

Retail Research	IPO Note
Sector: Construction - Invit	Price Band (Rs): 99-100

## Capital Infra Trust Invit

### Company Overview:

**Capital Infra Trust** (erstwhile National Infrastructure Trust) is an infrastructure investment trust sponsored by Gawar Construction Ltd (GCL). The trust was established in Sep'23 with the objective to carry on the activities of, and to make investments as, an infrastructure investment trust. It has 9 completed and revenue generating Initial Portfolio of Assets aggregating to ~682.43 kms. In addition to this, the trust will also have the right to acquire new projects through a right of first offer (ROFO) with its sponsor. Its sponsor GCL is an infrastructure development and construction company with over 15 years of experience, primarily engaged in the construction of road and highway projects across 19 states in India. It does projects for various government/semi-government bodies and statutory authorities including NHAI, Ministry of Road Transport & Highways (MoRTH), Mumbai Metropolitan Regional Development Authority (MMRDA) and Central Public Works Department (CPWD). GCL has a portfolio of 26 road projects on a hybrid annuity mode (HAM) with NHAI, of which 11 are completed projects and 15 are under-construction projects.

### Key Investment Strategies:

- To maintain optimum capital structure to maximise distributions to unitholders.
- To continue to manage the assets through the services of the project manager and the investment manager.
- Expand the portfolio of road assets.

### Competitive Strength:

- Sizeable portfolio of stable revenue generating assets with long-term cash flows.
- Fixed price Operation & Maintenance contract with a five year lock-in.
- Geographically diversified road asset portfolio and revenue base.
- Growth opportunities and rights to expand portfolio of assets through acquisition of sponsor's portfolio and third-party projects.
- Hedge against adverse interest rate movements.
- Consistent track record of the project manager in operating and maintaining projects in the infrastructure sector in India.

Financials (Rs cr)	FY22	FY23	FY24	1HFY25
Revenue from operations	1,908	2,033	1,485	705
Other Income	73	486	58	87
Total Income	1,981	2,519	1,544	792
PAT	126	497	126	115
Cash flow from operations	(667)	(509)	112	113
Financial Assets	1,364	2,912	3,253	3,417
Networth	497	984	1,119	1,234
Net Debt	1,572	2,618	3,073	3,183
D/E (x)	3.3	2.7	2.9	2.7

(Rs cr)	FY25E	FY26E	FY27E
Projected cash flow from operations	616	680	658

Source: RHP, SSL Research

### Issue Details

Date of Opening	7 <sup>th</sup> January 2025
Date of Closing	9 <sup>th</sup> January 2025
Price Band (Rs)	99 - 100
Offer for sale (Rs cr)	501
Fresh Issue (Rs cr)	1,077
Issue Size (Rs cr)	1,578
No. of units	15,93,93,939 – 15,78,00,000
Face Value (Rs)	NA
Post Issue Market Cap (Rs cr)	2,726 – 2,754
BRLMs	SBI Capital Markets Ltd., HDFC Bank Ltd.
Registrar	KFin Technologies Ltd.
Sponsor	Gawar Construction Ltd
Manager	Gawar Investment Manager Private Ltd
Trustee	Axis Trustee Services Ltd
Bid Lot	150 units and in multiple thereof
Institutional Investor	Not more than 75% of the issue
Non-Institutional Investor	Not less than 25% of the issue

### Objects of Issue

	Total amount to be funded from Net Proceeds
Loans to the Project SPVs for repayment/pre-payment of external borrowings, in part or in full, from the financial lenders (including any accrued interest and prepayment penalty)*	-
Loans to the Project SPVs for repayment of unsecured loans availed by the Project SPVs from the Sponsor	487.2
(Less) Offer Expenses	-
<b>Total proceeds from fresh issue</b>	<b>1,077.0</b>

\*The Trust will finalise the details of repayment of loans to lenders upon completion of listing of the Units of the Trust.

Source: RHP, SSL Research

## Risk Factors

- The Trust is a newly settled trust and does not have an established operating history thereby making it difficult to accurately assess its future growth prospects.
- Premature termination of any of the trust's Initial Portfolio Assets may result in non-receipt of payments due to it thereby causing material adverse effect on its financial condition.
- Any bank rate reduction could adversely impact cash flows receivable from NHAI.
- Revenues from the Initial Portfolio Assets are dependent on receiving consistent annuity income and interest on annuity income from NHAI.
- Any failure or inability of the trust to identify and acquire new infrastructure assets that generate comparable revenue, profits or cash flows may have an adverse effect on its business, financial condition, cash flows, results of operations as well as its ability to make distributions.
- Any unanticipated increase in costs, including O&M costs, cannot be recovered by the trust by increasing annuity income under the relevant concession agreement.
- The trust is subject to regulatory restrictions in relation to its debt financing and refinancing which may adversely affect its operations and ability to make distributions to unitholders.

## Project Portfolio

SPV	Rohna Jhajjar Highway Asset	Khajuwala Bap Highway Asset	Narnaul Highway Asset	Rohna Sonepat Highways Asset	Kiratpur Nerchowk Highway Asset	Dewas Ujjain Highway Aset	Hardiya Hasanpur Highway Asset	Bangalore Highways Asset	Nainital Highways Asset
State	Haryana	Rajasthan	Haryana	Haryana	Himachal Pradesh	Madhya Pradesh	Bihar	Karnataka	Uttarakhand
Date of signing Concession Agreement	9th May 2018 (amendment to CA on 13th February 2019)	28th September 2018	29th February 2019	27th May 2019	26th November 2020	11th December 2020	28th October 2020	8th December 2016	2nd June 2016
Date of Signing Endorsement Agreement	NA	NA	NA	NA	NA	NA	NA	13th February 2023	14th July 2023
PCOD	10th July 2020	20th January 2021	9th January 2021	29th January 2022	7th June 2023	5th July 2023	27th April 2023	31st December 2020	27th October 2019
COD	31st July 2020	30th October 2021	9th January 2021	5th April 2022	5th September 2023	16th January 2024	To be notified	To be notified	To be notified
Length (Km)	35.5	212.1	45.3	40.2	47.8	40.3	47.2	164.3	49.8
Bid Project Cost (Rs cr)	718	895	1,137	1,020	2,098	716	1,065	944	560
Completion cost (Rs cr)	757	966	1,178	1,100	2,443	823	1,209	1,050	768
Annuities receivable (Rs cr)	451	579	701	666	1,475	495	730	548	368
Annuities received till Sep'24 (Rs cr)	80	89	108	72	63	21	31	67	22
Number of Annuities received till Sep'24/ Total Annuities	8/30	7/30	7/30	5/30	2/30	2/30	2/30	7/30	9/30
Cash Flow received as on Sep'24 (Rs cr)	20	26	31	31	38	74	26	56	20

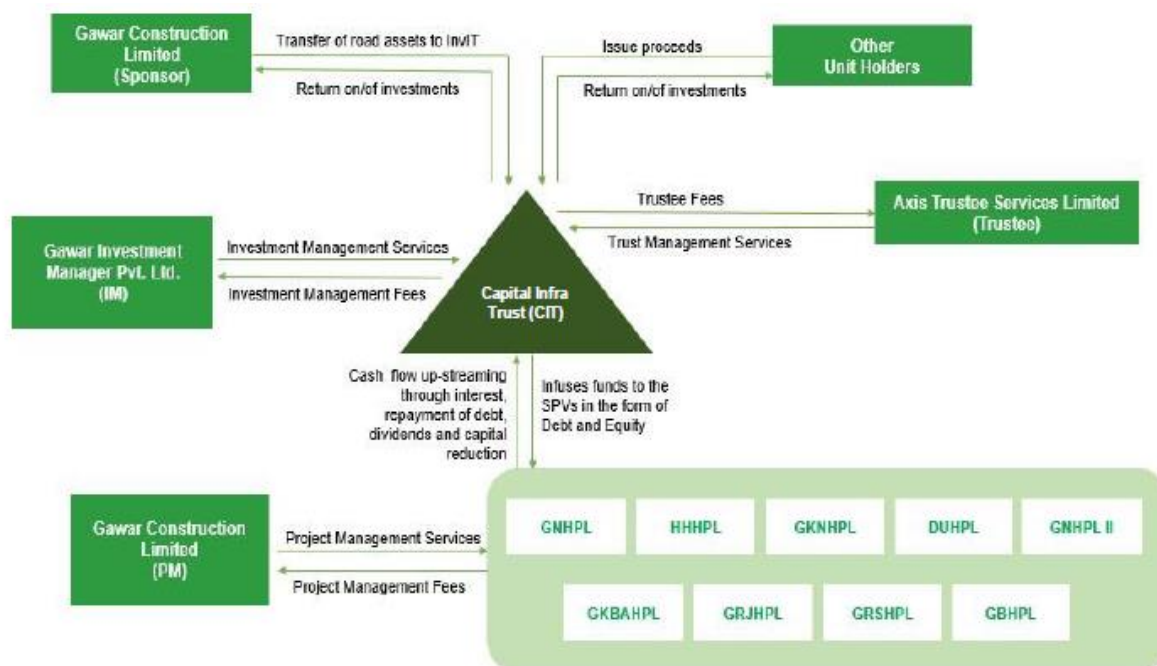
Source: RHP, SSL Research

## Growth Pipeline - ROFO

Name of the ROFO SPV	State	Length (Km)	Bid Project Cost (Rs cr)	Status	End of concession period
Hasanpur Bakhtiyarpur Highway	Bihar	50.9	2,310	Applied for PCOD	June 2039
Gawar Kangra Highways	Himachal Pradesh	18.1	1,100	Under Construction	December 2039
Korba Highway	Chhattisgarh	38.2	830	Achieved PCOD on 26.03.2024 for Project Length 32.843 KM.	March 2039
Gawar Sihuni Highway	Himachal Pradesh	18.5	389	Under Construction	September 2040
Gawar Pathankot Highways	Himachal Pradesh	19.1	545	Construction is yet to start	Yet to receive appointed date
Gawar Shimla Highway	Himachal Pradesh	11.0	2,070	Under Construction	March 2042
Gawar Bhiwani Highway	Haryana	42.9	799	Under Construction	December 2040
Gawar Rudrapur Highway	Uttar Pradesh & Uttarakhand	20.6	589	Under construction	January 2041
Gawar Fazilka Highway	Punjab	45.0	1,199	Under construction	April 2041
Gawar Bijnor Highways	Uttar Pradesh	39.6	1,181	Under construction	May 2041
Gawar Mandi Highways	Himachal Pradesh	5.4	972	Construction is yet to start	Yet to receive appointed date
Gawar KBNC Highway	Himachal Pradesh	17.5	640	Construction is yet to start	Yet to receive appointed date
Gawar Basukinath Highways	Jharkhand	45.2	999	Under construction	December 2040
Gawar Pathankot Mandi Highway	Himachal Pradesh	8.3	529	Applied for PCOD	June 2039
JRR Highways	Rajasthan	74.6	1,161	Achieved PCOD on 10.04.2024 and Received IE recommendation for COD	April 2039
Gawar Kim Expressway	Gujarat	24.6	1,404	Under Construction	April 2040
Gawar Waranga Highways	Maharashtra	66.9	1,071	Applied for PCOD	October 2039
<b>Total</b>		<b>546.2</b>	<b>17,788</b>		

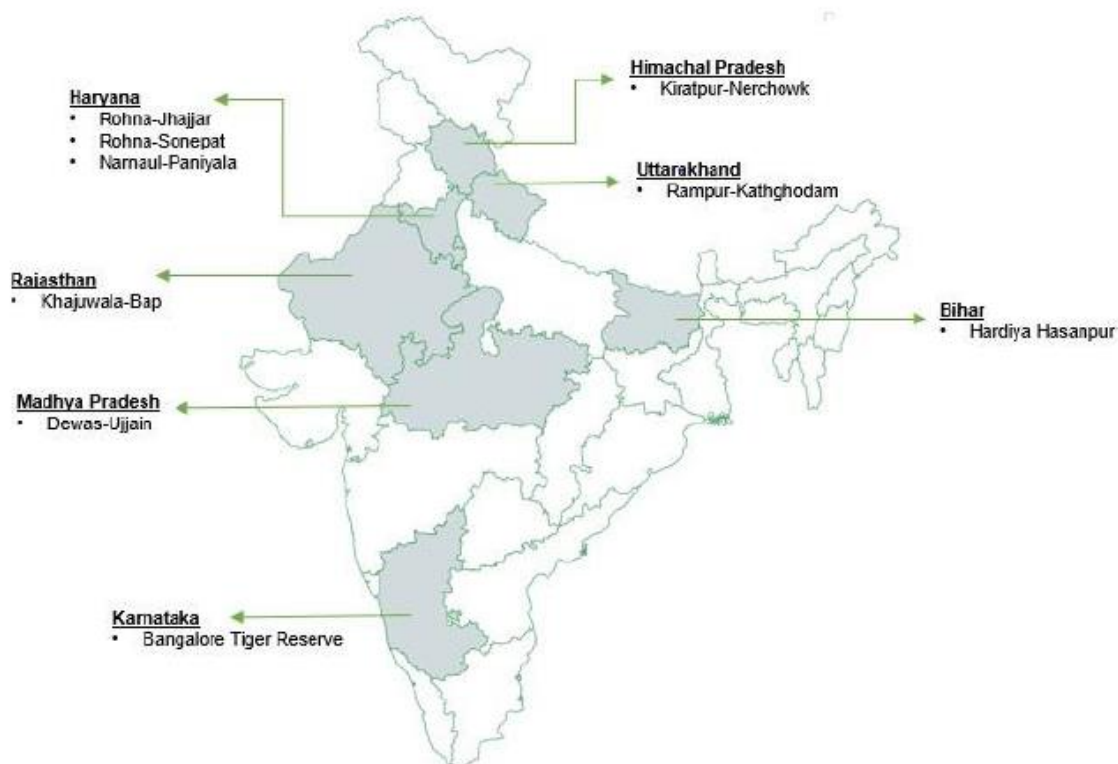
Source: RHP, SSL Research

## Structure of Capital Infra Trust



Source: RHP, SSL Research

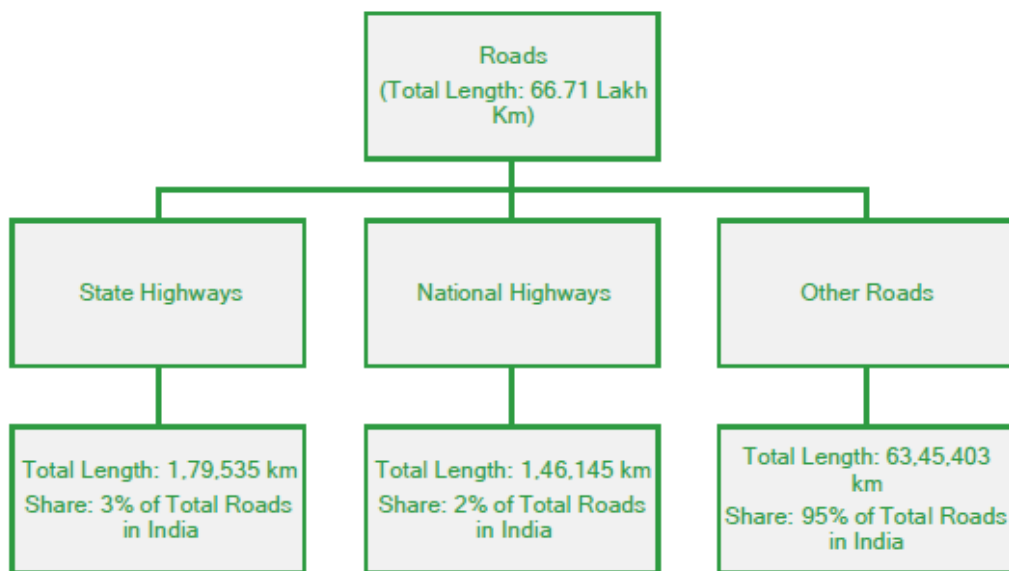
## Area Covered by the SPVs of the Trust



Source: RHP, SSL Research

# Industry Overview

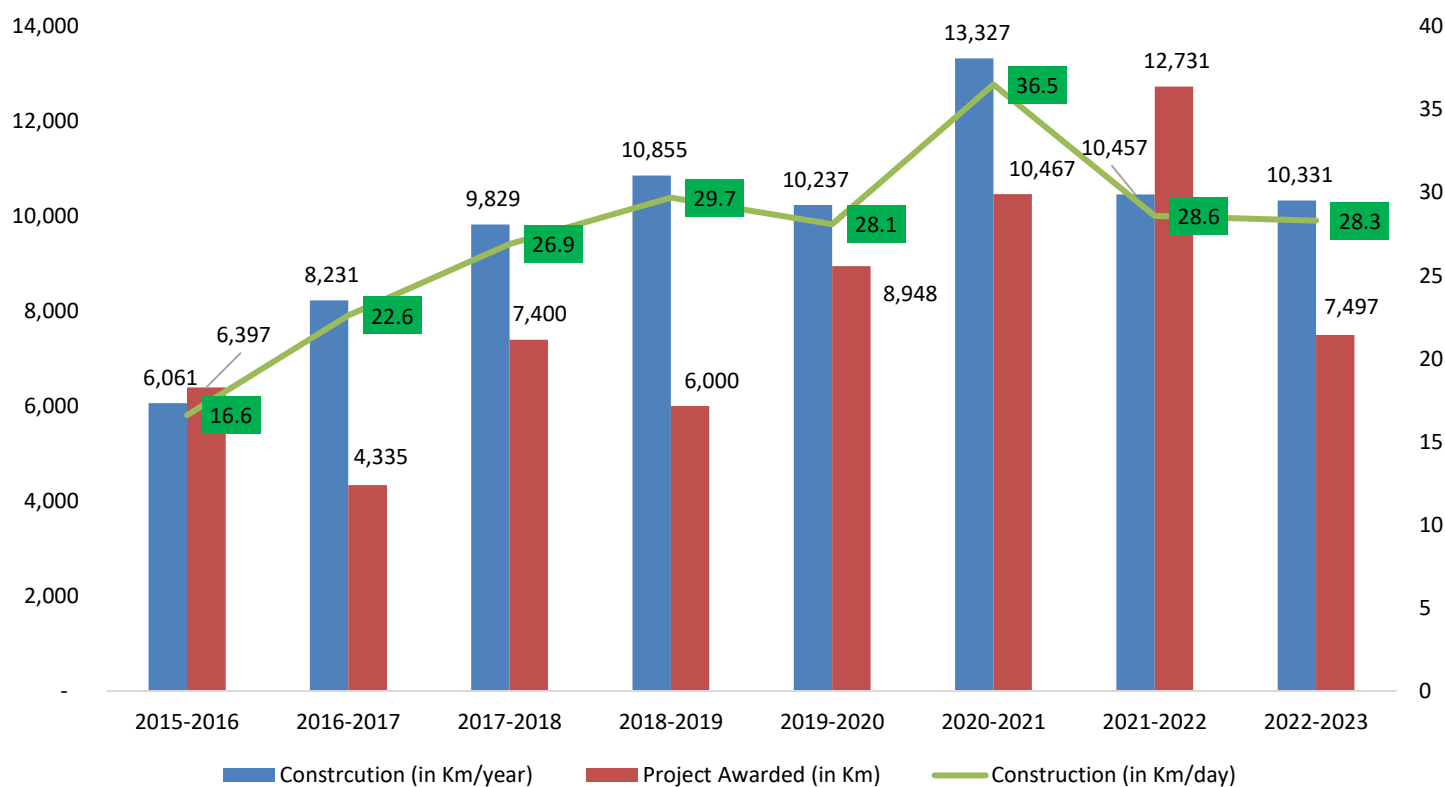
**Road Network in India:** India has the second largest road network in the world, spanning over 6.67 million kms. Over 64.5% of all goods in the country are transported through roads, while 90% of the total passenger traffic uses road network to commute.



Source: RHP, SSL Research

## Road constructed and awarded:

### Road Constructed and Awarded



Source: RHP, SSL Research

## Bharatmala Pariyojna

Bharatmala Pariyojna is a new umbrella program for the highways sector that focuses on optimizing efficiency of freight and passenger movement across the country by bridging critical infrastructure gaps through effective interventions like development of Economic Corridors, Inter Corridors and Feeder Routes, National Corridor Efficiency Improvement, Border and International connectivity roads, Coastal and Port connectivity roads and Green-field expressway. The Bharatmala Pariyojna envisages development of about 26,000 km length of Economic Corridors, which along with Golden Quadrilateral (GQ) and North-South and East-West (NS-EW) Corridors are expected to carry majority of the Freight Traffic on roads. A total length of 34,800 km in road projects have been proposed to be constructed with an estimated outlay of Rs 5.35 tn (US\$ 74.15 bn) under Bharatmala Pariyojna Phase-I over a five-year period (2017-2018 to 2021-2022). Under Bharatmala Pariyojna, 60% projects on Hybrid Annuity Mode, 10% projects on BOT (Toll) Mode and 30% projects on EPC mode have been envisaged respectively.

### Components under Bharatmala Pariyojna Phase-I are as given below:

Components	Length (km)	Cost (Rs tn)
Economic corridors development	9,000	1.2
Inter-corridor & feeder roads	6,000	0.8
National Corridors Efficiency	5,000	1.0
Border & International connectivity	2,000	0.3
Coastal & port connectivity roads	2,000	0.2
Expressways	800	0.4
<b>Sub Total</b>	<b>24,800</b>	<b>3.9</b>
Other work - under NHDP	10,000	1.5
<b>Total</b>	<b>34,800</b>	<b>5.4</b>

Source: RHP, SSL Research

The completion cost of Phase-I is now estimated at Rs 10.63 tn (USD 130 bn) after factoring in cost escalations up to Dec'21 and is 99% higher than the initial estimates owing to substantial rise in land acquisition cost, and steep increase in input costs. It is expected to be completed in FY28, a delay of six years from the initial envisaged completion date of FY22. During the last seven years, around 60% (20,632 km vs 34,800 km) of highway length has been awarded as of Dec'21, and ~23% of the total length completed till Mar'22.

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