



Stock Note

Vishnu Prakash R Punglia Ltd.

July 16, 2024



Industry	LTP	Recommendation	Base Case Fair Value	Bull Case Fair Value	Time Horizon
Infrastructure/Construction	Rs. 202.03	Buy in Rs. 200-204 band and add on dips in Rs. 177-181 band	Rs. 226	Rs. 239	2-3 quarters

HDFC Scrip Code	VPRPL
BSE Code	543974
NSE Code	VPRPL
Bloomberg	VPRPL:IN
CMP July 15, 2024	202.03
Equity Capital (Rs Cr)	124.6
Face Value (Rs)	10
Equity Share O/S (Cr)	12.46
Market Cap (Rs Cr)	2518.10
Book Value (Rs)	57.9
Avg. 52 Wk Volumes	2082366
52 Week High	242
52 Week Low	141

Share holding Pattern % (Mar, 2024)	
Promoters	67.81
Institutions	5.28
Non Institutions	26.91
Total	100



HDFCsec Retail research
stock rating meter
for details about the ratings, refer at the end of the report

* Refer at the end for explanation on Risk Ratings

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Our Take:

Vishnu Prakash R Punglia Ltd. (VPRPL) 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. Its principal business operations are broadly divided into four categories: (i) Water Supply Projects (WSP); (ii) Railway Projects; (iii) Road Projects and (iv) Irrigation Network Projects.

It has design and engineering, procurement, project management and quality management teams along with fleet of four hundred and ninety-nine (499) construction equipment and vehicles. Its in-house teams deliver the projects from design to completion. This reduces its dependency on third parties for key materials such as ready-mix concrete, stone aggregates, bitumen and services such as design and engineering, transportation and logistics required in the development and construction of its projects.

Company has a robust Order book of Rs. 4,717 cr as on 31st March 2024. Out of this, 78% projects belong to Water supply, 16% belong to Railways, 6% belong to Road and Civil projects. The company bagged new orders worth Rs. 318 cr in Q4FY24. Out of this Rs. 121.5 cr was for WSP and Rs. 196 cr was for Railways. The bid pipeline is robust, and it is hopeful of some large value opportunities to materialize over the next few months. It is aiming to maintain order book to turnover ratio of 3x. It has attractive financial metrics including return ratios and debt equity ratio.

Because of robust order pipeline and existing capex cycle along with growing order intake in Roads and Water sector, we remain positive on the stock.

Valuation & Recommendation:

We expect Revenue/EBITDA/PAT to grow at a CAGR of 17%/16.5%/16.5% over FY24–26E. With the strong orders flowing into the order-book providing strong future outlook for revenues, we give earnings multiple to 17x for base case valuation and 18x for bull case to FY26 earnings.

We think the base case fair value of the stock is Rs.226 (17x FY26E EPS) and the bull case fair value is Rs.239 (18x FY26E EPS) over the next 2-3 quarters. Investors can buy the stock in the band of Rs 200-204 (15.2x FY26E EPS) and add more on dips to the band of Rs. 177-181 (13.5x FY26E EPS).

Financial Summary:

(Rs cr)	Q4FY24	Q4FY23	YoY (%)	Q3FY24	QoQ (%)	FY23	FY24	FY25E	FY26E
Operating Income	657.2	455.7	44.2	242.1	171.5	1,168	1,474	1,745	2,023
EBITDA	104.9	64.4	63.0	34.0	208.8	157	210	250	289
APAT	67.1	39.9	68.2	17.4	286.5	91	122	139	166
Diluted EPS (Rs)	5.4	4.3	26.1	1.9	189.7	9.7	9.8	11.2	13.3
RoE-%						38.3	23.6	17.6	17.6
P/E (x)						20.8	20.6	18.1	15.2
EV/EBITDA (x)						17.2	13.4	10.8	9.2

(Source: Company, HDFC Sec)

Q4FY24 Result Review:

The revenue from operation grew by 44% YoY to Rs. 657 cr. The EBITDA was reported at around Rs. 105 crores, which increased by around 64% YoY with the EBITDA margin reported at 15.96%. The net profit was around Rs. 67 cr, which represents an increase of 68% YoY. PAT margin for the quarter stood at 10.21%.

Q4FY24 concall highlights:

- The strong growth in revenues were driven by on time and successful execution of ongoing projects across the segments. Margin expansion was driven by cost control, operational efficiency and timely execution of the projects.
- The company has successfully completed 7 projects worth Rs. 2,488 cr in FY24 across India in different business segments. While its project portfolio has historically been concentrated in Rajasthan, it has now gradually expanded to more than 10 states including one Union territory.
- During the quarter, new order intake was Rs. 318 cr out of which approximately Rs. 122 cr was for water supply projects and Rs. 196 cr was for railway project. It aims to maintain order book to turnover ratio around 3 times.
- The company has now achieved competencies to bid for large value projects and has successfully bagged 3 large value projects in FY24, which includes 2 in Uttarakhand for Rs. 899 cr and in Uttar Pradesh for Rs. 496 cr and 1 for Rs. 334 cr in Madhya Pradesh.
- Historically the bidding success ratio has been 17%.
- Revenue growth is expected to be in the range of 15-20%. Margins to sustain at around 13%-14%
- Company's maximum projects are of central funding and some are World Bank funded. Jal Jeevan Mission of water supply is in the ratio of 50:50 for state and Centre.
- Its business operations are diversified across water, roads, railways and other projects. Water supply contracts contributes to around 78% of its revenue as on FY24 which includes constructing, designing, building, operating, maintaining and developing water supply projects for example, water dams, water tanks, reservoirs, overhead tanks, irrigation channels, etc. It also includes setting

up water treatment plants, along with pumping stations and laying up pipelines for supply of water.

- The roads sector contributed to around 12% of total revenue as on FY24 which includes development of roads and highways, culvert, bridges and flyovers.
- The third segment is railways, which contributed to around 7% of total revenue as on FY24 in which it has executed various kinds of railway works like railway tracks, stations and allied buildings, platforms and bridges. Apart from these, it is also into allied projects, irrigation, network projects, civil projects that include activities like Sewerage treatment Plants, Sewer Tank drain, tunneling works, buildings and warehouses work, multidimensional Smart City projects, automation work involving PLC and SCADA.
- The company has an integrated business with in-house execution team and the fleet of ~500 construction equipment will help in reducing its dependence on 3rd party for key materials and services for project execution. The current order book as on 31st March 2024 stands at around Rs. 4,717 crores across all the business segments to be executed over the next 24 months to 36 months.
- Order book will grow at a historical growth rate of 15-20% on account of less aggressive bidding for timely execution and quality work.
- Mobilization Balance as on March 31st stood at Rs. 61 cr. Currently the operating cash flow is negative due to the initial fund deployment after the IPO but company is confident to achieve a positive cashflow in the coming months.
- Company won't take debt aggressively but only for working capital needs.

Key Triggers and Recent developments:

Order Book: Company has a robust Order book of Rs. 4,717 cr as on 31st March 2024. Out of this, 78% projects belong to Water supply, 16% belong to Railways, 6% belong to Road and Civil projects. The company bagged new orders worth Rs. 318 cr in Q4FY24. Out of this Rs. 121.5 cr was for WSP and Rs.196 cr was for Railways. The bid pipeline is robust, and it is hopeful of some large value opportunities to materialize over the next few months. It is aiming to maintain order book to turnover ratio of 3x.

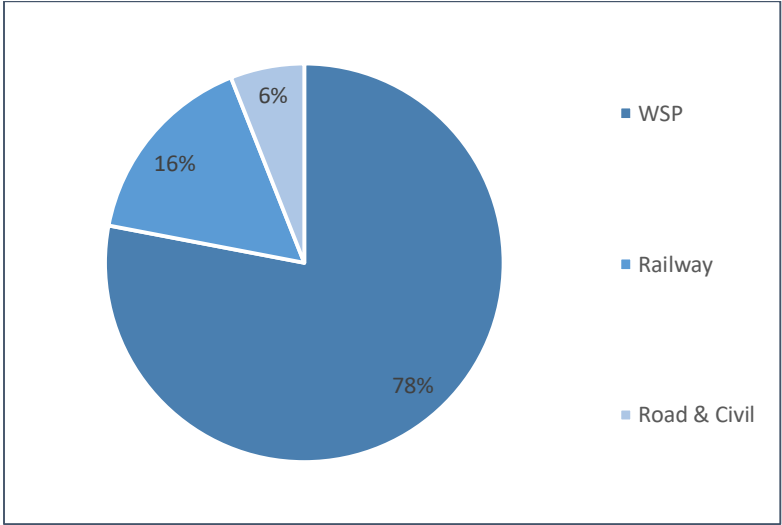
Recent orders (post FY24):

- The Company has received Letter of acceptance from UP Jal Nigam, Naini Prayagraj for Surveying, soil investigation, engineering, design and supply of all materials, labour, T&P etc. complete, required for completion of following works of Water supply scheme for Naini Extended Area (Surface Water) in Nagar Nigam, Prayagraj. Order is worth Rs. 273 cr.
- Company has received a new project from the Office of Public Works Department Sarvana, Bicholim Goa for the Construction of 15 MLD water treatment plant at Morlem Sattari including construction of reservoirs, providing and laying of rising main, conveying mains in village panchayat Morlem, Poriem, Pissurlem, Honda and Querim of Sattari taluka. Following the submission of the tender, the company has been selected as the chosen contractor for this significant endeavor. The tender, evaluated and accepted by the competent authority, having a total value of Rs. 67.8 cr.
- VPRPL received of a Letter of Acceptance from North Western Railway Bikaner. The Letter of Acceptance pertains to Earthwork in filling

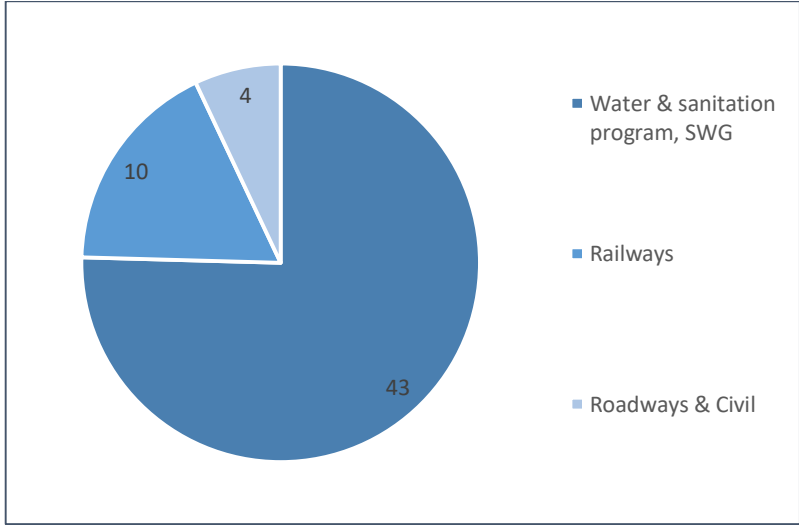
and cutting in formation, blanketing, trolley refuges, toe, wall, retaining wall, pitching, construction of Minor Bridges & LHS, FOB, Platform, Platform Shelters, S&T structures, cable duct and other ancillary works between Sadulpur to Churu in Connection with Churu-Sadulpur Doubling Project.” Following the submission of the tender, company has been selected as the chosen contractor for this significant endeavor. The tender, evaluated and accepted by the competent authority, having a total value of Rs. 90.9 cr.

- It also received an LOA for Construction of 57 MLD WTP and all contingent works thereto in all respect along with 120 months of Operation and Maintenance at IMT Kharkhoda, District Sonipat (on EPC Mode). Company has been selected for the tender valued at 103.5 cr.
- It also received an LOA for Construction of new Suburban Railway Station along with other allied works at Chikhloli in connection with the proposed 3rd & 4th line between Kalyan-Badlapur stations of Mumbai Division Central Railway. The order value is 73.9 cr + GST.

Segment Wise Order Book distribution:

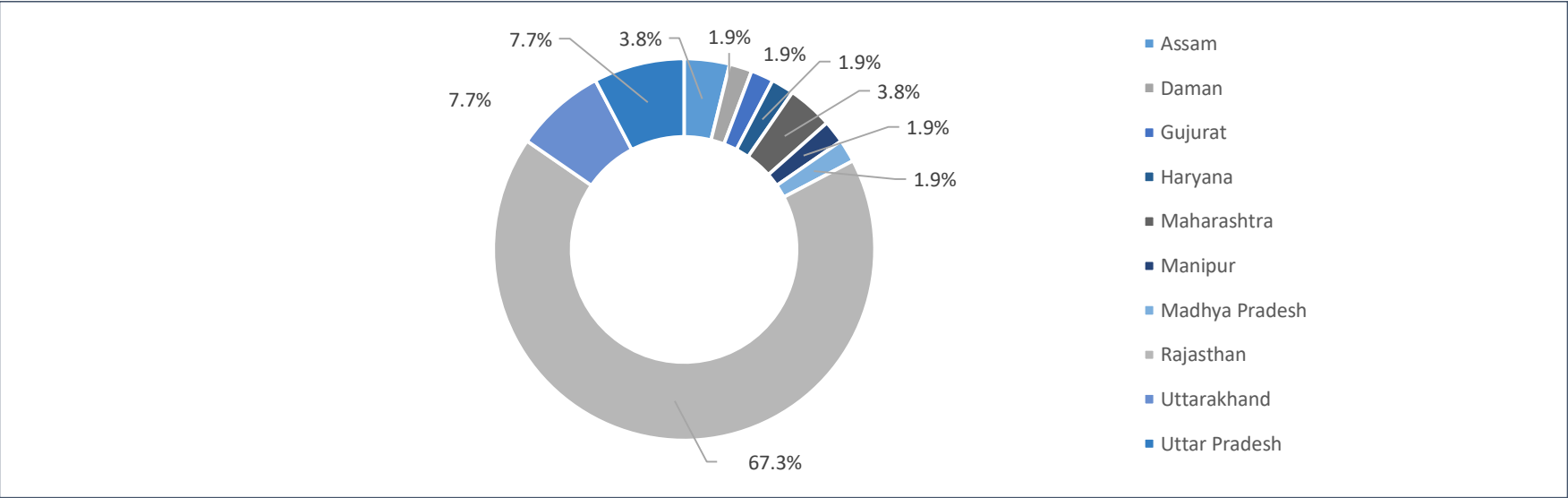


No of Projects:

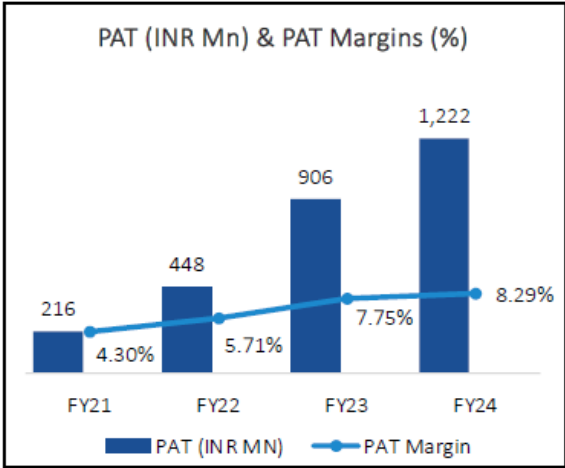
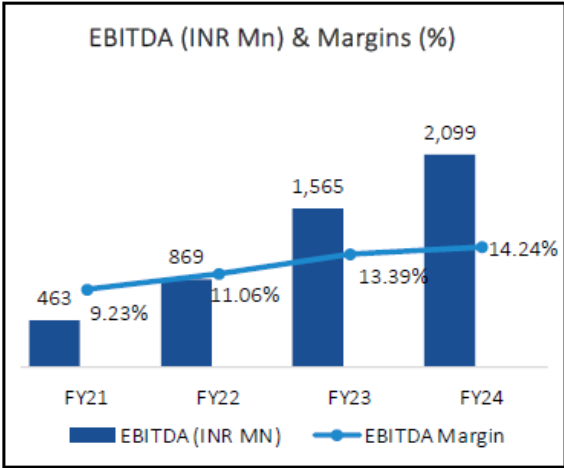
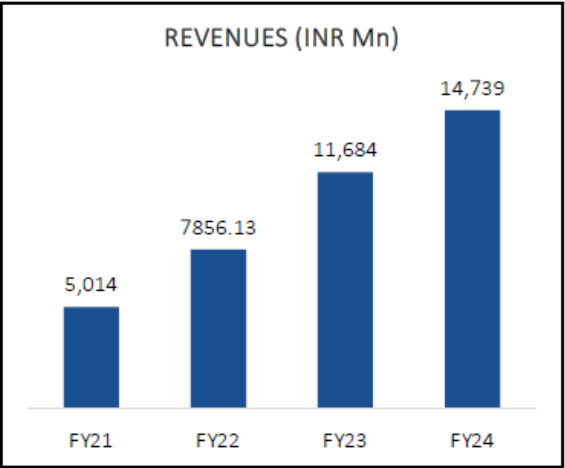


(Source: Company, HDFC Sec)

Geography Wise Order Book



(Source: Company, HDFC Sec)



(Source: Company, HDFC Sec)

Order Details as of March 31st 2024:

Key water Supply projects

Project	Authority	State	Value (Rs. Crs)
Chillar Dam Multi-Village Drinking Water Supply Scheme	MP Jal Nigam	MP	564.4
Haldwani, Uttarakhand	UUSDA	UK	525.5
Water Supply System O&M at Kotdwar	UUSDA	UK	373.2
Prayagraj Yamuna multi group of village water supply	Govt	UP	366.5
Hindoli Nainwa WSP	PHED	Rajasthan	360.9
Water Supply for PWD Manipur	PWD Manipur	Manipur	334
Barmer Lift Water Supply Project Phase II Part-D	PHED	Rajasthan	103.6
Work of Augmentation of production from Jaisamand lake	PHED	Rajasthan	112.5
Construction of 57 MLD WTP at IMT Kharkhoda, District Sonapat	HSI IDC	Haryana	103.5
Other Projects < 100 cr			810.6
Total			3654.7

(Source: Company, HDFC Sec)

Railway Projects

Projects	Authority	State	Value (Rs. Crs)
Construction of Udaipur Railway Station	NWR	Rajasthan	246
Provision of FOB 12 M Wide at Barmer under Amrit Bharat station Scheme over Jodhpur Division	JDED	Rajasthan	110
Construction of Railway station building, facilities for passenger/pilgrim stay	DRM Office	Gujarat	171
Construction of Railway Bridges in connection with providing Connectivity between chainage 5.2 km	DFCCIL	Rajasthan	77.1
Construction of New Suburban Railway Station between Kalyan-Badlapur stations of Mumbai Division	MRVCL	Maharashtra	73.9
Construction of quarters for CWR Pachola, KOTA	CWR	Rajasthan	32.5
Two lane road over bridge having railway span	CWR	Rajasthan	13.4
Ramganj Mandi Bhopal ROB	CWR	MP	5.8
Providing Inspection arrangement Through line between Bhayander - Naigaon Stations	Western Railway	Maharashtra	5.5
Level Crossing No 53 & 70 at Kms 414/4-5 between Sojat Road Bhesana Section	NWR	Rajasthan	0.6
Total			736

(Source: Company, HDFC Sec)

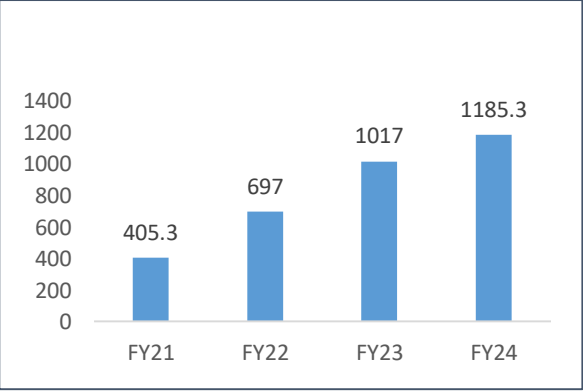
Road Projects

Project	Authority	State	Value (Rs. Crs)
Construction to 2 lane with paved shoulder Realignment/Bypass	MORTH	Rajasthan	147
Construction and Maintenance of Rajiv Gandhi Knowledge service	RISL	Rajasthan	123
Construction of 4 Lan ROB from Design Chainage Jalore	MORTH	Rajasthan	5.9
Barmer Jasai Road Crossing	MORTH	Rajasthan	1.3
Total			277

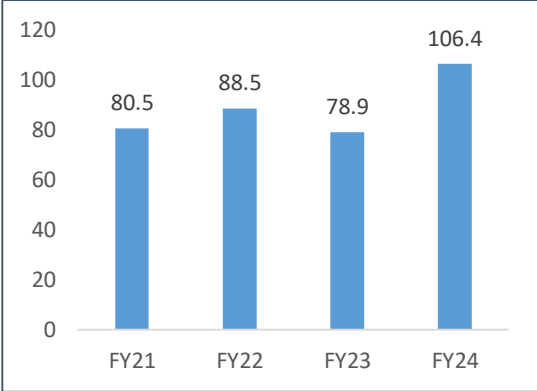
(Source: Company, HDFC Sec)

Revenue Trend (Rs Crs):

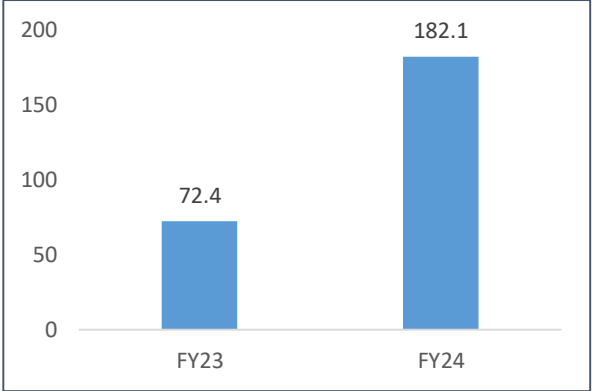
Water supply Projects:



Railways:



Roads:



(Source: Company, HDFC Sec)

Industry triggers:

Water Supply and Water treatment:

The Government of India, in collaboration with state governments, has initiated the Jal Jeevan Mission (JJM) to address water scarcity issues. At its inception, only 17% of households had access to tap water. However, as of December 31, 2023, post-JJM implementation, this figure has risen to 55%. By 2050, the country is anticipated to require approximately 1,450 cubic kilometers of water, with agriculture accounting for roughly 75% of this demand, drinking water for about 7%, industries for around 4%, and energy generation for approximately 9%. Under the National Sanitation Policy, waste water treatment and reuse of water to enhance alternative water supplies and conservation is promoted. Initiatives like National Lake Conservation Plan, National Wetland Conservation Program are introduced to help identify lakes and wetlands across the country for undertaking conservation, waste water treatment, pollution abatement, education and awareness creation etc. Central Government has also implemented National River Conservation Plan for abatement of pollution across

stretches of various rivers and undertaking conservation plan, sewage systems construction, sewage treatment plant construction, electric crematoria and river front development. All these schemes and initiatives enables VPRPL to leverage the opportunities ahead and increase its order book and revenues substantially.

Railways:

Capital expenditure (CAPEX) for Indian Railways has seen a substantial increase, rising from an average of Rs 459.8 billion during 2009-2014 to Rs 2,150 billion during FY22, reflecting a commitment to modernization and expansion. In the Union Budget 2023, Indian Railways received its highest-ever capital outlay of USD 29 billion, signaling continued investment in infrastructure development and enhancement. The government has proposed a significant 70% year-on-year increase in budgetary allocation, amounting to Rs 2,400 billion for Indian Railways in the FY24 budget, demonstrating a continued focus on strengthening the railway sector. The draft National Rail Plan outlines ambitious capital expenditure of Rs 38.22 lakh crore until 2050 in the railway sector, emphasizing the long-term vision for modernization and Expansion.

Roads:

The Union Budget for 2023-24 emphasized infrastructure development, allocating financial assistance of Rs. 1,300 billion in interest-free loans for 50 years to states from the Center. The Task Force on National Infrastructure Pipeline (NIP) projects investments of Rs.111 trillion in infrastructure projects for FY20-FY25, with approximately 18% earmarked for the road sector in India. The roads sector is anticipated to account for 18% of capital expenditure by FY25, reflecting the government's commitment to enhancing transportation infrastructure. Project execution is expected to continue its momentum in FY25 on back of higher awarding activity and also various Government initiatives such as Gati Shakti, Bharatmala Pariyojana, National Infrastructure Pipeline and change in the Model Concession Agreement (MCA) of the Hybrid Annual Model (HAM) of road project implementation.

Risks & Concerns:

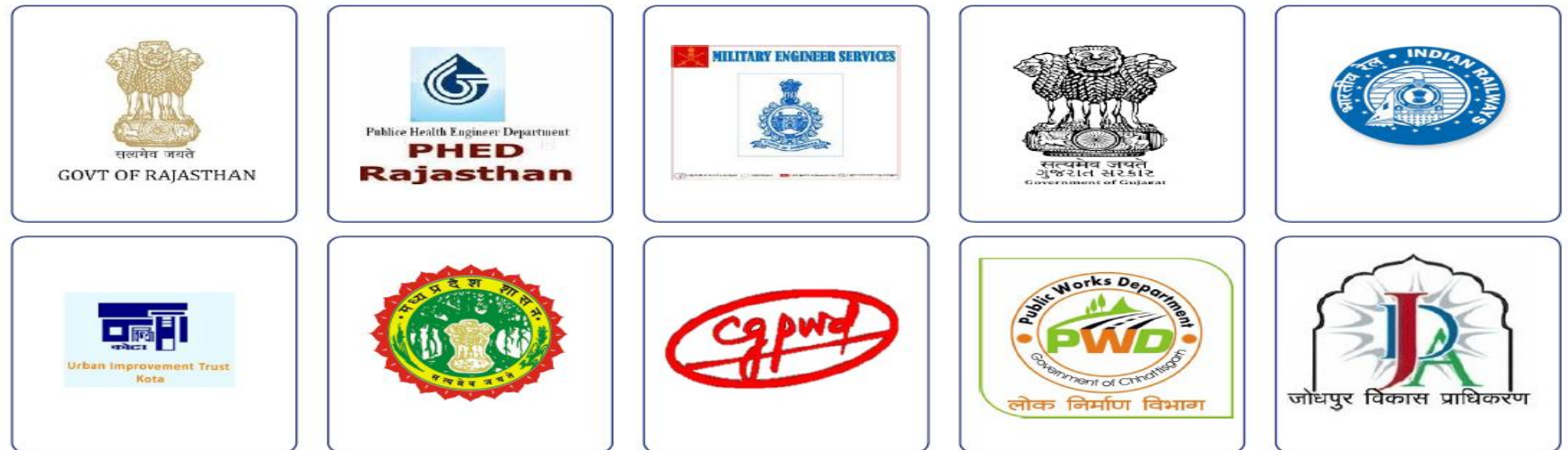
- Rising raw material and input costs may impact operating margins.
- Slow execution pace of existing orders.
- Relatively higher Interest cost compared to industry peers. Lower advances from customers and high capex requirement for order book execution results in Increase in debt levels.
- The company has dependence on Rajasthan for a large portion of its order book and revenues. Any change in the political landscape and/or financial condition of the state could elongate the execution period.
- The company has a lot of dependence on WSPs. Any cutback in spending by the centre going forward could result in lower visibility of revenues till it has sufficient orders from other streams.

Company Background:

Established in the year 1986, Vishnu Prakash R Punglia Limited (VPRPL) is an ISO 9001:2015 certified integrated engineering, procurement and construction (“EPC”) company with experience in design and construction of infrastructure projects. The company is promoted by the Punglia family who are in the EPC business for last 4 decades. The leadership team is driven by Mr. Vishnu Prakash Punglia, Mr. Manohar Lal Punglia, Mr. Sanjay Kumar Punglia, Mr. Kamal Kishor Punglia and Mr. Ajay Punglia. VPRPL’s principal business operations are broadly divided into four categories i.e. (i) Water Supply Projects (WSP); (ii) Railway Projects; (iii) Road Projects and (iv) Irrigation Network Projects. Its key customers are Central & State Government, Autonomous Bodies and Private Bodies. VPRPL specializes in water supply contracts which includes constructing, designing, building, implementing, operating, maintaining and developing Water Supply Projects (“WSPs”). It also includes setting up Water Treatment Plants (“WTPs”) along with pumping stations and laying of pipelines for supply of water. The current orderbook stands at ~Rs. 4,717 crores spread across all the business segments to be executed over the next 24-36 months. The company has an integrated business model with in-house execution team and a fleet of ~500 construction equipment which helps in reducing its dependence on third-party for key materials and services required for project execution. For roads and highway contracts, the company focuses only on EPC projects, with or without O&M, and no HAM or BOT projects. This helps in efficient debt management and stable cash flows.

VPRPL has raised equity of Rs.373.11 crore (Rs.308.61 crore by issuing 3.12 crore equity shares at Rs.99 each through an IPO in September 2023 and Rs.64.50 crore in December 2022 through pre-IPO placement), with Rs.216 crore earmarked for working capital requirements and general corporate purposes.

Key Clientele:



(Source: Company, HDFC Sec)

Peer Comparison:

Company	Market Cap(cr)	Sales (Rs cr)			EBITDA			PAT			ROE (%)			P/E		
		FY24	FY25E	FY26E	FY24	FY25E	FY26E	FY24	FY25E	FY26E	FY24	FY25E	FY26E	FY24	FY25E	FY26E
VPRPL	2519	1473.9	1745.0	2022.7	209.9	249.5	289.2	122.2	139.0	165.6	23.6	17.6	17.6	20.6	18.1	15.2
L&T	498678	221112.9	253658.6	287787.7	23493.7	28255.1	33773.5	13059.1	16082.3	20097.3	14.9	17.1	18.6	38.9	31.3	25.3
KEC	23155	19914.2	22747.9	25868.3	1214.6	1730.7	2368.1	346.8	740.6	1204.7	8.8	16.8	22.7	65.7	18.9	16.5

(Source: Bloomberg, HDFC Sec)

Financials (Consolidated)

Income Statement

(Rs cr)	FY23	FY24	FY25E	FY26E
Net Revenues	1168	1474	1745	2023
Growth (%)	48.7	26.1	18.4	15.9
Operating Expenses	1012	1264	1495	1733
EBITDA	157	210	250	289
Growth (%)	80.3	34.0	18.9	15.9
EBITDA Margin (%)	13.4	14.2	14.3	14.3
Depreciation	7	11	18	20
Other Income	3	9	10	12
EBIT	153	208	242	282
Interest expenses	30	43	56	60
PBT	122	165	187	222
Tax	32	42	48	56
PAT	91	122	139	166
Share of Asso./Minority Int.	0	0	0	0
Adj. PAT	91	122	139	166
Growth (%)	102.1	34.8	13.8	19.1
EPS	9.7	9.8	11.2	13.3

Balance Sheet

Particulars	FY23	FY24	FY25E	FY26E
SOURCE OF FUNDS				
Share Capital	93	125	125	125
Reserves	221	596	735	901
Shareholders' Funds	315	721	860	1026
Minority Interest	0	0	0	0
Total Debt	250	396	413	434
Net Deferred Taxes	3	3	3	3
Other Non-curr. Liab.	1	2	2	3
Total Sources of Funds	569	1122	1278	1465
APPLICATION OF FUNDS				
Net Block & Goodwill	135	176	221	248
CWIP	6	6	3	1
Investments	1	1	131	201
Other Non-Curr. Assets	11	16	18	22
Total Non Current Assets	152	199	373	472
Inventories	313	460	526	582
Debtors	198	670	622	693
Cash & Equivalents	70	91	112	103
Other Current Assets	93	122	138	165
Total Current Assets	673	1343	1398	1542
Creditors	206	339	406	443
Other Current Liab & Provisions	50	81	85	105
Total Current Liabilities	256	420	492	548
Net Current Assets	417	923	906	994
Total Application of Funds	569	1122	1278	1465

Cash Flow Statement

(Rs cr)	FY23	FY24	FY25E	FY26E
Reported PBT	122	165	187	222
Non-operating & EO items	1	-2	-2	-4
Interest Expenses	28	36	56	60
Depreciation	7	11	18	20
Working Capital Change	-141	-491	39	-97
Tax Paid	-25	-35	-48	-56
OPERATING CASH FLOW (a)	-8	-316	250	145
Capex	-65	-52	-60	-45
Free Cash Flow	-74	-368	190	100
Investments	0	0	-130	-70
Non-operating income	-32	20	0	0
INVESTING CASH FLOW (b)	-98	-32	-190	-115
Debt Issuance / (Repaid)	74	145	17	21
Interest Expenses	-30	-43	-56	-60
FCFE	-63	-246	21	-9
Share Capital Issuance	65	309	0	0
Dividend	0	0	0	0
Others	0	-24	0	0
FINANCING CASH FLOW (c)	108	387	-39	-39
NET CASH FLOW (a+b+c)	2	38	21	-9

Key Ratios

(Rs cr)	FY23	FY24	FY25E	FY26E
Profitability Ratios (%)				
EBITDA Margin	13.4	14.2	14.3	14.3
EBIT Margin	13.1	14.1	13.9	13.9
APAT Margin	7.8	8.3	8.0	8.2
RoE	38.3	23.6	17.6	17.6
RoCE	33.9	24.7	20.3	20.6
Solvency Ratio (x)				
Net Debt/EBITDA	1.2	1.5	1.2	1.1
Net D/E	0.6	0.4	0.3	0.3
PER SHARE DATA (Rs)				
EPS	9.7	9.8	11.2	13.3
CEPS	10.4	10.7	12.6	14.9
BV	33.7	57.9	69.0	82.3
Dividend	0.0	0.0	0.0	0.0
Turnover Ratios (days)				
Debtor days	49.1	107.5	135.1	118.6
Inventory days	76.4	95.7	103.1	100.0
Creditors days	50.7	67.5	78.0	76.7
VALUATION (x)				
P/E	20.8	20.6	18.1	15.2
P/BV	6.0	3.5	2.9	2.5
EV/EBITDA	17.2	13.4	10.8	9.2
EV / Revenues	2.3	1.9	1.5	1.3
Dividend Yield (%)	0.0	0.0	0.0	0.0
Dividend Payout (%)	0.0	0.0	0.0	0.0

(Source: Company, HDFC Sec)

Price chart



(Source: Company, HDFC sec)

HDFC Sec Retail Research Rating description

Green Rating stocks

This rating is given to stocks that represent large and established business having track record of decades and good reputation in the industry. They are industry leaders or have significant market share. They have multiple streams of cash flows and/or strong balance sheet to withstand downturn in economic cycle. These stocks offer moderate returns and at the same time are unlikely to suffer severe drawdown in their stock prices. These stocks can be kept as a part of long term portfolio holding, if so desired. This stocks offer low risk and lower reward and are suitable for beginners. They offer stability to the portfolio.

Yellow Rating stocks

This rating is given to stocks that have strong balance sheet and are from relatively stable industries which are likely to remain relevant for long time and unlikely to be affected much by economic or technological disruptions. These stocks have emerged stronger over time but are yet to reach the level of green rating stocks. They offer medium risk, medium return opportunities. Some of these have the potential to attain green rating over time.

Red Rating stocks

This rating is given to emerging companies which are riskier than their established peers. Their share price tends to be volatile though they offer high growth potential. They are susceptible to severe downturn in their industry or in overall economy. Management of these companies need to prove their mettle in handling cyclicalilty of their business. If they are successful in navigating challenges, the market rewards their shareholders with handsome gains; otherwise their stock prices can take a severe beating. Overall these stocks offer high risk high return opportunities.

Disclosure:

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Any holding in stock – No

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