CEIGALL INDIA LIMITED

July 31, 2024

SMC Ranking

★★☆☆☆ (2/5)

Issue Highlights

Industry	**Infrastructure**
Offer for sale (Shares)	14,174,840
Fresh Issue (Shares)	17,063,640
Net Offer to the Public	**31,238,480**
Issue Size (Rs. Cr.)	1766-1857
Price Band (Rs.)	380-401
Employee Discount	Rs 38 per share
Offer Date	1-Aug-24
Close Date	5-Aug-24
Face Value	Rs 5 per share
Lot Size	37 Shares

Issue Composition

	In shares
Total Issue for Sale	31,238,480
QIB	15,619,240
NIB	4,685,772
Retail	10,933,468

Shareholding Pattern (%)

Particulars	Pre-issue	Post -issue
Promoters & promoters group	100.00%	77.45%
QIB	0.00%	11.27%
NIB	0.00%	3.38%
Retail	0.00%	7.89%
Total	**100.00%**	**100.00%**

*calculated on the upper price band

Objects of the Issue

The company proposes to utilize the Net Proceeds towards funding the following objects (collectively, the "Objects"):

1. Purchase of equipment;

2. Repayment/ prepayment, in full or in part, of certain borrowings availed by:

The Company; and

The Subsidiary, Ceigall Infra Projects Private Limited

Book Running Lead Manager

- ICICI Securities Limited
- IIFL Securities Limited
- JM Financial Limited

Name of the registrar

- Link Intime India Private Limited

About the company

Ceigall India Limited, established in 2002, is a specialized infrastructure construction company focused on complex projects such as elevated roads, bridges, tunnels, and highways. With a strong track record of over 34 completed road and highway projects by July 2024, the company boasts expertise in various delivery models including EPC, HAM, O&M, and Item Rate contracts. As of March 31, 2024, Ceigall has a substantial order book of Rs. 9470.84 Crore and is actively engaged in 18 ongoing projects across multiple states in India. Renowned for its construction and development capabilities, the company has delivered significant projects, including the Khemkaran-Amritsar and Ramdas Gurdaspur (Kartarpur Sahib) highways, which garnered prestigious national awards. Ceigall employs a workforce of 2,256 and has successfully completed over 2,158.72 lane kilometers of O&M projects.

Strength

One of the fastest growing EPC company with an experience in executing specialised structures: A leading EPC company, it boasts one of the fastest revenue growth rates in the industry, achieving a CAGR of 50.13% between FY21 and FY24. The company's revenue surged from Rs. 1133.80 crore in FY22 to Rs. 3029.35 crore in FY24. Its 20+ years of experience in constructing and developing major road and highway projects, including expressways, elevated roads, and tunnels across Punjab, Haryana, Uttar Pradesh, Himachal Pradesh, Jammu & Kashmir, and Bihar, has solidified its expertise in handling complex projects of varying scales. Its primary focus on roads, highways, and specialized structures has contributed significantly to its growth. As of June 30, 2024, its order book stands at a robust Rs. 9470.84 crore, reflecting a consistent upward trajectory from Rs. 6346.13 crore in FY22.

The table below sets forth the details of the specialised structures

S No.	Project Name	Specialized Structure Details
1	Delhi – Saharanpur Project	11.244 km six lane elevated bridge
2	Talwandi Bhai – Ferozpur Project	2*106 mtr,2*55 mtr single span steel truss bridge
3	Makhu-Arifke Project	1*70 mtr balance cantilever bridge with railway over bridge
4	Kiratpur-Nerchowk Project	1*72 mtr single span steel truss bridge
5	Ismailabad Dhand PKG I Project	2*72 mtr along with 4*18 mtr railway over bridge
6	Kartarpur Sahib Project	4*20 mtr along with 4*30 mtr bridge

The company has cultivated a strong partnership with NHAI, successfully completing nine projects and currently undertaking 12, including two awaiting commencement. Key achievements include widening the Talwandi Bhai-Ferozepur stretch of NH-05 from a two-lane paved shoulder road to a four-lane highway, spanning 94.64 lane kilometers and incorporating a 106-meter steel truss bridge. Additionally, the company constructed the Ramdas Gurdaspur Project, encompassing the Kartarpur Sahib corridor connecting India and Pakistan. Furthermore, it completed an 11.24-kilometer elevated corridor as part of the larger 16.85-kilometer Delhi-Saharanpur Project.

Healthy order book giving long term revenue visibility: As on June 30, 2024, projects awarded by NHAI contributed 80.31% to its Order Book. Its Order Book, as on June 30, 2024 and Fiscals 2024, 2023 and 2022, is 9471 crore, 9226 crore , 10809 crore 6346 crore respectively . Its Book to Bill Ratio as of Fiscals ended March 31, 2024, March 31, 2023 and March 31, 2022, is as below:

Particulars	Fiscal 2024*	Fiscal 2023*	Fiscal 2022*
Book to Bill Ratio (in times)	**3.05**	**5.23**	**5.60**

The company is eligible to bid for single NHAI EPC projects up to a value of Rs. 57,000.00 and for single NHAI HAM projects up to a value of Rs. 55,000.00 million. Further, as on June 30, 2024, our Total Project Cost for ongoing NHAI EPC projects is Rs. 38,72 Crore and completed NHAI EPC projects is Rs. 3947.66 Crore. The company has secured empanelment with Delhi Metro Rail Corporation Limited for upcoming tenders involving railways, bridges, and tunnels, both domestically and internationally. Additionally, it is empanelled with a public sector undertaking for highway, bridge, and tunnel construction projects in India's northeastern states, with the potential for contract extensions. The company's substantial order book growth over the past three fiscal years has significantly bolstered its financial position.

Demonstrated project development, execution and operational capabilities: The Company has completed over 34 projects, including 16 EPC, one HAM, five O&M and 12 Item Rate Projects, in the roads and highways sector. Currently, the Company has 18 ongoing projects, including 13 EPC projects and five HAM projects which includes elevated corridors, bridges, flyovers, rail over-bridges, tunnels, expressway, runway, metro project and multi-lane highways. As on March 31, 2024, it has constructed over 1,739.88 lane kms of roads and highways, which also includes specialized structures such as elevated roads, flyovers, bridges, railway over bridges, tunnels, highways, expressways and runways, across various states in India.

Efficient business model: The Company's growth is driven by a robust business model centered on meticulous project selection and cost optimization. Through strategic planning and execution, it maximizes efficiency and profitability. Its pre-bid process involves comprehensive technical surveys, feasibility studies, and cost analyses to inform competitive bidding. By effectively managing resources, maintaining a low working capital cycle, controlling operational expenses, and minimizing fixed asset investment through equipment rental, it has achieved impressive financial performance. Return on Capital Employed (ROCE) stood at 31.98%, 28.67%, and 29.84% for FY24, FY23, and FY22, respectively. Similarly, Return on Equity (ROE) was 33.57%, 28.20%, and 29.19% for the same periods. An integrated inventory management system optimizes resource allocation, while pre-bid site surveys inform accurate estimations and mobilization plans. Its asset-light approach, with 82.97% of equipment rented as of March 31, 2024, has yielded a strong Fixed Asset Turnover Ratio of 0.17 for FY22 and FY23, and 0.13 for FY24, demonstrating efficient capital utilization and revenue generation.

Strategy

Diversification by leveraging existing capabilities: The company aims to leverage its robust experience in road and highway construction, coupled with its strong asset base and execution capabilities, to expand its operations into new sectors. While maintaining a core focus on EPC and HAM projects involving complex infrastructure such as elevated roads, bridges, and tunnels, the company seeks to diversify its portfolio through build-operate-transfer models and independent O&M services. This strategic shift will enhance business growth, mitigate risks, and capture higher-margin opportunities. With a proven track record in delivering large-scale, intricate projects, the company will continue to target high-value contracts featuring specialized structures. A commitment to health, safety, environmental, and quality standards is fundamental to maintaining a competitive edge and securing future projects.

Selectively expand its geographical footprint: The company commenced operations in Punjab and has steadily expanded its footprint across India, currently undertaking road and highway projects in ten states including Punjab, Bihar, Jharkhand, Uttar Pradesh, Delhi, Himachal Pradesh, Haryana, Maharashtra, and Jammu and Kashmir. To drive sustained growth, the company pursues a strategic, selective expansion strategy focusing on regions with stable economic and political environments, favorable geographic and climatic conditions. This approach mitigates diversification risks while broadening the revenue base and reducing exposure to market volatility. The company's order book as on June 30, 2024 and Fiscals 2024, 2023 and 2022, amounted to Rs. 94,70.84 Crore, Rs. 9225.78 Crore, Rs. 10809 crore and Rs 6346.13 Crore, respectively, reflecting a consistent order inflow over the past three fiscal years. Notably, the National Highways Authority of India (NHAI) contributed 80.31% to the order book as of June 30, 2024.

Continue to explore hybrid annuity based model to optimize its project portfolio: The company predominantly executes projects on an EPC basis and remains committed to growing this core business. However, it also actively seeks and evaluates HAM project opportunities that align with its expertise and offer a favorable risk-reward profile. With one completed HAM project and five ongoing NHAI-awarded projects valued at Rs. 52.47 crore, the company has gained valuable experience in this model. HAM projects share financial burdens by requiring the developer to fund 60% of the project cost while assuming full operational and maintenance risks, with the government contributing 40% and managing toll collection. The company's strategic approach to HAM includes careful evaluation of investment requirements and project risk profiles. By leveraging its EPC strengths, the company intends to selectively pursue HAM projects in stable economies with central or multilateral funding. To expand its reach, the company may form strategic alliances or joint ventures for projects where independent bidding is restricted.

Continue focusing on enhancing execution efficiency: The company is committed to delivering high-quality projects efficiently by leveraging industry best practices, modern equipment, and advanced technology. To enhance operational efficiency and reliability, the company is investing in IT infrastructure and process optimization. Consistent investment in modern construction equipment ensures timely project execution and cost control. The company's scale enables cost reduction and competitive advantages. By attracting, training, and retaining skilled personnel, the company aims to strengthen its workforce and meet client demands. The successful completion of the Malout-Abohar HAM project 214 days ahead of schedule, along with bonus payments for other projects, demonstrates the company's execution capabilities. To further optimize operations, the company will integrate best practices across regions, centralize procurement, and enhance project planning. The recent acquisition of a 50% stake in M/s R.K. Infra will bolster the company's capacity to undertake large-scale projects efficiently.

Continue to grow and benefit from the robust future growth of India's economy and infrastructure: India's burgeoning economy, targeting a USD 10 trillion GDP by FY2030, is fueling substantial infrastructure investment. The sector, contributing 3.5% to GDP, is poised for significant growth with projected investments of Rs. 52,962 billion from FY24 to FY28. Key growth drivers include roads, metro rail, water supply and sanitation, and airports. The road sector, with a pipeline of over 45,000 km, including specialized structures, and annual NHAI awards of approximately 5,000 km, offers substantial opportunities. The metro rail network is expanding rapidly, with investments projected between Rs. 6,500 billion and Rs. 6,700 billion from FY24 to FY28. The water supply and sanitation sector is witnessing robust growth, with investments estimated to reach Rs. 3,700 billion to Rs. 4,100 billion by FY28. The airport sector is ripe for expansion, with new airports planned for tier II and III cities and expansion of existing major airports. The company is well-positioned to capitalize on these opportunities, leveraging its core competency in roads and highways. With a strong track record, the company aims to consolidate its market position, execute EPC and HAM projects efficiently, and explore new avenues for growth. By optimizing resource utilization through technology adoption and efficient project management, the company seeks to enhance its competitive edge and deliver superior value to stakeholders.

Risk factor

- Its business is primarily dependent on contracts awarded by governmental authorities.
- The company has sustained negative cash flows from operating activities in the past and may experience earnings declines or operating losses or negative cash flows from operating activities in the future.
- All projects it operates have been awarded primarily through competitive bidding process. Its bids may not always be accepted.
- The company is required to pay royalty charges for mining pursuant to terms of contracts and specific centraland state regulations.
- It has high working capital requirements.

Peer comparison

Co_Name	Total Income	PAT	EPS	P/E	P/BV	BV	FV	Price	Mcap
ITD Cem	7717.87	273.73	15.93	32.93	6.80	77.17	1	524.60	9011.98
J Kumar Infra	4879.20	330.76	43.71	19.26	2.41	349.44	5	841.95	6370.66
KNR Construct.	4429.48	777.40	27.64	14.83	3.24	126.38	2	409.80	11524.99
PNC Infratech	8649.87	909.42	35.45	14.43	2.53	202.11	2	511.55	13123.26
G R Infraproject	8980.15	1323.65	112.66	15.38	2.21	785.18	5	1733.00	16756.21
H.G. Infra Engg.	5378.48	538.59	80.65	20.36	4.36	376.71	10	1641.65	10698.82
Ceigall India Limited	3029.35	304.31	21.96	18.26	3.49	114.81	5	401.00	5555.64

***Peer companies financials are TTM based**
***** Ceigall India Limited is based on FY24**

Valuation

Considering the P/E valuation, on the upper end of the price band of Rs.401, the stock is priced at pre issue P/E of 16.01x on an FY24 EPS of Rs.25.05. Post issue, the stock is priced at a P/E of 18.26x on its EPS of Rs.21.96. Looking at the P/B ratio at Rs.401 pre issue, book value of Rs. 74.61 of P/Bvx 5.37x. Post issue, book value of Rs. 114.81 of P/Bvx 3.49x.

Considering the P/E valuation, on the lower end of the price band of Rs.380, the stock is priced at pre issue P/E of 15.17x on an FY24 EPS of Rs.25.05. Post issue, the stock is priced at a P/E of 17.30x on its EPS of Rs.21.96. Looking at the P/B ratio at Rs.380 pre issue, book value of Rs. 74.61 of P/Bvx 5.09x. Post issue, book value of Rs. 114.81of P/Bvx 3.31x.

Industry Outlook

India stands out as the fastest-growing economy among the major economies with real gross domestic product of Rs. 160.06 trillion in Fiscal 2024 and estimated to emerge as the third-largest economy globally by 2027, infrastructure sector continues to play major role with 3.50% of gross domestic product contribution with Rs. 52,962.00 billion investments in Infrastructure industry between Fiscal 2024 to Fiscal 2028. Road construction is amongst the critical sub-segments for infrastructure development, economic growth, and employment creation. Key growth drivers for infrastructure sector are rapid urbanisation, higher budgetary outlay towards infrastructure, smart cities mission. The key challenges in the infrastructure sector are regulatory and policy risks, funding challenges, land acquisition and environmental clearances.

Outlook

CIL is a reputed EPC contractor and has posted fastest growth in its performance. It has become a preferred partner for NHAI projects and has recently joined hands with Delhi Metro for rail infra developments. As of July 2024, Ceigall India is actively engaged in 18 ongoing projects, showcasing its robust operational capabilities across multiple Indian states. Ceigall India Limited's financial health is impressive, with an order book of Rs. 9470.84 Crore as of June 30, 2024. However, the company has sustained negative cash flows from operating activities in the past and may experience earnings declines or operating losses or negative cash flows from operating activities in the future. A long term Investor may opt the issue.

An Indicative timetable in respect of the Issue is set out below:

EVENT	INDICATIVE DATE (On or about)
BID/ISSUE OPENS ON	01-August-24
BID/ISSUE CLOSES ON	05-August-24
Finalisation of Basis of Allotment with the Designated Stock Exchange	06-August-24
Initiation of refunds (if any, for Anchor Investors)/unblocking of funds from ASBA Account	07-August-24
Credit of Equity Shares to Demat Accounts of Allottees	07-August-24
Commencement of trading of the Equity Shares on the Stock Exchanges	08-August-24

Annexure

Consolidated Financials

Profit & Loss

Rs. in Cr.

Particulars	Period ended 31-Mar-24 (12 Months)	Period ended 31-Mar-23 (12 Months)	Period ended 31-Mar-22 (12 Months)
Revenue from operations	3029.35	2068.17	1133.79
Total expenditure	2550.85	1786.65	939.81
Operating Profit	**478.50**	**281.52**	**193.98**
OPM%	15.80	13.61	17.11
Other Income	36.84	18.87	12.72
Total Net Income	**515.33**	**300.39**	**206.70**
Interest	54.99	37.60	18.61
PBDT	**460.34**	**262.79**	**188.08**
Depreciation	54.99	37.60	18.61
Restated Profit before tax	**405.35**	**225.19**	**169.47**
Tax	101.05	57.92	43.61
PAT	**304.31**	**167.27**	**125.86**

Balance sheet is on next page

Balance Sheet

Rs. in Cr.

Particulars	As on 31-Mar-24	As on 31-Mar-23	As on 31-Mar-22
Non-current assets			
Property, plant and equipment	296.00	246.04	125.53
Capital work-in-progress	2.01	1.84	3.95
Right-of-use assets	4.93	2.77	0.00
Intangible assets	0.10	0.02	0.06
Financial Assets			
Investments	2.22	0.34	0.29
Other Financial Assets	39.99	17.23	29.60
Receivable Under Service	654.06	282.79	118.17
Concessions Arrangements 7 6,540.57			
Deferred Tax Assets (Net)	8.93	10.91	2.37
Other non-current assets	13.85	0.64	11.76
Total non-current assets	**1022.07**	**562.58**	**291.74**
Current asset			
Inventories	118.25	106.92	38.59
Contract Assets	402.84	305.02	94.07
Financial Assets			
Investments	0.00	22.20	70.52
Trade Receivables	429.79	316.34	95.94
Cash and Cash Equivalents	242.87	216.94	97.47
Bank Balances other than Cash &	125.19	143.78	94.64
Cash Equivalents			
Loans & Advances	0.05	0.05	0.07
Other Financial Assets	17.27	11.17	12.94
Receivable Under Service	7.58	0.00	0.00
Concessions Arrangements			
Current-tax assets (net)	9.29	0.00	3.63
Other current assets	217.01	142.83	159.54
Total current assets	**1570.12**	**1265.24**	**667.40**
Total Assets	**2592.20**	**1827.82**	**959.14**
Non-current liabilities			
Borrowings	647.36	367.60	170.40
Lease liabilities	4.28	2.55	0.00
Non-Current Provisions	3.77	2.49	1.64
Total Non- Financial liabilities	**655.41**	**372.64**	**172.04**
Current liabilities			
Contract Liabilities	148.00	88.31	71.38
Financial Liabilities			
Borrowings	413.76	332.50	145.91
Lease Liability	0.85	0.28	0.00
Trades Payable - MSME	74.28	90.01	11.64
Trades Payable - MESE	269.31	268.75	45.05
Other financial liabilities	30.05	17.24	5.72
Other current liabilities	93.14	60.62	74.03
Current Provisions	0.99	1.54	2.13
Current tax liabilities (net)	0.00	2.88	0.00
Total Financial liabilities	**1030.37**	**862.13**	**355.85**
Total	**1685.78**	**1234.76**	**527.89**
Net worth represented by:			
Equity Share Capital	78.57	39.28	39.28
Other equity	809.16	553.78	391.97
Non-controlling interest	18.68	0.00	0.00
Net Worth	**906.41**	**593.06**	**431.25**

RANKING METHODOLOGY

WEAK	★
NEUTRAL	★★
FAIR	★★★
GOOD	★★★★
EXCELLENT	★★★★★

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