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# Road construction firm Patel Infra files for IPO

By Ankit Doshi | 10 January, 2018



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Vadodara-headquartered road construction company Patel Infrastructure Ltd has filed a draft red herring prospectus (DRHP) with capital markets regulator Securities and Exchange Board of India (SEBI) to float an initial public offering (IPO).

According to the DRHP, the company has proposed to sell fresh shares worth Rs 400 crore in the IPO.

While the valuation is still to be finalised, Patel Infrastructure will dilute roughly 20-22% stake, two people in the know told VCCircle. This will value the firm at Rs 1,800-2,000 crore (\$315 million), VCCircle estimates show.

If listed, Patel Infrastructure will join a number of infrastructure companies that have gone public in the last two to three years.

BanyanTree-backed **Dilip Buildcon went public** in August 2016 with a Rs 625 crore public issue, while **Bharat Road Networks Ltd (BRNL)** went public last September by raising Rs 600 crore.

Other firms that also went public in the infrastructure and construction space include PSP Projects Ltd, Shankara Building Projects Ltd, Sadbhav Infrastructure Project Ltd, PNC Infratech Ltd, and MEP Infrastructure Developers Ltd.

Delhi-headquartered GR Infraprojects Ltd, which is **backed by Motilal Oswal Private Equity**, is also planning to go public.

Below is a snapshot of the IPO:

Use of Proceeds

Patel Infra plans to use Rs 161.47 crore of the net proceeds of the issue to part finance the Cholopuram-Thanjavur HAM Project, which is held by subsidiary firm Patel Cholopuram-Thanjavur Highway Pvt Ltd.

The company will use Rs 45 crore to purchase construction equipment, Rs 100 crore to fund incremental working capital requirements, besides using Rs 25 crore towards repayment and prepayment of debt.

The balance amount will go towards general corporate purposes.

#### **Merchant Banks**

SBI Capital Markets and IIFL Holdings are merchant bankers managing the IPO.

#### **Lawyers**

Shardul Amarchand Mangaldas & Co is the legal counsel representing the company, while AZB & Partners is representing the merchant bankers in the IPO.

#### **Company**

The firm, formerly Patel Infrastructure Pvt Ltd, was incorporated in April 2004. It operates as an engineering, procurement, and construction (EPC) player in the road sector.

It engages in construction, development, and maintenance service of road projects across India.

Patel Infra's operations can be broadly categorised into two parts.

One is the construction contract business through which the firm undertakes the EPC services for third party projects.

It also develops its own roads and highways projects, including highways and bridges, either under the hybrid annuity (HAM) model or the build, operate and transfer (BOT) model undertaken by its subsidiaries for which the parent firms receives toll collection fees and annuity income.

As of October 31 last year, the company had an order book worth Rs 6,267.24 crore, comprising one Output- and Performance-based Road Contract (OPRC) project, eight EPC road projects, and three HAM projects.

The company said in its filings that 97.39% of its order book comprised roads and highways projects. The balance 2.61% is contributed by construction of seven building and other civil construction projects.

Under its EPC business, its key ongoing projects include building and other civil construction of eight new court buildings in the City Civil Court, Ahmedabad; the construction of frame of a new multi-storeyed multispecialty hospital in Gujarat, besides building residential and commercial projects in Gujarat under the Pradhan Mantri Awas Yojana (PMAY), a government programme.

Under its annuity business, its key ongoing projects include our three HAM projects with total contract value of Rs 3,930.23 crore. These projects are namely Sethivahopu-Cholopuram

Project and the Cholapuram-Thanjavur Project in Tamil Nadu, and the Darah-Jhalawar Project in Rajasthan.

The company claims it is pre-qualified to bid independently on an annual basis for National Highways Authority of India (NHAI) and Ministry of Road Transport and Highways projects of up to Rs 1,234 crore of EPC contracts and Rs 1,203 crore of annuity contracts.

### Financials

Patel Infra reported consolidated net profit of Rs 47.97 crore for the first half of 2017 on operating revenue of Rs 799.40 crore during the same period.

It reported consolidated revenue of Rs 1,593.26 crore for the financial year 2016-17, and Rs 891.13 crore in the previous fiscal.

Patel Infra's net profit stood at Rs 71.04 crore in 2016-17 and Rs 87.96 crore in the previous year.

Patel Infra's revenue has grown at a compounded annual rate (CAGR) of 28.55% in five years beginning 2012-13. Its net profit has risen at a CAGR of 21.55% during the same five-year period.

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