

Retail Research	IPO Note
Sector: Construction & Development, Hospitality and Management Services	Price Band (Rs): 140 - 148
30th June 2023	Recommendation: Subscribe for long term investment horizon

PKH Ventures Limited

Company Overview:

PKH Ventures Limited, an enterprise established in the year 2000, operates in the domains of Construction & Development, Hospitality, and Management Services. The civil construction business is executed by its subsidiary and construction arm, Garuda Construction. The company has multiple in-house development projects in the pipeline, which include real estate development at Amritsar, Punjab; a food park at Jalore, Rajasthan; cold storage park/ facilities at Indore, Madhya Pradesh; and a wellness center & resort at Chiplun, Maharashtra.

Key Highlights:

Construction and Development verticals: In the construction & development sector, company focuses on carrying out civil works for projects initiated by third party developers. These activities are handled by the subsidiary, Garuda construction, which is a part of PKH. As of 15th Mar'23, Garuda Construction's third party developer order book stood at Rs 468 cr. Presently, both the company and Garuda Construction are actively involved in the civil construction of 6 residential projects in the Mumbai Metropolitan Region (MMR) for third party developers and the promoter group.

Hospitality sector verticals: In the hospitality sector, PKH Ventures Limited engages in the ownership, management, and operation of various establishments including hotels, restaurants, quick-service restaurants (QSRs), spas, and the sale of food products. At present, they own and manage 2 hotels, operate 1 resort, manage 4 restaurants, oversee 4 banquet facilities, and operate 2 spas.

Management service verticals: In the realm of management services, PKH Ventures Limited offers its expertise in providing annual maintenance services for the Delhi police headquarters. This service agreement was established in collaboration with the concessionaire, Eternal Building Assets Private Limited. PKH Ventures Limited, in conjunction with its step-down subsidiary Eternal Building Assets, has successfully undertaken the construction of the esteemed Delhi police headquarters in April'21 under the Hybrid Annuity Model (HAM). As a result of this project, they are entitled to receive a pre-tax amount of Rs 27.9 cr per annum and an annual maintenance income of Rs 7.2 cr per year until the FY33.

Secured new projects: PKH Ventures Limited has secured 2 Government projects, namely the 16 MW Hydro Power Project in Arunachal Pradesh and the Nagpur Entertainment Park Project. Additionally, the company has been entrusted with the responsibility of 3 Government Hotel Development Projects, namely the Rajnagar Garhi Project, Pahadikhurd Project, and Tara Resort Project.

Valuation: At upper price band, the business is trading at P/E multiple of 31.9x 9MFY23 annualised EPS. Based on the SOTP valuation methodology (assuming 20% discount to the peer valuations), we believe the IPO is fairly valued. Looking at the growth drivers in both construction and hospitality segment, the company is likely to deliver healthy earnings growth during next 2-3 years and return ratios are likely to improve materially. Investors can SUBSCRIBE to the issue with long term investment horizon.

Issue Details	
Date of Opening	30 th June 23
Date of Closing	4 th July 23
Price Band (Rs)	140 – 148
Issue Size (Rs cr)	358 - 379
No. of shares	2,56,32,000
Face Value (Rs)	5
Post Issue Market Cap (Rs cr)	1,151 – 1,217
BRLMs	IDBI Capital Markets & Securities Limited
Registrar	Link Intime India Private Limited
Bid Lot	100 shares and in multiple thereof
QIB shares	50%
Retail shares	15%
NIB (HNI) shares	35%

Objects of Issue		(Rs Cr.)
Investment by way of equity in Subsidiary, Halaipani Hydro Project for development of Hydro Power Project (Civil Construction and Electromechanical Works)		124.1
Investment by way of equity in Subsidiary, Garuda Construction, for funding long-term working capital requirements		80.0
Pursuing inorganic growth through acquisitions and other strategic initiatives		40.0
General corporate purpose		-
Total		-

Shareholding Pattern		
Pre-Issue	No. of Shares	%
Promoter & Promoter Group	6,39,92,080	100.0
Public & Others	0	0.0
Total	6,39,92,080	100.0

Post Issue @Lower Price Band	No. of Shares	%
Promoter & Promoter Group	5,66,18,480	68.8
Public & Others	2,56,32,000	31.2
Total	8,22,50,480	100.0

Post Issue @Upper Price Band	No. of Shares	%
Promoter & Promoter Group	5,66,18,480	68.8
Public & Others	2,56,32,000	31.2
Total	8,22,50,480	100.0

Source: RHP, SSL Research

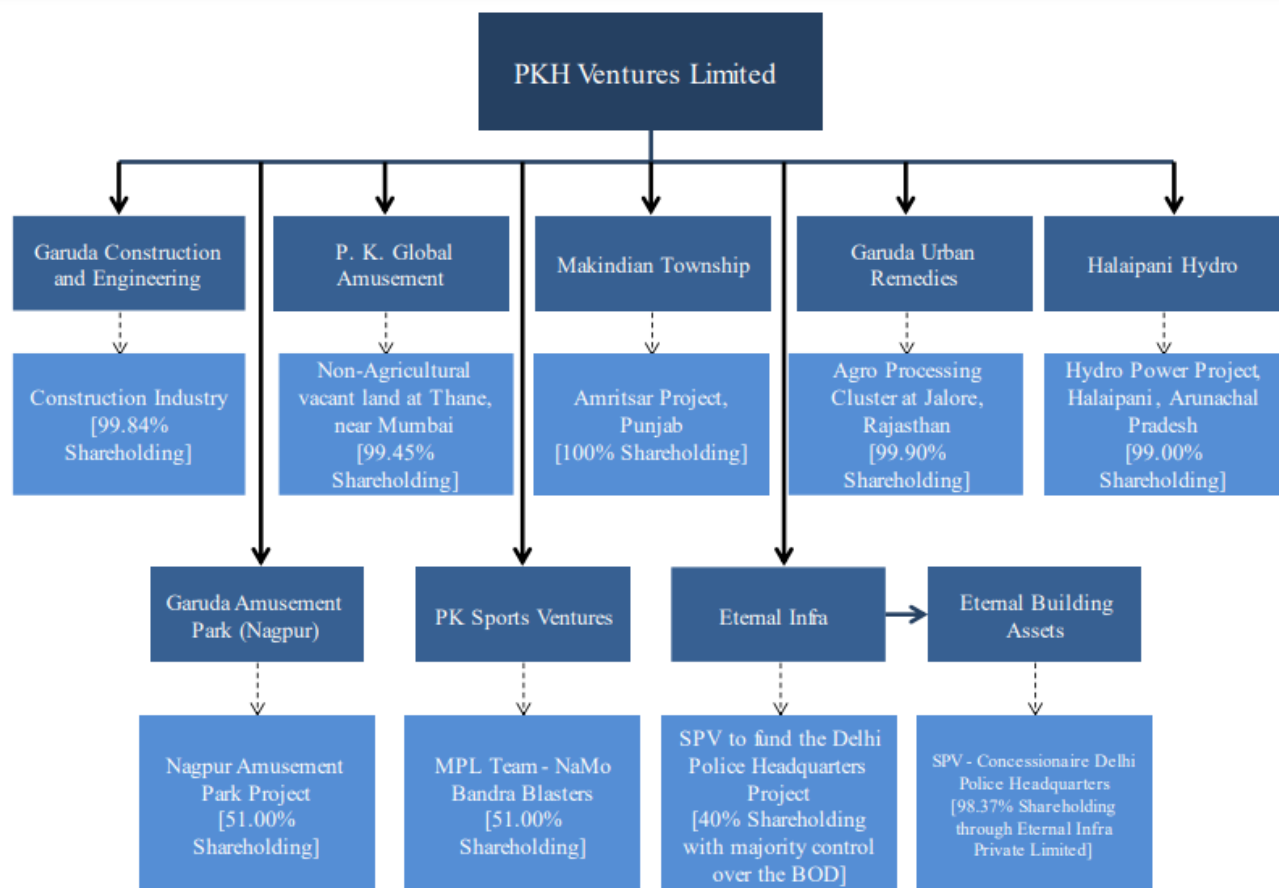
Risk Factors

- The company derive significant revenues from the Construction & Development vertical and its financial condition would be materially and adversely affected if the company fail to obtain new contracts or current contracts are terminated.
- Significant portion of revenues from Construction & Development activity come from the Government of India, through Delhi Police during FY21 – FY22. This reflects the risk from client concentration.
- Hydro Power Project faces weather related risks like floods, cloudburst, landslides and such environmental risks. In such an event, the Hydro Power Project may get severely damaged or partly or completely destroyed leading to a major capital and revenue loss.
- The company’s business operation requires significant working capital specifically under Construction and Development vertical for construction of third party developer order book, government projects and government hotel development projects. If the company experience insufficient cash flows to meet required payments for working capital requirements, there may be an adverse effect on the results of the operations.

Growth Strategy

- Expanding Hospitality portfolio by developing new hotels and expanding restaurants operations.
- Leverage business growth by identifying and forming strategic joint venture relationships for mutual benefit through sharing of resources and business skills.
- Expand into diversified projects within the Construction & Development vertical including bidding for higher margin projects on Design, Build, Finance, Operate and Transfer and Hybrid Annuity Model basis.
- Identifying capital investment opportunities in select projects that have clear visibility for growth potential and profitability.

Corporate Structure



Source: RHP, SSL Research

Revenue from the Hospitality Business

Particulars (Rs cr)	FY20	FY21	FY22	9MFY23
Food sales at QSR, Restaurants, lounges, sales counter etc. at airports	2.2	1.9	-	-
Food sales at Restaurants, Banquets and events	25.1	16.9	44.5	18.9
Food sales at QSRs	2.9	-	-	-
Outdoor catering, and other miscellaneous food sales	8.7	12.1	24.1	9.3
Hotel sales and other misc. sales	16.4	7.5	8.0	10.2
Total	55.2	38.3	76.8	38.5

Source: RHP, SSL Research

Peer Comparison

Particulars	Units	PKH Ventures	Sayaji Hotels	Graviss Hospitality	Gujarat Hotels	Kamat Hotels India	Advani Hotels	Byke Hospitality
No. Of Rooms (Consolidated)	Number	88	1400	59	144	1200	200	1048
Category		3 and 4 star	4 and 5 star	5 star	5 star	4 and 5 star	5 star	3 star
Key Hotel Brands		Golden Chariot, Juvana Resort	Sayaji, Effotel, Enrise	InterContinental, Mayfair Banquets	ITC	Orchid, VITS, Lotus, Jadhavgad Palace and Mahodadhi Palace	Previously under brand of Ramada Hotels	NA
Key restaurant brands		Balaji, Casablance, Hardy's Burger, Mumbai Salsa, Zebra crossing	Barbeque Nation	Baskin Robbins, Brooklyn Creamery, Kwaliti and Zaffran	NA	Kamat Restaurants	NA	NA
Cities		Mumbai, Lonavala, Vasai	Bhopal, Gurugram, Indore, Jamnagar, Kolhapur, Pune, Raipur, Rajkot, Vadodara	Mumbai, PAN India (restaurant)	Vadodara	Mumbai, Pune, Odisha, Goa, Konark, San Francisco, USA	Goa	Matheran, Goa, Manali, Jaipur, Thane, Shimla, Bengaluru, Kochi, Kovalam, Junagadh, Ooty, Shirdi and Bodhgaya
Group Incorporation	Year	2000	1982	1959	1982	1986	1987	1990
Financial Year Considered		FY21	FY22	FY22	FY22	FY22	FY22	FY22
Room Revenue	Rs cr	7.5	61.7	10.9	NA	75.9	32.8	45.7
F&B Revenue & Other Income	Rs cr	30.8	108.6	17.9	NA	57.8	18.6	47.6
Hospitality Revenue	Rs cr	38.3	170.4	28.8	3.6	133.7	51.4	93.3
Total Income (for all business segments)	Rs cr	264.7	172.0	50.4	3.6	145.6	52.2	94.2

Source: RHP, SSL Research

Construction Business Order Book

No.	Name of the Developer/Promoter Group Entity	Nature of Contract	Sq. ft.	Contract Value (excluding taxes) (Rs cr)	Outstanding Order Value (Rs cr)	Percentage (%) of Outstanding Order Value
1.	Sangam Ananya Developers Private Limited (Sangam Group)	Construction contract of luxury residential project Sangam Nero at Bandra East, Mumbai.	95,200	33	25	5.3
2.	Mumbai based developer	Construction Contract for slum rehabilitation project at Borivali East, Mumbai.	4,91,800	256	256	54.7
3.	Balaji Construction Company	Construction contract of Trinity Oasis at Ghodbunder Road, Thane.	4,00,000	108	108	23.1
4.	Shree Umiya Builders & Developers	Construction contract for the residential project Garuda Zenith at Borivali West, Mumbai.	2,87,400	57	2	0.5
5.	Shree Umiya Builders & Developers	Complete Finishing works of the residential project Garuda Zenith at Borivali West, Mumbai.	2,87,400	105	56	12
6.	Golden Chariot Retreats and Infra Private Limited (Promoter Group)	Construction contract of Celebration Apartments at Aamby Valley City, Lonavala.	55,750	22	21	4.4
Total				581	468	100.0

Source: RHP, SSL Research

Peer Comparison

Particulars	Units	PKH Ventures	Larsen & Turbo	NCC Limited	Ahluwalia Contracts	HCC
Order Book (FY22)	Rs cr	559.8	3,57,595.0	39,361.0	13,033.6	15,967.0
Order book to sales (FY22)	Times	6.02	3.55	3.53	4.89	1.56
Major order book composition as per FY22		Building - 100%	Infrastructure - 73%	Buildings - 57%	N.A.	Transport - 50%
			Hydrocarbon - 16%	Water, Environment & Railways - 18%		Hydro - 20%
			Power - 2%	Mining - 11%		Water - N.A.
			Defense - 4%	Irrigation - 3%		Nuclear & Special - N.A.
			HE - 1%	Electrical - 7%		
			Others - 4%	Roads - 3%		
Financial Year Considered		FY22	FY22	FY22	FY22	FY22
Revenue from Construction		Rs cr				
Construction and Project Related Activity	Rs cr	93.0	1,00,604.1	11,138.0	2,667.7	10,204.8

Source: RHP, SSL Research

Revenue from Delhi Police Headquarters

Name of Project (Rs cr)	FY21	FY22	9MFY23
Delhi Police Headquarters	86.0	90.6	91.6

Source: RHP, SSL Research

Revenue Break-up

Business Segments (Rs cr)	FY20	% of Total	FY21	% of Total	FY22	% of Total	9MFY23	% of Total
Construction and Development	-	-	114.1	47.3	93.0	46.7	78.6	61.2
Hospitality and sale of food product	55.2	33.3	38.3	15.8	76.7	38.5	38.4	30.7
Management services	104.0	62.7	87.5	36.3	29.5	14.8	9.1	7.3
Other operating revenue	6.6	4.0	1.6	0.6	0.1	0.0	1.0	0.8
Total	165.9	100	241.5	100	199.3	100	125.4	100

Source: RHP, SSL Research

Financial Snapshot

PKH Ventures Limited			
(Rs. Cr.)	Pre Issue	Post Issue	
	FY22	9MFY23 Annualised	
Particulars		Lower band	Upper band
	140.0	140.0	148.0
Net Sales	199.4	167.3	167.3
Total Income	245.4	206.7	206.7
EBIDTA	53.0	42.8	42.8
PAT	40.5	38.2	38.2
Equity Share Capital	32.0	41.1	41.1
No of Equity Shares	6.4	8.2	8.2
Face Value	5.0	5.0	5.0
EPS	6.3	4.6	4.6
CMP	140.0	140.0	148.0
Cash and Bank	20.3	340.7	355.3
Debt	98.2	172.0	172.0
Market Cap	895.9	1,151.5	1,217.3
BV per share (Rs)	100.8	113.0	114.7
PE(x)	22.1	30.2	31.9
P/BV (x)	1.4	1.2	1.3
Enterprise Value	973.8	982.8	1,034.0
Mcap/Sales (x)	4.5	6.9	7.3
EV/Sales (x)	4.9	5.9	6.2
EV/EBIDTA (x)	18.4	23.0	24.2
EBITDA Margins (%)	26.6	25.6	25.6
Net Margins (%)	20.3	22.8	22.8
ROE (%)	7.1	4.8	4.1
ROCE (%)	14.5	8.2	7.2
Debt/Equity	0.2	0.2	0.2
Net worth	644.9	929.1	943.7

Source: RHP, SSL Research

Particulars (Rs cr)	FY20	FY21	FY22	9MFY23 (Annualised)
Net Sales	169.0	241.5	199.4	167.3
EBITDA	19.5	55.5	53.0	42.8
Net Profit	14.1	30.6	40.5	38.2
EBITDA Margin (%)	1.2	23.0	26.6	25.6
Net Profit Margin (%)	0.8	12.7	20.3	22.8

Source: RHP, SSL Research

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