



IPO Note

Garuda Construction and Engineering Limited

Recommendation: **AVOID!**

Company Background -

- **Incorporation:** Garuda Construction and Engineering Limited was originally formed and incorporated on Sep 21, 2010. The registered office is located at Mumbai, Maharashtra.
- **Business Activity:** The company is engaged in civil construction for residential, commercial, residential cum commercial, infrastructure and industrial projects and additional services for infrastructure and also hospitality projects. They also provide O&M and MEP services.
- **Revenue Stream:** The major revenue stream for the company is from construction of commercial buildings (Rs. 108.06 Cr) and residential buildings (Rs. 34.27 Cr) for FY2024.
- **Human Resource:** The company had 65 employees as of Sep 28, 2024.

Objects of the Issue -

- Funding working capital requirements
- General Corporate Purposes and Unidentified Inorganic Acquisitions

Promoters Name -

Pravinkumar Brijendra Kumar Agarwal, PKH Ventures Limited and Makindian Township Private Limited

Rationale for recommendation -

- ✓ The top line, bottom line and profitability margins have been inconsistent over the years and might not be sustainable in the future.
- ✓ The company had negative cash flow from operations for FY2024 and April 24.
- ✓ The company has a high concentration of customers and most of the revenue is generated from related parties.
- ✓ The group companies were under loss for FY2021, 2022 and 2023.

IPO Details

Opening Date	Oct 08, 2024
Closing Date	Oct 10, 2024
Allotment Date	Oct 11, 2024
Listing Date	Oct 15, 2024
Stock Exchange	BSE, NSE
Lot Size	157 Shares
Issue Price Per Share	₹92 to ₹95
Issue Size	264.10 Cr.
Fresh Issue	173.85 Cr.
Offer for Sale	90.25 Cr.
Application Amt	₹ 14,915 – ₹ 1,93,895 (157 to 2,041 shares)

INDUSTRY – Construction

Average P/E of peers – 27.00

	KPIs (In Crores)			
KPI's	FY 22	FY 23	FY 24	Apr-24
Revenue	77.02	160.69	154.18	11.88
EBITDA	27.16	55.65	49.80	4.71
Net Profit	18.78	40.79	36.44	3.50
RoCE	52.31%	59.75%	41.43%	3.58%
ROE	44.94%	49.38%	30.62%	2.86%
P/E	37.85	17.40	19.51	16.63*

*Annualized

Promoter Share Holding Pattern

Pre-Issue	Post Issue
96.81%	67.56%

Valuation Parameters

Particulars	Pre-Issue	Post Issue*
EPS	4.87	4.59
BVPS	15.92	36.07
P/E	19.51	20.70
P/BV	5.97	2.63
Mkt Cap (In Cr)	710.05	883.90

*Annualized

Lead Managers -

Corpwis Advisors Private Limited

Registrar -

Link Intime India Private Limited

Business Overview –

Garuda Construction and Engineering Limited provides end-to-end civil construction for residential, commercial, residential cum commercial, infrastructure and industrial projects and additional services for infrastructure and also hospitality projects. Further, they are also involved in sector pertaining to civil construction cum services. They also provide services such as operations and maintenance services (“O&M”) and Mechanical, Electrical and Plumbing (“MEP”) services and finishing works as a part of their construction services.

Order Book –

The company has 12 ongoing projects aggregating to Rs. 1,408.27 Cr.

Utilization of Net Proceeds –

The net proceeds of the issue will be utilized for working capital requirement (Rs. 100 Cr) and remaining for general corporate purposes and unidentified inorganic acquisitions.

Subsidiaries –

The subsidiaries are yet to commence their business.

1. PKH Ayodhya Private Limited – They are involved in construction activity. (51% shareholding)
2. PKH Projects LLP – They are involved in construction activity. (51% shareholding)

Completed Projects –

1. Delhi Police Headquarters



2. Golden Chariot Hotel & Spa, Vasai



3. Golden Chariot Hotel, Marol

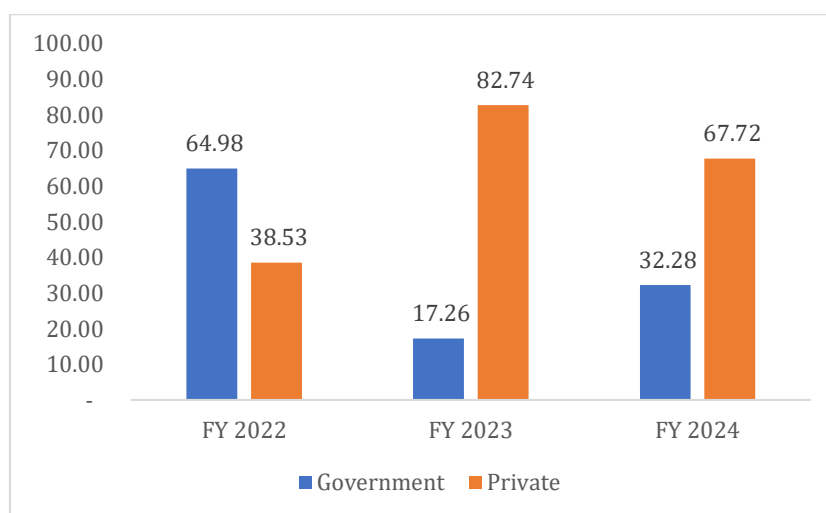


Revenue Bifurcation -

(Amt in Cr.)

Particulars	FY 2022		FY 2023		FY 2024	
	Amt	%	Amt	%	Amt	%
Commercial	52.24	67.83	54.38	33.84	108.06	70.09
Residential	24.78	32.17	96.45	60.03	34.27	22.23
Industrial	-	-	7.54	4.69	10.35	6.71
Services	-	-	2.32	1.44	1.50	0.97
Total	77.02	100.00	160.69	100.00	154.18	100.00

Revenue Bifurcation for private and government contracts -



Competition -

1. **Market Competition:** The construction and EPC industry is highly competitive where the key metrics of competition is pricing, innovation, perceived value, brand recognition, advertising, special events, customer service and other activities.
2. **Geographic Competition:** The company faces competition in regional, national, and international players from large and small players.
3. **Barriers to entry:** Moderate barriers to entry.
4. **Threat of Substitutes:** High threat of substitutes.
5. **Bargaining power of Suppliers:** The bargaining power is low with the suppliers.
6. **Bargaining Power of Buyers:** The bargaining power is high with the customers.

Business Strategies -

1. The company intends to expand their presence in the civil construction sector by entering into development aspects as well and their current order book contains 2 projects where they have entered as developers.
2. The company intends to increase focus on greater number of projects on a lock-and-key basis where they are involved in all stages of construction of a building.
3. The company intends to continue to maintain an asset light model for business operations.
4. They intend to expand their geographical presence throughout the country.

Risk Factors -

The company is highly dependent on top 10 customers for majority of their revenue generation which contributed to 100%, 100% and 96.97% for FY2022, 2023 and 2024 respectively.

The company is highly dependent on related party for majority of their revenue generation and their top 10 customers included related party which contributed to 86.55%, 94.62% and 43.47% for FY2022, 2023 and 2024 respectively.

PKH Ventures Limited (Promoter) had previously filed for IPO but had to withdraw their IPO as they did not meet the minimum threshold level of 90% subscription.

PKH Ventures Limited is involved in a criminal proceeding where they are accused of engaging in unfair labour practices and of wrongful termination of employment.

The promoter of the company Mr. Pravin Kumar Brijendra Kumar Agarwal is involved in a criminal proceeding initiated by Airport Police Station for beating up Mr. Lokesh Yashwant Uttarvar on Nov 3, 2007 due to which he sustained injuries.

Their group company Artemis Opto Electric Technologies Private Limited, Garuda Buildinfra Pvt. Ltd, and PKSS Infrastructure have no revenue for the last three fiscal years ended March 31, 2023, March 31, 2022, March 31, 2021. Hence, these companies are under losses due to fixed overhead expenses.

The company 1 outstanding case against it for civil matters amounting to Rs. 17.14 Cr.

The directors have 13 cases against them for tax and criminal matters amounting to Rs. 0.96 Cr. and they have filed 3 cases for criminal and civil matters amounting to Rs. 119.77 Cr.

The promoters have 8 cases against them regarding criminal, tax, regulatory and civil matters amounting to Rs. 36.80 Cr. and they have filed 6 cases for criminal and civil matters amounting to Rs. 130.23 Cr.

The company had negative cash flow from operations for FY2024 and April-24.

PEER ANALYSIS

Particulars	Garuda Construction and Engineering Limited			PSP Projects Limited			Capacite Infraprojects Limited			Ahluwalia Contracts (India)		
	FY 22	FY 23	FY 24	FY 22	FY 23	FY 24	FY 22	FY 23	FY 24	FY 22	FY 23	FY 24
NP Margin	24%	25%	24%	9%	7%	5%	4%	5%	6%	6%	7%	9%
EBITDA Margin	35%	35%	32%	16%	13%	11%	17%	20%	19%	10%	12%	15%
RoCE	53%	60%	41%	35%	26%	23%	10%	16%	15%	22%	21%	28%
ROE	45%	49%	31%	24%	16%	13%	5%	9%	8%	15%	16%	23%
EPS (INR)	2.51	5.46	4.87	46.29	36.65	34.16	7.03	14.04	15.77	23.17	28.96	55.96
P/E	37.85	17.40	19.51	11.84	18.31	20.14	16.36	8.47	16.60	20.21	19.91	18.25

Interpretation -

- The market cap of the company is less than its peers.
- The CCC of the company is better than its peers.
- The revenue and net profit growth of the company has remained inconsistent compared to its peers.
- The PE ratio of the company is less than PSP Projects Limited.
- The RoCE and ROE are higher compared to its peers.

INDUSTRY OVERVIEW

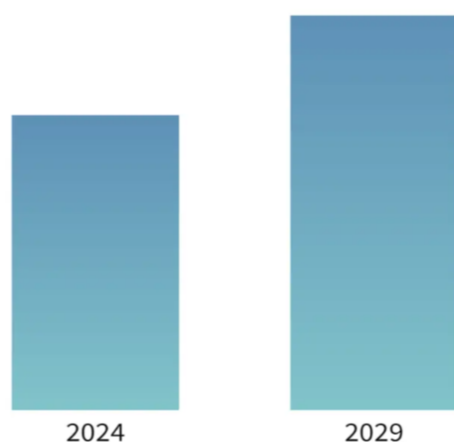
Construction sector in India -

Overall the Indian Construction sector has grown at a CAGR of 10.6% from FY18 to FY23 from Rs. 2,375 Billion to Rs. 3,922 Billion. The construction sector is further expected to grow from Rs. 3,922 Billion in FY23 to Rs. 6,494 Billion in FY30 at a CAGR of 7.5%. The sector is expected to contribute 15% to the Indian economy by 2030.

India Construction Market

Market Size

CAGR >6%



Construction EPC in India -

Over the long term, the outlook for construction sector is favourable supported by continued government spending on infrastructure. The Government has expanded the National Infrastructure Policy (NIP) during the Budget to 7,400 projects from 6,835 projects and announced plans for the National Monetization Pipeline and Development 153 Finance Institution (DFI) to improve the financing of infrastructure projects. Road construction in India is expected to grow with new funding mechanisms by NHAI, such as ToT (Toll Operate Transfer) and InvITs (Infrastructure Investment Trust) and interest from international funds (both for equity as well as debt). This has the potential for catapulting India to the third largest construction market globally. The sector is expected to contribute 15% to the Indian economy by 2030. The recent policy reforms such as the Real Estate Act, GST and REITs are steps to reduce approval delays and are only going to strengthen the real estate and construction sector.

Key Management -

- The overall management of the company is decent.
- The promoter and management has good experience.
- There is an evidence of dual chairmanship, which is not favourable.



Key Management Persons Name -	Pravinkumar Brijendra Kumar Agarwal
Age	52
Designation and No. of years of experience	Promoter, Chairman and Managing Director, 20 years of experience in Construction & Development, hospitality and management services
Qualification	-
Responsibility	Currently responsible for overall management and affairs of the Company and entire group including devising investment strategies, developing industry networks for further business development and overall development of the business of the Company
Other Directorships	PKH Ventures Limited, Garuda Urban Remedies Limited, Artemis Greenpower Private Limited etc.

Key Management Persons Name -	Mohit Kapoor
Age	30
Designation	Whole-Time Director
Qualification	Bachelor's degree in Technology in Civil Engineering, Diploma in Engineering (Civil), Master of Business Administration degree
Other Directorship	-

Key Management Persons Name -	Deepak Kumar
Age	48
Designation and No. of years of experience	Non-Executive Director, 19 years of experience
Qualification	Bachelor's Degree in Arts
Other Directorships	Artemis Electricals and Projects Limited

Key Management Persons Name -	Priyanka Yadav
Age	31
Designation and No. of years of experience	Independent Director, 7+ years of experience compliance, secretarial, and company law advisory
Qualification	Bachelor's degree in law, Company Secretary
Other Directorships	PKH Ventures Limited, Artemis Electricals and Projects Limited, Eternal Building Assets Private Limited

Key Management Persons Name -	Rajvirendra Singh Rajpurohit
Age	34
Designation and No. of years of experience	Independent Director, 7+ years of experience compliance and secretarial functions
Qualification	Masters in Commerce program, Company Secretary
Other Ventures	G-Tec Jainx Education Limited, Anumodnam Consulting Private Limited, TradePAQ TRM (India) Private Limited etc.

Key Management Persons Name -	Venkateshkumar K Tirupatipanyam
Age	67
Designation	Non-Executive Independent Director
Qualification	Bachelor's degree in Commerce and Bachelor's degree in Law
Other Ventures	Prakfin Corporate Advisory Services Private Limited, Blue Phosphate Limited and Transworld Furtichem Private Limited

FINANCIAL SNAPSHOT**Statement of Profit and Loss**

Amt in Crores

Particulars	FY 22	FY 23	FY 24	April-24
Revenue from Operations	77.02	160.69	154.18	11.88
Other Income	0.01	0.34	0.29	-
Total Income	77.03	161.02	154.47	11.88
Expenses				
Cost of Material Consumed	11.34	11.55	9.36	0.49
Construction Expenses	30.90	89.30	85.00	6.39
Employee Benefit Expenses	1.25	1.56	2.76	0.17
Finance Cost	2.07	0.38	0.02	0.002
Depreciation and amortisation expense	0.31	0.52	0.41	0.03
Other expenses	6.37	2.63	7.26	0.11
Total Expenses	52.24	105.94	104.82	7.20
EBITDA	27.16	55.65	49.80	4.71
EBITDA Margin	35.27%	34.64%	32.30%	39.65%
Profit/(Loss) before tax	24.78	55.09	49.65	4.68
Tax Expense				
Current tax	6.23	14.26	13.17	1.18
Deferred Tax	-0.23	0.03	0.04	0.0005
Total Tax	6.00	14.29	13.21	1.18
Profit/(Loss) for the year	18.78	40.79	36.44	3.50
Net Profit Margin	24.38%	25.33%	23.59%	29.48%

Statement of Assets and Liabilities

Amt in Crores

Particulars	FY 22	FY 23	FY 24	April-24
EQUITY AND LIABILITIES				
1. Shareholders' funds				
Share Capital	12.46	12.46	37.37	37.37
Other equity	29.33	70.15	81.64	85.14
Total Equity	41.79	82.61	119.01	122.51
2. Non-current liabilities				
Financial Liabilities				
Borrowings	-	0.15	0.11	0.10
Other Financial Liabilities	9.50	9.50	-	-
Provisions	0.04	0.01	0.08	0.08
Total Non-current liabilities	9.54	9.66	0.18	0.18
3. Current liabilities				
Financial Liabilities				
Borrowings	11.99	0.04	0.04	0.04
Trade Payables				
(i) Total outstanding dues of MSME	-	-	-	-
(ii) Total outstanding dues of creditors other than MSME	40.70	62.34	61.74	62.16
Other Financial liabilities	0.12	0.13	0.48	0.45
Provisions	0.02	0.03	0.03	0.03
Other current liabilities	1.36	7.84	34.41	35.71
Current Tax Liabilities (net)	5.52	13.70	12.58	13.76
Total Current liabilities	59.70	84.07	109.29	112.15
Total Liabilities	69.24	93.74	109.48	112.33
Total Equity and Liabilities	111.03	176.35	228.49	234.84
ASSETS				
1. Non-current assets				
Property, Plant & Equipment	2.15	1.93	1.65	1.62
Capital Work-In-Progress	2.21	2.21	2.21	2.21
Financial Assets				
Other financial assets	9.77	10.31	7.92	7.92

Particulars	FY 22	FY 23	FY 24	April-24
Deferred Tax Assets	0.48	0.44	0.41	0.41
Other non-current assets	14.93	14.93	14.93	14.93
Total Non-Current assets	29.54	29.82	27.11	27.08
2. Current assets				
Inventories	2.70	6.60	7.38	7.38
Financial Assets				
Trade Receivables	30.17	76.98	176.24	182.56
Cash & Cash equivalents	6.88	4.85	0.51	0.37
Bank balances other than cash	0.16	1.77	1.79	1.79
Loans	0.05	0.10	0.07	0.10
Other Current Assets	41.52	56.23	15.39	15.55
Total Current assets	81.49	146.53	201.37	207.76
Total Assets	111.03	176.35	228.49	234.84

Cash Flow Statement Amt in Crores

Particulars	FY 22	FY 23	FY 24	April-24
Net Cash Flow from Operating Activities	12.92	12.26	-6.81	-0.13
Net Cash Flow from Investing Activities	-1.16	-2.11	2.54	-
Net Cash Flow from Financing Activities	-5.08	-12.18	-0.07	-0.01

Key Ratios

Per Share Data	FY 22	FY 23	FY 24	Apr-24*	Valuation Ratios (x)	FY 22	FY 23	FY 24	Apr-24*
Diluted EPS	2.51	5.46	4.87	5.71	EV/EBITDA	1.72	1.37	2.35	5.84
BV per share	33.55	66.32	15.92	44.90	Market Cap / Sales	11.48	5.50	5.73	6.10
Operating Ratios					P/E	37.85	17.40	19.51	16.63
EBITDA Margins	35.27%	34.64%	32.30%	39.65%	Price to Book Value	2.83	1.43	5.97	2.12
PAT Margins	24.38%	25.33%	23.59%	29.48%	Solvency Ratios				
Inventory days	12.80	15.00	17.47	18.64	Debt / Equity	0.29	0.0023	0.0012	0.0003
Debtor days	142.99	174.85	417.23	461.21	Current Ratio	1.36	1.74	1.84	1.85
Creditor days	1,310.31	1,970.36	2,406.71	3,787.96	Quick Ratio	1.32	1.66	1.77	1.79
Return Ratios					Asset Turnover	0.69	0.91	0.67	0.05
RoCE	52.31%	59.75%	41.43%	17.02%	Interest Coverage Ratio	12.95	2,236.58	128.58	2,340.70
RoE	44.94%	49.38%	30.62%	12.73%					

*Annualized

FINANCIAL ANALYSIS –

1. The top line has seen a sudden increase in FY2023 by 109.50% and then a decrease by 4.07% was seen for FY2024, this might not be sustainable in the long run.
2. The net profit growth has also been inconsistent as a sudden increase can be seen for FY2023 by 117.20% and a decrease was seen for FY2024 by 10.69%.
3. The PAT margin and EBITDA margin have also remained slightly inconsistent over the years.
4. The RoCE and ROE has seen a dip in FY2024
5. The PE ratio has slightly increased for FY2024.
6. The company had negative cash flow from operations for FY2024 and April-24.

LEAD MANAGER TRACK RECORD -

The lead manager to the issue is Corpwis 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 –

Corpwis Advisors Private Limited –

Sr. No.	Company Name	Issue Size in Cr.	Issue Price/Share (In INR)	Listing Date	CMP* (INR)
1.	Jeyyam Global Foods Limited	81.94	61.00	Sep 09, 2024	61.75
2.	Aluwind Architectural Limited	29.70	45.00	Apr 09, 2024	65.10

The company has handled 2 mandates in the past three years (including the current year).

*CMP for the above-mentioned companies is taken as of 5th Oct 2024.

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

Recommendation -

Garuda Construction and Engineering Limited has been in the industry since 2010 and has good experience in the industry. The management overview of the company is decent.

The P/E on a post-IPO basis is around 20.70 times which makes it fairly priced compared to its peer's average PE.

The company's top line and bottom line of the company has been inconsistent over the years and might not be sustainable in the long run. The profitability margins have also been slightly inconsistent over the years. Also, the company had negative cash flow from operations for FY2024 and April-24. Furthermore, their group companies were under loss for FY2021, 2022 and 2023.

The company has high concentration of customers and also major revenue is generated from related parties.

Their promoter PKH Ventures Limited had come with IPO in FY2022 but had to withdraw their IPO as they did not meet the minimum threshold level of subscription.

The industry is highly competitive and fragmented and there are many established players in this industry.

Thus, investors can **AVOID** this IPO.

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