter and Whole-Time Director, 9+ years of experience
Qualification	B. Com Degree
Roles and Responsibility	-
Other Directorships	-

Key Management Persons Name -	Nageswara Rao Repuri
Age	41
Designation and No. of years of experience	Promoter, Whole-Time Director and CFO, 18+ years of experience
Qualification	B. Com degree
Roles and Responsibility	-
Other Directorships	-

Key Management Persons Name -	Mallikarjuna Katta
Age	50
Designation and No. of years of experience	Independent Director, 17+ years of experience
Qualification	Chartered Accountant, B. Com Degree, Passed Limited Insolvency examination conducted by IBBI.
Roles and Responsibility	-
Other Directorships	-

Key Management Persons Name -	Kamleshkumar Kantilal Wakharia
Age	65
Designation and No. of years of experience	Independent Director, 32+ years of experience
Qualification	Bachelor of Engineering (Civil Engineer)
Roles and Responsibility	-
Other Directorships	-

Key Management Persons Name -	Venkata Rama Krishna Akella
Age	63
Designation and No. of years of experience	Independent Director, 37+ years of experience
Qualification	B. Com degree and Bachelor of Law.
Roles and Responsibility	-
Other Directorships	-

FINANCIAL SNAPSHOT

Statement of Profit and Loss

Amt in Lakhs.

Particulars	FY 22	FY 23	FY 24
Revenue from Operations	3,555.34	4,555.70	11,393.16
Other Income	5.36	9.44	6.89
Total Income	3,560.7	4,565.14	11,400.05
Expenses			
Cost of Materials Consumed	1,485.83	2,442.90	6,641.07
Purchase if stock-in-trade	-	204.00	828.41
Employee Benefit Expenses	105.55	119.11	147.44
Finance Cost	130.16	134.09	196.56
Depreciation and Amortisation	34.73	38.04	48.99
Other expenses	1,650.14	1,317.91	2,685.83
Total Expenses	3,406.41	4,256.05	10,548.30
EBITDA	313.82	471.78	1,090.41
EBITDA Margin	8.83%	10.36%	9.57%
Profit/(Loss) before tax	154.29	309.09	851.75
Tax Expense			
Current tax	40.25	87.33	240.88
Deferred Tax Expenses/(credit)	3.46	-0.91	-3.14
Total Tax	43.71	86.42	237.74
Profit/(Loss) for the year	110.58	222.67	614.01
Net Profit Margin	3.11%	4.89%	5.39%

Statement of Assets and Liabilities

Amt in Lakhs.

Particulars	FY 22	FY 23	FY 24
EQUITY AND LIABILITIES			
1. Shareholders' funds			
Share Capital	274.00	753.50	1,130.25
Reserves and surplus	456.84	268.50	505.76
Total Equity	730.84	1,022.00	1,636.01
2. Non-current liabilities			
Long-term borrowings	238.19	164.92	212.88
Other Non-Current Liabilities	61.82	87.45	126.60
Long-term provisions	4.82	3.38	4.50
Deferred Tax Liability	10.60	9.69	6.55
Total Non-current liabilities	315.43	265.44	350.53
3. Current liabilities			
Short-term borrowings	765.33	834.10	1,441.93
Trade Payables			
Total outstanding dues of MSME	-	-	32.77
Total outstanding dues of creditors other than MSME	122.63	598.13	2,137.19
Other Current Liabilities	20.82	116.36	70.68
Short-term provisions	0.35	0.19	22.29
Total Current liabilities	909.13	1,548.78	3,704.86
Total Liabilities	1,224.56	1,814.22	4,055.39
Total Equity and Liabilities	1,955.40	2,836.22	5,691.40
ASSETS			
1. Non-current assets			
Property, Plant & Equipment	196.31	186.54	337.80
Capital Work-In-Progress	-	-	60.03
Other Non Current Assets	13.10	65.09	1.76

Particulars	FY 22	FY 23	FY 24
Total Non-Current assets	209.41	251.63	399.59
2. Current assets			
Investments	25.00	10.00	0.00
Inventories	189.69	281.63	301.99
Trade Receivables	531.58	758.48	1,663.41
Cash & Cash equivalents	21.91	34.10	178.19
Short term loans and advances	194.47	208.65	249.95
Other Current Assets	783.34	1,291.74	2,898.27
Total Current assets	1,745.99	2,584.60	5,291.81
Total Assets	1,955.40	2,836.23	5,691.40

Cash Flow Statement Amt in Lakhs.

Particulars	FY 22	FY 23	FY 24
Net Cash Flow from Operating Activities	-243.73	113.89	-175.36
Net Cash Flow from Investing Activities	-19.95	-55.83	-180.03
Net Cash Flow from Financing Activities	276.49	-45.88	499.49

Key Ratios

Per Share Data	FY 22	FY 23	FY 24	Valuation Ratios (x)	FY 22	FY 23	FY 24
Diluted EPS	1.04	2.1	5.43	EV/EBITDA	5.46	4.21	2.85
BV per share	6.47	9.04	14.47	Market Cap / Sales	1.86	1.45	0.58
Operating Ratios				P/E	40.38	20.00	7.73
EBITDA Margins	8.83%	10.36%	9.57%	Price to Book Value	6.50	4.64	2.90
PAT Margins	3.11%	4.89%	5.39%	Solvency Ratios			
Inventory days	19.47	22.56	9.67	Debt / Equity	1.37	0.98	1.01
Debtor days	54.57	60.77	53.29	Current Ratio	1.92	1.67	1.43
Creditor days	29.58	79.71	105.75	Quick Ratio	1.71	1.49	1.35
Return Ratios				Asset Turnover	1.82	1.61	2.00
RoCE	26.67%	33.69%	52.42%	Interest Coverage Ratio	2.14	3.23	5.30
RoE	15.13%	21.79%	37.53%				

LEAD MANAGER TRACK RECORD -

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

Beeline Capital Advisors Private Limited –

Sr. No.	Company Name	Issue Size in Cr.	Issue Price/Share (In INR)	Listing Date	CMP* (INR)
1.	Dindigul Farm Product Limited	34.83	54.00	June 27, 2024	116.40
2.	United Cotfab Limited	36.29	70.00	June 24, 2024	72.19
3.	Beacon Trusteeship Limited	32.52	60.00	June 04, 2024	122.40
4.	Rulka Electricals Limited	26.40	235.00	May 24, 2024	535.30
5.	Piotex Industries Limited	14.47	94.00	May 17, 2024	80.55
6.	Winsol Engineers Limited	23.36	75.00	May 14, 2024	409.55
7.	Emmforce Autotech Limited	53.90	98.00	April 30, 2024	172.40
8.	Greenhitech Ventures Limited	6.30	50.00	April 22, 2024	131.00
9.	TAC Infosec Limited	29.99	106.00	April 05, 2024	568.05
10.	KP Green Engineering Limited	189.50	144.00	March 22, 2024	569.45

The company has handled 42 mandates in the past three years (including the current year).

*CMP for the above-mentioned companies is taken as of 16th July 2024.

As per the offer document, from the above-mentioned mandates all have opened at a premium on the listing day.

Recommendation -

The company has been in the industry since 2014 and has decent experience in the industry. The management overview of the company is decent.

The P/E on a post-IPO and annualised basis is around 10.75 times which makes it fairly priced by looking at the performance of the company and sector. The Sector P/E 13.92 is times.

The company has seen sudden increase in the top line for FY 2024 mainly due to increase in Water Pipeline Construction services. Also, bottom line of its financials and profitability margins have seen an increase in for FY 2024 and looks sustainable going forward. The company has 15 on-going projects which majorly includes government projects. These will help in the growth of the top line in future and improve overall profitability of the company. The return ratios have seen an increase over the years.

The infrastructure industry is a growing industry. The company has performed well compared to its peer company. Thus, investors can **APPLY** to this IPO keeping in mind that it is for a long-term investment.

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