



Sector: Infrastructure Developers & Operators

Issue Opens - March 26, 2024 to March 28, 2024

Price Band
₹200 to ₹210

Face Value
₹10

Lot Size
70 Shares

Issue Size
₹130.20 Cr

Issue Type
Book Built

research@ganeshstock.com

Important Events



Issue Size

6,200,000 shares/ ₹130.20 Cr

Fresh Issue

6,200,000 shares/ ₹130.20 Cr

Offer for Sale

N/A

Basis of Allotment

Monday, April 1, 2024

Initiation of Refunds

Tuesday, April 2, 2024

Credit of Shares to Demat

Tuesday, April 2, 2024

SRM Contractors Listing Day

Wednesday, April 3, 2024

Promoters

- Sanjay Mehta (Managing Director)
- Ashley Mehta (Non-executive Director)
- Puneet Pal Singh (Whole-time Director)
- Sanjay Sharma (Independent Director)

Promoters collectively hold 99.92% (Pre Issue) of the Equity Share.

About The Company.



SRM Contractors Limited is a civil construction company focused on infrastructure development in the challenging mountainous terrain of Jammu & Kashmir and Ladakh. Established in 2008, they specialize in roads, bridges, tunnels, and slope stabilization projects. They operate as an EPC contractor (designing, procuring, and constructing) and undertake sub-contracting for government projects. With a growing order book, SRM is a pre-qualified bidder for large projects valued up to ₹50,000 lakhs. They've completed 37 projects worth ₹77,088 lakhs and are currently executing 21 projects valued at ₹70,743 lakhs.

Description of Their Business

An engineering construction and development company is primarily engaged in the construction of roads (including bridges), tunnels, slope stabilization works, and other miscellaneous civil construction activities in the Union Territories of Jammu & Kashmir and Ladakh. Construction works are undertaken both as an EPC contractor and on an item rate basis for infrastructure projects. Sub-contracting assignments of infrastructure construction projects are also undertaken by the company. A track record of successful execution of road, tunnel, and slope stabilization projects in the difficult terrain of Union Territories of Jammu & Kashmir and Ladakh has been established, demonstrating expertise and know-how in undertaking infrastructure construction projects in challenging terrains. The company has emerged as a key player in the infrastructure construction industry in the Union Territories of Jammu & Kashmir and Ladakh, having developed technical capabilities to execute projects in hilly/challenging terrain in the region.

The business of their Company is divided into the following independent business verticals:

- **Road Projects:**

- The designing and construction of realignment, widening, upgradation, restoration, and/or strengthening and improvements of roads & highways, and their maintenance in difficult terrain of Union Territories of Jammu & Kashmir and Ladakh.
- Construction of bridges, including standalone bridges.



- **Tunnel Projects:**

- The designing and construction of new tunnels, cut and cover tunnels for avalanche and slide protection, caverns, widening, upgradation, restoration, and/or strengthening and improvements, including providing niches/modification in niches, and stabilization of existing tunnels in difficult terrain of Union Territories of Jammu & Kashmir and Ladakh.

- **Slope Stabilization Works:**

- The application of various engineering techniques, measures, and methods to solidify and stabilize a slope that is either inherently unstable or insufficiently stable.
- Designing and construction of reinforced soil steepened slope structures as part of slope stabilization works, essential for safeguarding infrastructure, protecting the environment, and ensuring public safety.
- The chosen method of stabilization is based on a comprehensive geotechnical assessment of the slope, considering various factors such as soil type, slope angle, water content, and local environmental conditions.

- **Other Miscellaneous Civil Construction Activities:**

- Undertaking other construction activities such as construction of government housing and residential units, drainage works, and irrigation & flood control works.

Objects of The Offer

The company proposes to utilise the Net Proceeds towards funding the following objects:

1. Funding capital expenditure requirements for the purchase of equipment/machinery;
2. Full or part repayment and/or prepayment of certain outstanding secured borrowings availed by the company;
3. Funding the working capital requirements of the company;
4. Investment in Project Specific Joint Venture Projects; and
5. General Corporate Purpose.

Track Record Of Financial Performance

Statement of Profit and Loss

(in ₹ lakhs, except percentages and ratios)

Particulars		Note No.	For the year ended 31st March 2023	For the year ended 31st March 2022	For the year ended 31st March 2021
I.	Revenue from operations	17	30,029.08	26,361.14	16,005.89
II.	Other income	18	36.01	189.74	188.85
III.	Total Income (I + II)		30,065.09	26,550.88	16,194.74
IV.	Expenses:				
	Cost of material Consumed	19	21,757.84	18,551.83	11,097.14
	Employee benefits expense	20	1,131.98	874.86	692.32
	Finance costs	21	580.02	255.35	232.70
	Depreciation and amortization expense	22	780.80	616.45	516.82
	Other expenses	23	3,309.59	3,922.91	2,572.46
	Total expenses		27,560.23	24,221.40	15,111.44
V.	Profit before tax (III-IV)		2,504.86	2,329.48	1,083.30
VI.	Tax expense:				
	(1) Current tax		553.50	514.35	259.64
	(2) Deferred tax	24	76.74	58.36	(3.62)
	(3)MAT Credit Entitlement		-		
VII.	Profit (Loss) for the period (V-VI)		1,874.62	1,756.77	827.28
	(1) Remeasurements of the defined benefit plans		-	-	-
	(2) Income tax relating to items that will not be reclassified to profit or loss		-	-	-
VIII	Total other comprehensive income		-	-	-
IX.	Total comprehensive income for the year (VII+VIII)		1,874.62	1,756.77	827.28
X.	Earnings per equity share:				
	(1) Basic (Adjusted)		90.82	1,154.10	543.47
	(2) Diluted (Adjusted)		90.82	1,154.10	543.47

Their key financial performance indicator for Financial Year 2023, Financial Year 2022 and Financial Year 2021 are detailed as below;

(₹ in lakhs, unless stated otherwise)

Parameter	Financial Year 2023	Financial Year 2022	Financial Year 2021
Total income	30,065.09	26,550.88	16,194.74
Total revenue from operations (in ₹)	30,029.08	26,361.14	16,005.89
Current Ratio	2.05	1.56	1.23
EBIDTA	3,865.67	3,201.28	1,832.82
EBIDTA Margin (in %)	12.87 %	12.14%	11.45%
Net Profit for the Year	1,874.62	1,756.77	827.28
Net Profit Margin (in %)	6.24%	6.66 %	5.17%
Return on Net Worth (in %)	34.85%	49.30%	36.43%
Return on Capital Employed (in %)	35.04%	42.16%	31.17%
Debt-Equity Ratio	0.75	0.71	1.19
Debt Service Coverage Ratio	3.26	3.25	3.68

As certified by the Statutory Auditors vide certificate dated September 25, 2023.

Operation wise revenue

(₹ in lakhs)

Our operations	Revenue from Operations as on March 31, 2023	As % of Revenue from Operations	Revenue from Operations as on March 31, 2022	As % of Revenue from Operations	Revenue from Operations as on March 31, 2021	As % of Revenue from Operations
Road Projects	13,532.93	45.07%	10,277.71	38.99%	8,729.29	54.54%
Tunnel Projects	7,822.08	26.05%	10,857.19	41.22%	6,742.26	42.12%
slope stabilisation works	8,390.26	27.94%	4,904.58	18.61%	228.71	1.43%
Other miscellaneous civil Construction Activity	283.80	0.94%	311.66	1.18%	305.62	1.91 %

As certified by the Statutory Auditors vide certificate dated September 25, 2023.

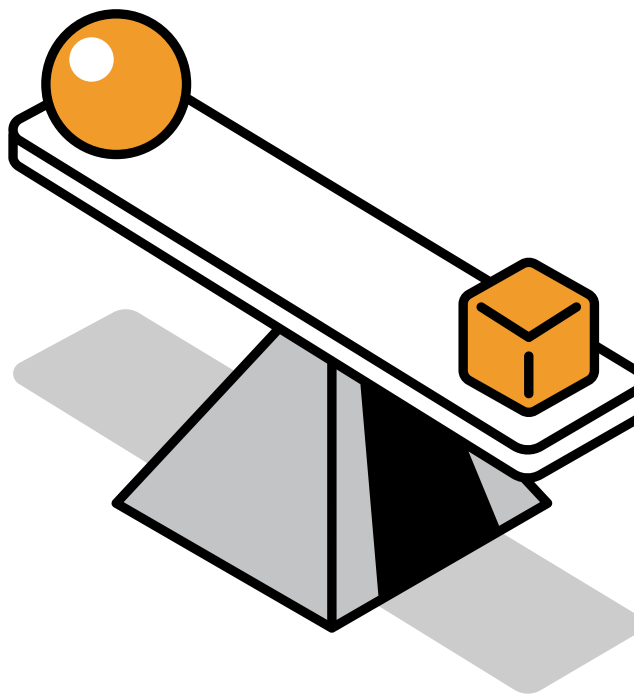


Strengths

- Demonstrated success in efficiently executing road, tunnel, and slope stabilization projects in the challenging terrain of the Union Territory of Jammu and Kashmir.
- Efficient business model focusing on selecting and clustering projects in the Union Territories of Jammu & Kashmir and Ladakh.
- Continuous emphasis on equipment ownership to support operations.
- Robust financial performance.
- Utilization of an in-house integrated model.
- Experienced promoters leading a strong management team.

Threats

1. The business is focused in the Jammu & Kashmir and Ladakh regions and is exposed to risks arising from economic, regulatory, or other changes.
2. The revenue of the company is highly dependent on government projects. Any changes in the policies can adversely impact the company's revenue.



Valuation and Outlook

The cost of the shares is expected to be between ₹200 to ₹210 per share, If we look at the valuation,SRM Contractors has a P/E ratio of 2.31x which is calculated using a price above ₹210 and an FY23 EPS of Rs 90.82 while the industry P/E is 22.54x.

Peers Analysis.

Companies	CMP*	EPS (Basic) (₹)	EPS (Diluted) (₹)	PE Ratio	RONW (%)	NAV (Per Share)	Face Value	Total Income (₹ in Lakhs)
SRM Contractors Limited	[●]	90.82	90.82	[●]	30.14	37.72	10	30,065.09
Listed peers								
Man Infraconstruction limited	146.30	4.47	4.47	32.72	14.61	30.60	2	88,096.76
ITD cementation India Limited	226.50	7.23	7.23	31.32	10.04	72.04	1	470058.03
Likhitha Infrastructure Limited	307.35	15.22	15.22	20.19	24.01	63.39	5	35861.52
Udayshivakumar Infra Ltd	35.86	2.90	2.90	12.37	11.13	26.05	10	28790.71

The company, which focuses on building roads, tunnels, and slope stabilization, has shown steady growth in its sales and profits. With orders worth over Rs. 1199 crore as of December 2023, there are good prospects ahead. Although the current stock price seems fair based on earnings in FY24, investors looking for medium to long-term gains may still find it worth considering.

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