

Kuber Chauhan
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Issue Details

Issue Details	
Issue Size (Value in ₹ million, Upper Band)	1302
Fresh Issue (No. of Shares in Lakhs)	62
Offer for Sale (No. of Shares in Lakhs)	NA
Bid/Issue opens on	26-Mar-2024
Bid/Issue closes on	28-Mar-2024
Face Value	₹ 10
Price Band	₹ 200-210
Minimum Lot	70

Objects of the Issue

➤ Fresh issue: ₹1,302 million

- Funding capital expenditure requirements for the purchase of equipment/machinery.
- Funding working capital requirements of their company.
- Full or part repayment and/or prepayment of certain outstanding secured borrowings availed by the company.
- Investment in Project Specific Joint Venture Projects
- General corporate purposes.

Book Running Lead Managers	
Interactive Financial Services Limited	
Registrar to the Offer	
Bigshare Services Private Limited	

Capital Structure (₹ million)	Aggregate Value
Authorized share capital	250
Subscribed paid up capital (Pre-Offer)	167
Paid up capital (Post - Offer)	230

Share Holding Pattern %	Pre-Issue	Post Issue
Promoters & Promoter group	99.9%	72.9%
Public	0.1%	27.1%
Total	100.0%	100.0%

Financials

Particulars (₹ In million)	H1FY24	FY23	FY22	FY21
Revenue from operations	2,346	3,003	2,636	1,601
Operating expenses	2,007	2,620	2,335	1,436
EBITDA	338	383	301	164
Other income	77	4	19	19
Depreciation	63	78	62	52
EBIT	353	308	258	132
Interest	71	58	26	23
PBT	282	250	233	108
Tax	71	63	57	26
Consolidated PAT	211	187	176	83
Ratios	H1FY24	FY23	FY22	FY21
EBITDAM	14.4	12.8	11.4	10.3
PATM	9.0	6.2	6.7	5.2

Company Description

SRM constructors are an engineering construction and development company engaged primarily in the construction of roads (including bridges), tunnels, slope stabilisation works and other miscellaneous civil construction activities in the Union Territories of Jammu & Kashmir and Ladakh. They undertake construction works both as an EPC contractor and on an item rate basis for infrastructure projects. Their Company also undertakes sub-contracting assignments of infrastructure construction projects.

They have 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 and they, believe that they have developed the expertise and know-how to undertake infrastructure construction projects in difficult terrains.

Their Company has emerged as a key player in infrastructure construction industry in the Union Territories of Jammu & Kashmir and Ladakh and has developed technical capabilities to execute projects in hilly/ challenging terrain in the region (Source: D&B Report). They are an ISO 9001:2015 certified company and are also registered as class A contractor with Public Work (R&B) Department, Jammu & Kashmir.

As an EPC contractor, the scope of their services includes detailed engineering of the project, procurement of construction materials, plant and machinery, construction and execution of the project and its operation and maintenance in accordance with the contractual provisions. The company's manpower, resources and fleet of machinery and equipment, together with their engineering capabilities, enables them to execute a large number of projects simultaneously.

The company has these major business verticals:

Road projects: planning and construction of realignment, widening, upgradation, restoration, and/or strengthening and improvement of roads, bridges, and highways and their maintenance in the Union Territories of Jammu and Kashmir and Ladakh.

Tunner projects: design and construction of new tunnels, cut-and-cover tunnels for avalanche and landslide protection and caverns; also includes expansion, upgradation, restoration and/or strengthening and improvement, including creation of niches/alterations in niches and stabilization of existing tunnels in the Union Territories of Jammu and Kashmir and Ladakh.

Slop stabilization works: planning and construction of reinforced embankment structures as part of slope stabilization work.

Other miscellaneous civil construction activities: construction of government housing and residential units, drainage work as well as irrigation and flood protection work.

As of March 2024, the company has completed 37 infrastructure construction projects with a total contract value of Rs. 77,088.00 lakhs including 31 road construction projects, 3 tunnel projects, 1 slope stabilization project, and 2 miscellaneous construction works. Out of the 37 projects 29 infrastructure construction projects, including sub-contracts, were undertaken by the company independently and 8 projects were undertaken through project-specific joint ventures.

As on January 31, 2024, the company employed 275 full-time employees, consisting of specialists and workers.

Valuation and Outlook

SRM Contractors Limited has emerged as a key player in the infrastructure construction industry in the UT of J&K and Ladakh. Executing several road, tunnel, and slope stabilization projects over 15 years. The company has an experience and has developed technical capabilities to execute projects in hilly/challenging terrain in the region, thereby being one of the reliable partners in nation-building

At the upper price band company is valued at P/E of 25.7x with a market cap of ₹4,818 million post issue of equity shares.

We believe that valuations of the company is fairly priced and recommend a "Subscribe-Long Term" rating to the IPO.

Company background

SRM constructors are an engineering construction and development company engaged primarily in the construction of roads (including bridges), tunnels, slope stabilisation works and other miscellaneous civil construction activities in the Union Territories of Jammu & Kashmir and Ladakh. They undertake construction works both as an EPC contractor and on an item rate basis for infrastructure projects. Their Company also undertakes sub-contracting assignments of infrastructure construction projects. They have 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 and they, believe that they have developed the expertise and know-how to undertake infrastructure construction projects in difficult terrains. Their Company has emerged as a key player in infrastructure construction industry in the Union Territories of Jammu & Kashmir and Ladakh and has developed technical capabilities to execute projects in hilly/ challenging terrain in the region (Source: D&B Report). They are an ISO 9001:2015 certified company and are also registered as class A contractor with Public Work (R&B) Department, Jammu & Kashmir. They are pre-qualified to bid independently on projects, tendered by departments of governmental authorities and other entities funded by the GoI, of contract value up to ₹30,000 lakhs and ₹50,000 lakhs for EPC contracts pertaining to construction of roads (including bridges) and for construction of tunnel respectively As a result of the growth of their road and tunnel construction business as the recent government initiatives and support to develop the infrastructure of union territories of Jammu & Kashmir and Ladakh, they have further forayed into executing other infrastructure projects such as standalone bridges, larger slope stabilisation works and other miscellaneous civil construction activities in order to capitalise on such rising opportunities. Recently, they have also been awarded with a contract for slope stabilization work in the state of Utrakhhand.

As an EPC contractor, the scope of their services includes detailed engineering of the project, procurement of construction materials, plant and machinery, construction and execution of the project and its operation and maintenance in accordance with the contractual provisions. Their manpower, resources and fleet of machinery and equipment, together with their engineering capabilities, enables them to execute a large number of projects simultaneously. They believe that their resources, quality of work and project execution skills have enabled them to enhance their relationships with existing clients and helps them to further secure projects from new clients.

They undertake contracts independently or whenever required, through their project-specific joint ventures with other infrastructure and construction entities when a project requires them to meet specific eligibility requirements in relation to certain large projects, including requirements relating to particular types of experience. Their Company also undertakes sub-contracting assignments from third party major infrastructure and construction entities.

Since incorporation, their Company, independently and through project-specific joint ventures, has completed thirty-eight (38) infrastructure construction projects having an aggregate contract value of ₹1,41,165.62 lakhs which includes thirty-two (32) roads projects, three (3) tunnel projects, one (1) slope stabilisation works and two (2) other miscellaneous civil construction activities. Out of the thirty-eight (38) projects executed by their Company, thirty (30) infrastructure construction projects, including sub-contracting assignments, have been executed independently by them and eight (8) projects have been executed through project specific joint ventures. For information in respect of their completed projects, twenty-one (21) infrastructure construction projects which includes eleven (11) roads projects (including bridges), five (5) tunnel projects, four (4) slope stabilization project and one (1) other miscellaneous civil construction activities. Out of the twenty-one (21) ongoing infrastructure construction projects, fifteen (15) infrastructure construction projects, including sub-contracting assignments, is being executed independently by them and six (6) infrastructure construction projects are being executed with their project-specific joint ventures.

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

Road Projects – Their roads division undertakes 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. Under this business division, they are also engaged in the construction of bridges including standalone bridges.

Tunnel Projects – Their tunnel division undertakes designing and construction of new tunnels, cut and cover tunnels for avalanche and slide protection and caverns and also includes widening, upgradation, restoration and/or strengthening and improvements including providing niches/modification in niches and stabilisation of existing tunnels in difficult terrain of Union Territories of Jammu & Kashmir and Ladakh.

Slope stabilization works – Slope stabilization refers to the application of various engineering techniques, measures and methods to solidify and stabilize a slope that is either inherently unstable or insufficiently stable. Their slope stabilisation division undertakes designing and construction of reinforced soil steepened slope structures as part of slope stabilization works. Slope stabilization works are essential to safeguard infrastructure, protect the environment, and ensure 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 etc.

Other miscellaneous civil construction activities – They also undertake other construction activities such as construction of government housing and residential units, drainage works and irrigation & flood control works.

Operation wise revenue:

Name of products	As on September 30, 2023		Fiscal 2023		Fiscal 2022		Fiscal 2021	
	Revenue from Operations (₹ million)	% of revenue from operations	Revenue from Operations (₹ million)	% of revenue from operations	Revenue from Operations (₹ million)	% of revenue from operations	Revenue from Operations (₹ million)	% of revenue from operations
Road Projects	17,585	74.97%	1353	45.07%	1027	38.99%	8292	54.54%
Tunnel Projects	6	0.27%	782	26.05%	1085	41.22%	674	42.12%
Slope stabilisation works	567	24.20%	839	27.94%	490	18.61%	22	1.43%
Other miscellaneous civil construction activity	13	0.55%	28	0.94%	31	1.18%	30	1.91%

Strengths**➤ Continuous Focus on equipment ownership**

Equipment asset management is a critical element of timely delivery of quality infrastructure development and construction projects. They own a large fleet of sophisticated construction equipment which enables them to be less dependent on third party equipment providers and to efficiently manage project execution schedules. The company believes that this also provides them with a competitive advantage over other infrastructure development and construction companies that outsource their construction activities to external contractors. They have consistently invested in fleets of modern construction equipment. They often acquire equipment of the same class and same brand to facilitate the training of operators and help reduce equipment down time and maintenance cost. With multiple projects in progress at any given time, ready access to such equipment is essential to our ability to execute existing projects on time and bid for additional projects. Easy access to and high availability of modern equipment fleet has enabled them to undertake complex and challenging projects and complete projects efficiently and profitably. As on January 31, 2024, company own and maintain 228 equipment and machineries consisting of seven (7) hot mix plant, six (6) stone crushers, twenty-three (23) excavators, eighteen (18) backhoe loader, forty two (42) tippers/dumpers, three (3) boomer, three (3) shotcrete machine, seven (7) hot bitumen pressure distributor, three (3) wet mix macadam plant, seven (7) tandem roller compactor, five (5) road roller, seven (7) paver, four (4) grader, etc. As on December 31, 2023, the aggregate gross block value of our Company's property, plant and equipment was ₹7305.21 lakhs. In the period ended on December 31, 2023 company had spent ₹427.35 lakhs and in Financial Year 2023, ₹1,848.11 lakhs, ₹585.12 lakhs in Financial Year 2022 and ₹1087.32 lakhs in Financial Year 2021 on equipment and machinery purchase and intends to add additional fleet of equipment and machinery.

➤ In-house integrated model

SRM's in-house integration has been instrumental in growth over the years. Their in-house integrated model, helps to reduce dependency on third parties for designing and engineering, procurement of key materials such as stone aggregates, and availability of machineries required to execute projects, such as, boomers, shotcrete machines, batching plants, excavators, hot mix plants, compacters, among others, in a cost-effective manner. It also facilitates timely transportation of these materials to project. As on January 31, 2024, company owns equipment fleet comprised 228 construction equipment and machinery. Further, as on December 31, 2023, the aggregate gross block value of Company's property, plant and equipment was ₹ 7305.21 lakhs. The company believes that in-house integrated model ensures that products and services required for development and construction of a project meet quality standards and are delivered in a timely manner, thereby reducing contractual risks associated with third party suppliers. This has contributed to their ability to successfully complete projects on time, without compromising on quality.

➤ Business model of selecting and clustering of our projects in the union territories of Jammu & Kashmir and Ladakh

The growth is largely attributable to business model of focusing, selecting and clustering of projects in the Union Territory of Jammu and Kashmir and Ladakh. They believe that this model has facilitated them with maximum efficiency and profitability as they leverage expertise and know-how to 188 undertake infrastructure construction projects in the difficult terrain of the Union Territory of Jammu and Kashmir and the same provides them with the competitive advantage. They carefully select contracts, usually with a focus on EPC projects, by taking into consideration key factors such as the potential for project clustering. They strive to cluster projects geographically in the Union Territory of Jammu and Kashmir and Ladakh to improve efficiency and profitability. By leveraging the manpower, equipment and materials which are set-up at nearby work sites, they attempt to save transportation costs and investment in new equipment, thus achieving economies of scale. The company apply this principle even to projects that we undertake on sub-contract basis.

Key Strategies**➤ Leverage core competencies with enhanced in-house integration**

The company's in-house integration has been instrumental in their growth over the years and They seek to focus on further enhancing their in-house capabilities. Depending on the nature of projects that They intend to bid for, They intend to enhance their in-house integration model in the areas of design and engineering capabilities, project management and central procurement facilities. They believe that further developing specialized in-house integration capabilities would reduce dependence on third parties, thereby avoiding risks and minimizing costs and time associated with outsourcing.

➤ Develop and maintain strong relationships with their clients and project specific joint venture partners

Their services significantly depend on procuring construction contracts undertaken by the government, semi-governmental authorities and other projects by private companies. Their business is also dependent on developing and maintaining strategic alliances with other contractors with whom They may want to enter into project-specific joint ventures or subcontracting relationships for specific purposes. They will continue to develop and maintain these relationships in both the client and vendor space. They intend to establish relationships and share risks with companies whose resources, skills and strategies are complementary to their business and are likely to enhance their opportunities. Their Company also proposes to make investment in project specific joint ventures from the Issue Proceeds.

➤ Further enhance their project execution capabilities

One of the primary focus areas of their project execution strategy is the completion of their projects on schedule. They also intend to continue to focus on performance and project execution in order to maximize client satisfaction and margins. They leverage technologies, designs and project management tools to increase productivity. They seek to optimize operating and overhead costs to maximize their operating margins. Their ability to effectively manage their projects will be crucial to their continued success as a reputed construction company. They intend to continuously strengthen their execution capabilities by adding to their existing pool of employees, attracting new graduates from engineering colleges in India,

and facilitating continuous learning with in-house and external training opportunities. They also seek to implement an enterprise resource planning ("ERP") system for improved efficiency and better control over their project sites and offer their engineering and technical personnel a wide range of work experience, in-house training and learning opportunities by providing them with an opportunity to work on a variety of large, complex construction projects. They will also continue to focus on their health, safety and environmental management and quality management standards as they believe these elements of performance measurement have become important competition differentiators of contractors by potential clients.

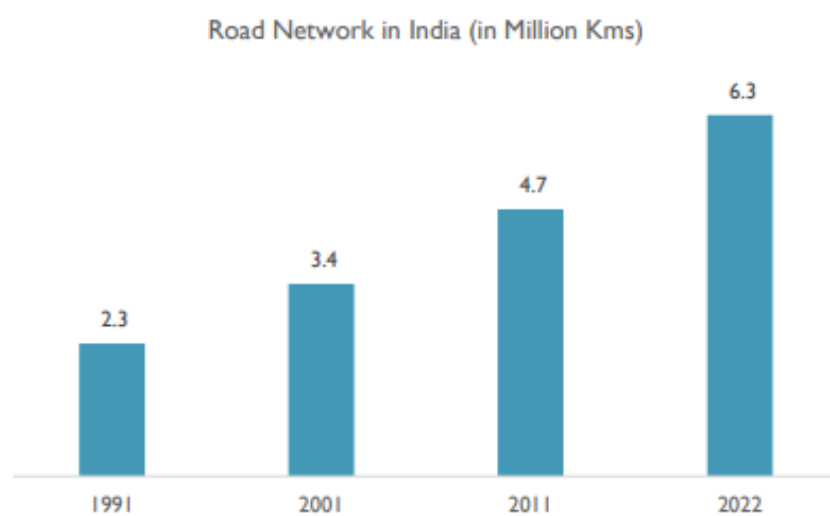
➤ Bid for, win and operate hybrid annuity model-based projects

Over the past few years, the Indian road sector, particularly road in union territory of Jammu & Kashmir and Ladakh, has gained momentum with the present government's focus on economic reforms and policy measures focused on expanding the transport network commensurate with India's economic growth and development. The government has planned for a number of projects on annuity basis. In projects undertaken on hybrid annuity model basis, the contractor is responsible to meet only 60% of the total project cost but undertakes the entire risk of operations and maintenance, while the government bears 40% of the total project cost and undertakes the entire toll collection risk. Hybrid annuity model generally provide better operating margins because of the added overall control of project costs that can be exercised by the contractor and fixed return by way of annuity for the contracted period of Annuity. For details, relating to HAM Projects.

Industry Snapshot

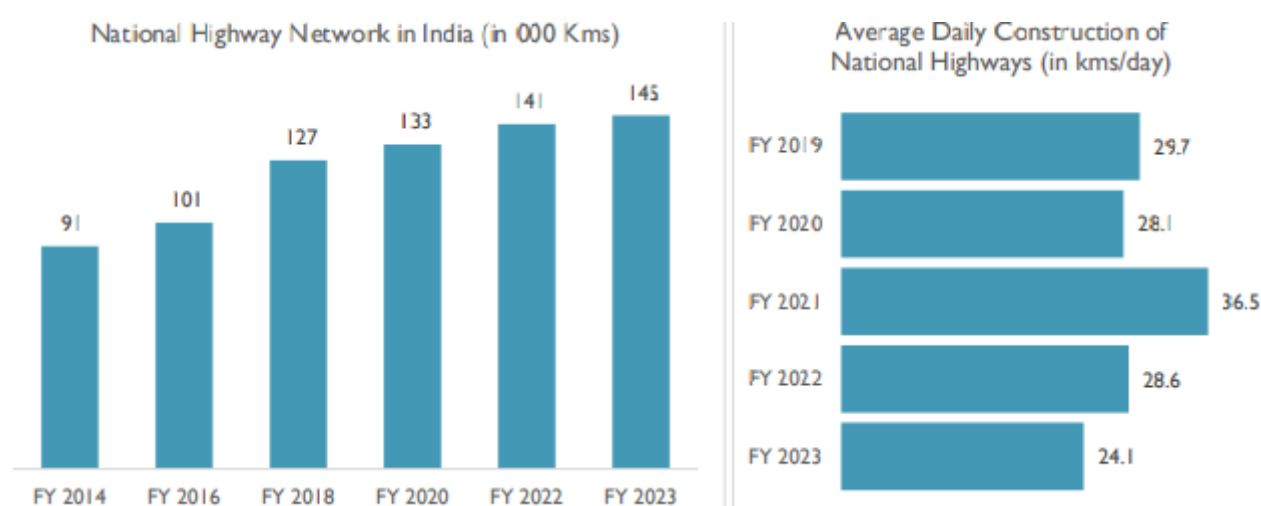
Road Infrastructure in India

India has a road network spanning approximately 6.4 million kms, making it the second largest in the world. This network – which comprises of national highways, state highways, district roads, and rural road – carries approximately 65% of country's freight traffic and nearly 90% of passenger traffic. India also has the second largest highway network in the world, after the United States, spanning approximately 145,000 kms. The national highways however accounts for less than 2.5% of the total road network in India. Despite this, national highways account for 40% of the total traffic volume.



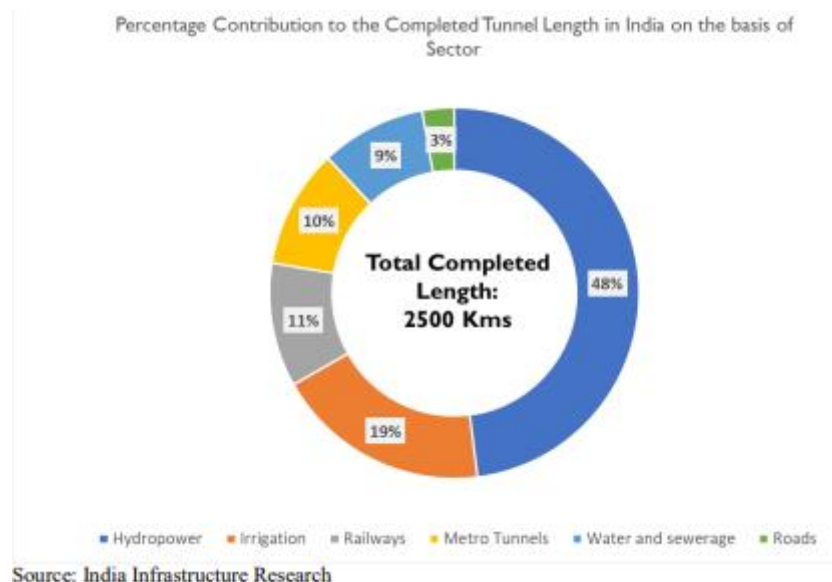
National Highway Network in India

Implementation of favourable policy measures / programs, and aggressive push by the Government to increase the road network has accelerated the pace of road construction in the country. The switch to a corridor-based highway development strategy adopted by the Government, beginning 2014 – 15, has improved the pace of construction. The annual addition in road network reached its fastest during FY 2021, when the pandemic induced a lockdown in the country. Between FY 2015 and FY 2023, nearly 54,000 kms of road was added to the national highway network in the country, thereby taking it from approximately 91,000 kms to its present stretch of approximately 145,000 kms. Average daily construction rate reached its highest level of nearly 36.5 kms/day in FY 2021, as the industry was benefitted by the lockdown measures imposed after the spread of Covid-19 pandemic. Since then, the average daily rate has dipped, to nearly 24 kms in FY 2023.



Tunnel Infrastructure in India

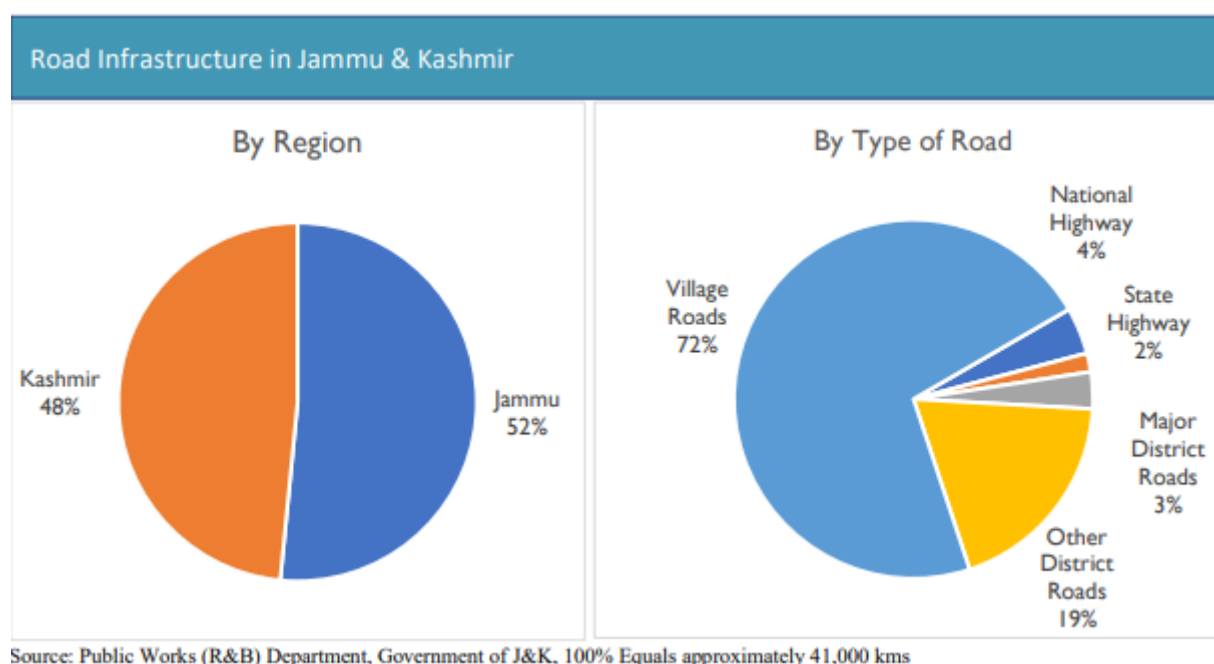
India has a completed tunnel length of approximately 2,500 kms spanning across the country⁵. Hydropower sector dominates by contributing highest share of over 1200 Kms to the completed tunnel length, followed by irrigation, railways, metro tunnels, water and sewerage accounting for the more than 470 km, 270 km, 240 Km, 230 km of the completed tunnel length respectively and roads holding a share of 60 Km.



With rapid urbanization, tunnel construction across the country has become an integral part of the entire infrastructure in India. The key sectors propelling the growth of tunnel construction in past few years are roads and highways, hydropower, urban rail, irrigation, and water. The tunnelling activity has spurred due to expansion of metro rail sector, roads and highway tunnels are also fuelling the demand especially in the hilly regions coupled with government initiatives such as Pradhan Mantri Krishi Sinchayee Yojana, the Jawaharlal Nehru National Urban Renewal Mission for exploitation of water resources and the interlinking of Rivers Programme which has given a boost to tunnel construction in the country for purposes like irrigation, water supply and sewerage.

Road Infrastructure in Union Territories Jammu & Kashmir and Ladakh

As Union Territory of Jammu and Kashmir has been rapidly emerging as one of the fastest-developing economies in the country, the Indian Government, recognizing the significance of infrastructure development in the region and particularly in border regions, has initiated and are coming up with various infrastructure development projects. As of 2022, the region boasts an extensive network of roads spanning over 41,000 kilometers. This transformation has played a pivotal role in not only enhancing economic growth but also in fostering connectivity that has bridged geographical and developmental gaps within the region. Managed by the Ministry of Road Transport and Highways, the primary road system consists of expressways and national highways. National Highways, totalling 1,735 kilometers, play a pivotal role in connecting and unifying major regions within the UT. While they make up a relatively small portion of the road network in terms of length, they bear a substantial share of the total traffic flow across the Union Territory. These roads serve as crucial links for transportation, connecting major regions within the UT and facilitating trade and movement of goods.

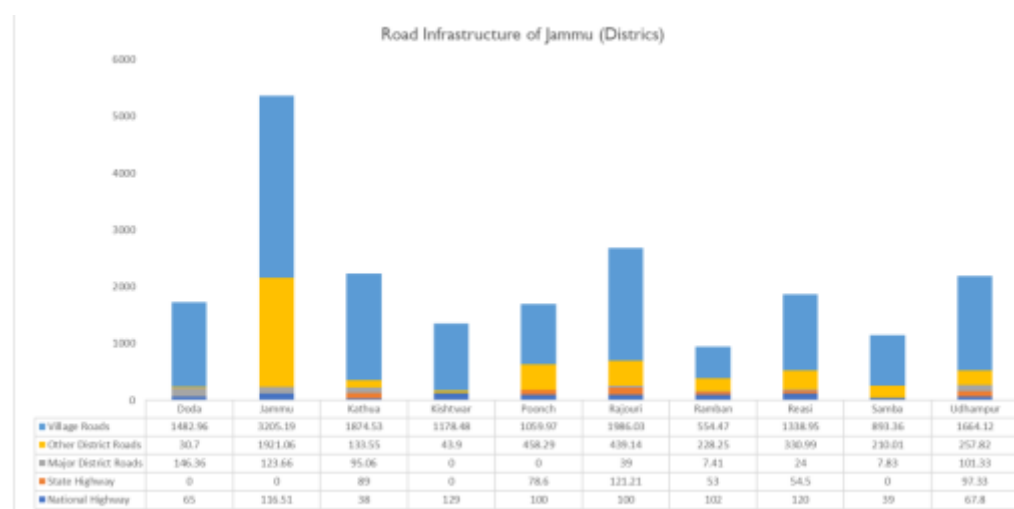


The secondary system of roads, comprising State Highways (SHs) and Major District Roads (MDRs), plays a complementary role in the transportation network. State Highways provide essential linkages to National Highways, district headquarters, key towns, and tourist destinations. Major District Roads, on the other hand, serve as connectors within districts, linking production areas with markets and rural regions with urban centers. State Highways total a length of approximately 696 kilometers while Major District Roads have an expanse of 1359 kilometers. These roads are the lifeblood of local economies, facilitating the movement of raw materials and finished products, thereby contributing significantly to both rural and industrial development. In the past, Jammu and Kashmir, with its predominantly rural-oriented economy and a substantial rural population, lacked

the tertiary system of rural road connectivity. A significant number of habitations did not have access to all-weather roads, which adversely affected the quality of life for rural residents. Under the Pradhan Mantri Gram Sadak Yojana (PMGSY) program, a concerted effort was made to develop rural roads. This initiative encompassed both Other District Roads (ODR) and Village Roads (VR). Now, ODRs, with a total length of over 7,838 kilometers, serve as lifelines for rural areas of production, ensuring the efficient transportation of goods to market centers, blocks, tehsils, and main roads. Simultaneously, VRs, with the longest expanse of 29,512 kilometers, contribute to enhancing last-mile connectivity within villages, bringing essential services closer to rural communities.

Road Infrastructure in Jammu

The road infrastructure in Jammu is diversified among various departments and organizations, contributing significantly to its connectivity and development. Jammu's road network includes a total of 877 kilometers of National Highways, 494 kilometers of State Highways, 545 kilometers of Major District Roads, and 4053 kilometers of Other District Roads. Additionally, there are 15,238 kilometers of Village Roads that further extend the reach of the road infrastructure into rural areas. In total, the road network in Jammu spans an impressive 21,207 kilometers, reflecting the region's commitment to connectivity and development across various road categories. Pradhan Mantri Gram Sadak Yojana (PMGSY) program in Jammu plays a crucial role, primarily focusing on Village Roads with 6441.87 kilometers and Other District Roads encompassing 436 kilometers. The total length under PMGSY in Jammu amounts to 6,878.02 kilometers, resulting in construction and management of 32.4% of the total roads. Furthermore, Municipal Roads in Jammu contribute 514 kilometers or 2.4% share, primarily in urban areas. Jammu has 10 districts under its belt, with Jammu district having the largest expanse of 5366 kilometers. This is followed by Rajouri (2,685 kilometers), Kathua (2,230 kilometers), and Udhampur (2188 kilometers) districts. Together, they contribute to approximately 60% of the total road expanse in Jammu.

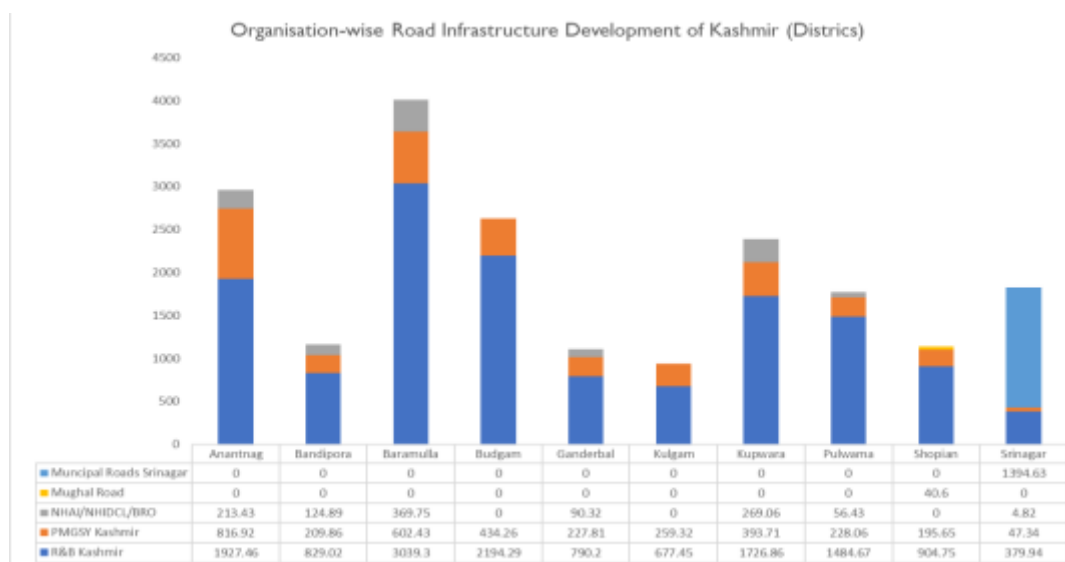


Source: Public Works (R&B) Department, Government of J&K

Majority of the construction work in Jammu and Kathua district has been done by R&B Jammu, whereas Rajouri and Udhampur districts have seen major contributions from PMGSY programme. The age-old Mughal Road passes through only one district: Poonch.

Road Infrastructure in Kashmir

Kashmir's road network includes a total of 858 kilometers of National Highways, 202 kilometers of State Highways, 814 kilometers of Major District Roads, and 3,785 kilometers of Other District Roads. In addition, there are 14,274 kilometers of Village. This comprehensive road infrastructure totals 19,933 kilometers. Kashmir has 10 districts under its belt, with Baramulla district having the largest expanse of 4011 kilometers. This is followed by Anantnag (2,958 kilometers), Budgam (2,629 kilometers), and Kupwara (2,390 kilometers) districts. Together, they contribute to over 60% of the total road expanse in Kashmir. Majority of the construction work in all the districts in Kashmir has been done by R&B Kashmir, whereas the PMGSY Kashmir Programme has been the second biggest contributor to the road network. The age-old Mughal Road passes through only one district in Kashmir: Shopian.



Source: Public Works (R&B) Department, Government of J&K

Key Demand Drivers

The expansion of the road network in Jammu and Kashmir is influenced by several key external factors that play a significant role in driving infrastructure development in the region. These factors include:

- **Strategic Importance:** Jammu and Kashmir holds immense strategic importance for India due to its proximity to international borders. It shares borders with Pakistan, Afghanistan and China, and the development of road networks in this region is crucial for national security. The challenging terrains of the region, including mountainous areas, demand efficient road infrastructure to ensure the rapid mobilization of troops and equipment. In times of conflict or border tensions, these roads become essential for troop movement and reinforcement, enabling a quicker response to any security threats.
- **Tourism Industry:** J&K's natural beauty make it a prime tourist destination. Expanding and improving road networks in the region is vital for the growth of tourism. Accessible roads allow more tourists to visit, boosting the tourism industry and, consequently, the local economy. This improved connectivity enhances the appeal of the region as a tourist hotspot, generating revenue and employment opportunities in hospitality and related sectors.
- **Economic Development:** Road infrastructure is a cornerstone of economic development. Improved connectivity through well-maintained roads enables the transportation of goods and commodities. This promotes trade not only within the region but also with other parts of India. Additionally, better road networks attract investment in various sectors, including manufacturing and agriculture. As economic activity increases, it leads to job creation and improved economic opportunities for the local population, ultimately raising their standard of living.
- **Trade and Commerce:** J&K's geographic location places it in a strategically advantageous position for trade. It can serve as a trade hub connecting northern India with Central Asia and beyond. Well-developed road networks facilitate the smooth flow of goods, reducing transportation costs and making the region more attractive for businesses looking to expand their market reach. This increased trade activity benefits the local economy and strengthens the overall trade network between different regions.
- **Government Initiatives:** The Indian government recognizes the significance of infrastructure development, particularly in border regions like J&K. Initiatives such as the Pradhan Mantri Gram Sadak Yojana allocate funds for rural road development. These projects aim to improve road connectivity in remote and underserved areas of J&K, enhancing accessibility for its residents and fostering overall development.
- **International Relations:** Bilateral and regional relations play a pivotal role in driving infrastructure development. Efforts to strengthen diplomatic ties with neighboring countries can lead to cross-border road connectivity projects. These initiatives promote economic cooperation, trade, and cultural exchanges. For example, road links with countries like Nepal or Bangladesh can boost regional trade, while cross-border roads with China and Pakistan can enhance diplomatic and economic relations, reducing tensions through increased connectivity and cooperation.

Comparison with Listed Peers

Name of the company	Latest FY	Face value	P/E	EPS (Basic) (₹)	EPS (Diluted) (₹)	RONW (%)	NAV per equity share (₹)
SRM Contractors Limited	Consolidated	10	25.7*	8.15	8.15	30.1	37.7
Listed peers							
Man Infraconstruction Ltd.	Standalone	2	24.9	4.47	4.47	14.6	30.6
Itd Cementation India Ltd	Standalone	1	24.7	7.23	7.23	10.0	72.0
Likhitha Infrastructure Limited	Standalone	5	15.4	15.2	15.2	24.0	63.3
Udayshivakumar Infra Ltd	Standalone	10	13.4	2.9	2.9	11.3	26.0

Note: 1) P/E Ratio has been computed based on the closing market price of equity shares on NSE on Mar 22, 2024.

2) * P/E of company is calculated on EPS of FY23 and post issue no. of equity shares issued.

Key Risk

- The company's business is concentrated in the Union Territory of Jammu & Kashmir and Ladakh and it is exposed to risks emanating from economic, regulatory, and other changes in the Union Territory of Jammu & Kashmir and Ladakh. infrastructure or related sectors in the Union Territory of Jammu & Kashmir and Ladakh.
- The company derives a significant portion of its revenues from a limited number of clients. Therefore, the loss of any significant clients may harm the business, financial condition, results of operations, and prospects of the company.
- Infrastructure projects are typically awarded to the company on satisfaction of prescribed prequalification criteria and following a competitive bidding process. The company's business and its financial condition may be adversely affected if new infrastructure projects are not awarded to the company or if contracts awarded to the company are prematurely terminated.
- In the event of any adverse change in budgetary allocations for infrastructure development or a downturn in available work in the infrastructure sector or resulting from any change in government policies or priorities, the business prospects and financial performance of the company may be adversely affected.

Valuation and Outlook

SRM Contractors Limited has emerged as a key player in the infrastructure construction industry in the UT of J&K and Ladakh. Executing several road, tunnel, and slope stabilization projects over 15 years. The company has experience and has developed technical capabilities to execute projects in hilly/challenging terrain in the region, thereby being one of the reliable partners in nation-building.

At the upper price band company is valued at P/E of 25.7x with a market cap of ₹4,818 million post issue of equity shares.

We believe that valuations of the company is fairly priced and recommend a “Subscribe-Long Term” rating to the IPO.

DISCLAIMER:**Analyst Certification**

- ❑ The views expressed in this Research Report accurately reflect the personal views of the analyst(s) about the subject securities or issuers and no part of the compensation of the research analyst(s) was, is, or will be directly or indirectly related to the specific recommendations or views expressed by the research analyst(s) in this report. The research analysts are bound by stringent internal regulations and also legal and statutory requirements of the Securities and Exchange Board of India (hereinafter “SEBI”) and the analysts’ compensation are completely delinked from all

Anand Rathi Ratings Definitions

- Analysts' ratings and the corresponding expected returns take into account their definitions of Large Caps, Mid-Caps & Small Caps as described in the Ratings Table below:

Ratings Guide (12 months)	Buy	Hold	Sell
Large Caps (Top 100 companies)	>15%	0%-15%	Below 0%
Mid Caps (101st-250th company)	>20%	0%-20%	Below 0%
Small caps (251st company onwards)	>25%	0%-25%	Below 0%

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