



MSEARCH

INITIAL PUBLIC OFFER (IPO)

28-02-2024

BHARAT HIGHWAYS InvIT

28-02-2024 TO 01-03-2024

Industry: InvITs

Price Band: ₹98-100

Recommendation: Subscribe for long term

Post Implied Market Cap: -₹4,429Cr

Key Data

Issue Size (₹ Cr)	2,500
Fresh (₹)	2,500
OFS (₹)	0.00
No of units	250,000,000
Bid Lot	150

About the Company

Bharat Highways InvIT (Bharat InvIT) is an Indian infrastructure investment trust managed by GRIL, registered with SEBI in August 2022. Its sponsor, Aadharshila Infratech, specializes in transportation engineering testing services, while NMHPL focuses on road engineering and construction. The trust's initial portfolio includes 7 road assets in India, operated under the Hybrid Annuity Model (HAM) and maintained through concession rights from NHAI. These roads, wholly owned by GRIL, span approximately 497.292 km across five states, with plans for further expansion through a Right of First Offer (ROFO) Agreement with GRI.

Indicative Timetable

Activity	On or about
Finalisation of Basis of Allotment	6/3/2024
Refunds/Unblocking ASBA Fund	7/3/2024
Trading commences	12/3/2024

Investment Rationales

- Stable and Predictable Cash flows:** The InvIT Assets operate solely on a HAM basis, ensuring a stable revenue stream derived from annuities paid by the NHAI. Under the HAM model, the concessioning authority shares project costs during construction, mitigating financial burdens for the concessionaire. This model guarantees revenue through annuities, interest on completion cost, and O&M payments tied to inflation, offering income stability unaffected by traffic volume fluctuations.
- Geographic and Temporal Diversification:** Bharat InvIT benefits from a geographically diversified road asset portfolio with concession agreements expiring at different times, this enhances their operational resilience and risk mitigation. With projects spread across various regions and differing concession agreement durations ranging from 11.07 to 13.51 years as of January 31, 2024, the InvIT reduces reliance on any single project. This diversification strategy safeguards against potential adverse impacts stemming from economic downturns or unforeseen events, fortifying the stability of their business operations.
- Favorable Industry Sector and Government Policies:** The roads and highways sector in India is supported by strong government focus, sustained budgetary allocations, and comprehensive infrastructure policies, offering favorable conditions for investment. Increased public investment and policy support provide growth opportunities for Bharat InvIT through asset acquisitions and development.
- Rights to Expand Portfolio:** The proposed Right of First Offer (ROFO) agreement grants Bharat InvIT the opportunity to acquire additional assets from its significant Unitholder, GRIL. This arrangement allows for potential expansion of the asset portfolio, providing avenues for further growth and diversification.

Shareholding (No. of shares)

Pre Issue (Lower price band)	25,51,02,000
Pre Issue (Higher price band)	24,99,99,900
Post Issue (Lower price band)	44,29,38,605
Post Issue (Higher price band)	44,29,38,605

Issue Breakup

Institutional Investors	75%
Non-Institutional Investors	25%

Other Details

BRLMs: ICICI Securities, HDFC Bank, IIFL Securities

Sponsor and Project Manager: Aadharshila

Infratech Pvt Ltd

Investment Manager: GR Highways Investment
Manager Pvt Ltd

Trustee: IDBI Trustship Services Ltd

Registrar: KFin Technologies Pvt. Ltd.

Listing: BSE & NSE

Risk

- 1) Risk of change in regulatory frame work or policy.
- 2) Dependency on NHAI for annuity income.
- 3) Dependency on third party for the operation and maintenance of InvIT assets.
- 4) Interest rate sensitivity.

MView

We believe Bharat Highways InvIT IPO gives investors a unique investment opportunity to invest in high yield distribution instruments. This InvIT is very different from other instruments which are based on Hybrid Annuity Model (HAM) based SPVs wherein earnings will not be volatile, as compared to other InvIT where the assets are toll assets. We like the objective of the lender who would utilise the net proceeds of the fresh equity issue to repay and prepay loans to the Project SPVs (special purpose vehicles) that will enhance the InvIT's leverage position. BHIInvIT seeks to expand its asset base through strategic acquisitions from 7 assets as on date including assets offered under a right of first offer agreement and also get benefit from the government's enhanced focus on infrastructure. In the ROFO agreement with GR Infra under which GR Infra has granted InvIT a right of first refusal over certain other assets owned and being developed by GR Infra. We are very much optimistic on infrastructure growth in India wherein government has also highly targeting to construct 100 km of highways daily with enhanced public investment, prioritizing infrastructure development under initiatives like BharatMala Pariyojana. However, on risk the change in regulatory frame work or policy. On valuation parse at the current P/BV (price-to-book value) a multiple of 0.8 times based on book value as of September 2023, which is a healthy discount to its issue price, so we feel it is reasonably priced and valued for long term investors, hence we advise investors to "SUBSCRIBE" for the medium to long term.

Research Analyst

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CONSOLIDATED FINANCIAL TABLES

BASIC FINANCIAL DETAILS

	As at Sept' 30	As at March' 31		
Particulars ₹ (in Cr)	2023 (06)	2023	2022	2021
Equity Share Capital	187.79	187.79	187.79	187.79
Other Equity	1030.81	929.46	402.60	339.55
Total Equity	1,218.60	1,117.25	590.20	527.34
Cash Flow from Operations	498.10	472.62	-398.09	-943.91
Revenue from Operations	368.07	1,509.49	1,585.70	2,153.97
Revenue Growth	-	-4.8%	-26.4%	-
Profit before Tax	135.57	720.98	84.32	234.32
Profit for the Period	101.35	527.05	62.87	149.45
PAT as % to revenue	27.54%	34.92%	3.96%	6.94%

Source: Company RHP



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Msearch's Recommendation (Absolute Performance)

Buy: > 20% within the next 12 Months

Accumulate: 5% to 20% within the next 12 Months

Sell : < -20% within the next 12 Months

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