



Issue Opens - Sept. 26, 2024 to Sept. 30, 2024

Price Band
₹92 to ₹95

Face Value
₹5

Issue Size
₹264.10 Cr

Lot Size
157 Shares

Issue Type
Book Built

Issue Size

27,800,000 shares / ₹264.10 Cr

Fresh Issue

18,300,000 shares / ₹173.85 Cr

Offer for Sale

9,500,000 shares of ₹5 / ₹90.25 Cr

Basis of Allotment

Friday, October 11, 2024

Initiation of Refunds

Monday, October 14, 2024

Credit of Shares to Demat

Monday, October 14, 2024

Garuda Listing Day

Tuesday, October 15, 2024

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Objects of The Offer



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

- Working Capital Requirements
- General Corporate Expenses and Unidentified Inorganic Acquisitions

Brief profile of the Directors

Pravinkumar Brijendra Kumar Agarwal, 53, is the Managing Director and Chairman of the company. With over 20 years of experience in construction, hospitality, and management services, he oversees the company's overall management and strategy since his appointment on September 1, 2023.

Mohit Kapoor, 31, is the Whole-Time Director, appointed on September 1, 2023. He holds a B.Tech in Civil Engineering and an MBA, and has been with the company since 2021, previously working as a Maintenance Engineer.

Deepak Kumar, 48, has been the Non-Executive Director since September 1, 2023. He has 19 years of experience with Qing Ambay City Developers Corp. Ltd., and holds a Bachelor's in Arts from Delhi University.

Priyanka Yadav, 31, is a Non-Executive Independent Director since November 30, 2021. A practicing Company Secretary, she holds a law degree and has seven years of experience in compliance and company law.

Rajvirendra Singh Rajpurohit, 35, has been a Non-Executive Independent Director since September 1, 2023. He is an associate of the Institute of Company Secretaries of India with over seven years of experience in compliance.

Venkateshkumar K. Tirupatipanyam, 67, is a Non-Executive Independent Director since September 1, 2023. He has degrees in commerce and law, and is a certified associate of the Indian Institute of Bankers. He previously served as Deputy General Manager at IDBI Bank.



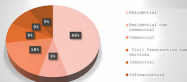
About The Company

Garuda Construction and Engineering Ltd is a growing civil construction company offering end-to-end services for residential, commercial, industrial, infrastructure, and hospitality projects. Their services cover everything from route surveys, design, and engineering to construction and project handover. The company aims to expand its capabilities in executing larger civil construction projects and securing bigger contracts outside its current group. They also plan to move into property development in the future. Currently, Garuda is working on six residential, two commercial, one industrial, and one infrastructure project, with a total order book of ₹1,408.27 crore.

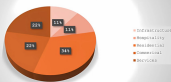
Key Business Operations

- Comprehensive Service Offering:** Garuda provides end-to-end civil construction services, including planning, design, engineering, procurement, and execution. They specialize in residential, commercial, industrial, and infrastructure projects, as well as hospitality developments, offering services like MEP (mechanical, electrical, plumbing) and O&M (operations and maintenance).
- Focused Market Approach:** The company focuses on civil construction, particularly in residential and commercial sectors. This focus helps build a skilled workforce with expertise in these areas. Garuda aims to grow by securing larger contracts outside its parent group, diversifying its client base.
- Strong Project Management:** Garuda ensures timely project delivery and high-quality standards by investing in modern equipment and leveraging third-party vendors, maintaining an asset-light model.
- Growing Order Book:** As of September 2024, Garuda's order book stands at ₹1,408.27 crore, reflecting strong future revenue potential from ongoing and upcoming projects in various regions of India.

Ongoing Projects



Completed Projects



<i>(₹ in Lakhs)</i>				
Category	For the period ended April 30, 2024	March 31, 2024	March 31, 2023	March 31, 2022
Commercial	1,187.50	1,0806.11	5,437.60	5,223.98
Residential	-	3,426.99	9,645.35	2,478.10
Industrial	-	1,034.74	754.06	-
Services	-	150.00	231.75	-
Total	1,187.50	1,5417.83	16,068.76	7,702.08

The revenue bifurcation for private contracts and government contracts undertaken by the company for the last 3 financial years as well as for the stub period is given in below:

<i>(₹ in Lakhs)</i>				
Particulars	For the period ended April 30, 2024	March 31, 2024	March 31, 2023	March 31, 2022
Government	1,187.50	4,977.35	2,773.48	5,004.49
Private	-	10,440.49	13,295.28	2,967.59
Total	1,187.50	15417.83	16,068.76	7,702.08

Projects Glimpse



Statement of Profit and Loss



Particulars	Notes	For the period ended April 30, 2024	(₹ in Lakhs)		
			2024	As at March 31st 2023	2022
Income					
Revenue from Operations	23	1,187.50	15,417.83	16,068.76	7,702.08
Other Income	24	-	29.04	33.65	0.71
Total Income		1,187.50	15,446.88	16,102.41	7,702.79
Expenses					
Cost of Materials Consumed	25	49.23	936.34	1,154.82	1,133.65
Construction Expenses	26	639.43	8,500.22	8,929.84	3,090.17
Employee Benefits Expenses	27	17.25	275.98	156.04	124.95
Finance Costs	28	0.20	2.47	38.32	207.38
Depreciation and Amortisation Expenses	29	2.66	41.11	52.14	31.08
Other Expenses	30	10.79	725.78	262.54	637.16
Total Expenses		719.55	10,481.90	10,593.69	5,224.41
Profit Before Exceptional Items and Tax		467.95	4,964.98	5,508.72	2,478.38
Exceptional Items		-	-	-	-
Profit Before Tax		467.95	4,964.98	5,508.72	2,478.38
Tax Expenses					
Current Year		117.82	1,317.05	1,425.73	623.36
Deferred Tax		(0.05)	4.40	3.46	(23.20)
Profit for the Year		350.17	3,643.53	4,079.53	1,878.22
Other Comprehensive Income					
Other Comprehensive Income not to be Reclassified to Profit or Loss in Subsequent Periods:					
-Re-Measurement Income / (Losses) on Defined Benefit Plan		-	(5.44)	3.50	(0.23)
- Income Tax Effect on Above		-	1.37	(0.88)	0.06
Total Other Comprehensive Income			(4.07)	2.62	(0.18)
Total Comprehensive Income for the Period		350.17	3,639.46	4,082.14	1,878.05
Earnings per Equity Share of Face Value of ₹ 5 Each					
Basic and Diluted	31	0.47	4.87	5.46	2.51

Strengths



- Garuda operates with an **exclusive and focused business approach**, specializing in civil construction across various sectors, including residential, commercial, industrial, and infrastructure. This specialization enables the company to develop deep expertise and cater effectively to client needs. The company boasts an **established and proven track record** in delivering high-quality projects on time, reinforcing its reputation in the industry.
- With **strong project management capacity and execution capabilities**, Garuda ensures that all projects are executed efficiently while maintaining high standards. This operational excellence is supported by a **strong financial performance and healthy balance sheet, providing stability** and enabling the company to manage risk effectively.
- Garuda's **visible growth through an increasing order book** reflects the company's ability to secure new projects, ensuring a steady pipeline for future revenue. Additionally, the company benefits from an **experienced Promoter, Directors, and Management Team**, whose leadership and expertise drive strategic decisions and long-term growth.

Threats

- **Negative Cash Flows:** Garuda reported negative cash flows of ₹(-192.64 lakhs) as of November 2023, raising concerns about its financial health and ability to sustain operations.
- **Project Risks:** A large portion (64.61%) of ongoing projects involves unrelated entities, increasing risks of project delays or non-performance, which could hurt revenue.
- **Competitive Landscape:** The lack of non-compete agreements with related entities may lead to direct competition, potentially affecting future business growth.
- **Related Party Transactions:** Transactions with related parties may not be conducted at arm's length, posing risks to profitability and raising concerns about governance.
- **Volatile Financial Performance:** Garuda's revenue dropped from ₹160.7 crore in FY23 to ₹154.47 crore in FY24, with net profits also falling, indicating inconsistent financial performance.
- **Historical Compliance Issues:** Past non-compliance in securities allotment may lead to penalties, affecting the company's reputation and investor trust.

Valuation and Outlook



Garuda Construction and Engineering Limited IPO is expected to be priced between ₹92 to ₹95 per share. At this price, the company is valued at Price-to-Earnings (P/E) ratio of 19.5x versus the Industry P/E of 27.58x.

Sr. No	Name of the company	Face Value (₹ Per Share)	EPS (₹) ⁽¹⁾	P/E Ratio ⁽²⁾	RoNW (%) ⁽³⁾	Net Asset Value per share (₹) ⁽²⁾
1.	Garuda Construction & Engineering Ltd ⁽⁴⁾	5.00	4.87	[•]	36.14%	15.92
2.	PSP Projects Limited	10.00	34.16	20.00	17.73%	254.13
3.	Capacite Infraprojects Limited	10.00	16.09	23.61	9.35%	223.44
4.	Vascon Engineers Limited	10.00	3.05	22.66	11.32%	44.33
5.	Ahluwalia Contracts (India) Limited	2.00	55.95	22.97	17.14%	238.84
6.	B L Kashyap & Sons Limited	1.00	2.33	48.67	13.38%	22.02

last year in July 2023 PKH Ventures, a group company, launched its first IPO aiming to raise ₹379 crore but had to withdraw due to weak investor interest, citing unfavorable market conditions. A key concern is that its trade receivables exceed its reported revenues (FY24, Rs 174Cr vs Reveune of Rs. 154 Cr). However, the company holds orders worth over ₹1,400 crore, which remains its primary positive aspect at the time of filing the offer document.

We rate this IPO **"Avoid"** and advised after listing.

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