



IPO note:

CEIGALL INDIA LIMITED- SUBSCRIBE



Ceigall an infrastructure construction company with experience in undertaking specialized structural work such as elevated roads, flyovers, bridges, railway over bridges, tunnels, highways, expressways and runways. The company is one of the fastest growing engineering, procurement and construction ("EPC") company in terms of three-year revenue CAGR as of Fiscal 2024, among the companies with a turnover of over Rs 1000 crores in Fiscal 2024 with over 20 years of experience in the industry. Ceigall have achieved one of the highest year-on-year revenue growths of approximately 43.10% in Fiscal 2024 among the peers. They have grown at a CAGR of 50.13% between Fiscals 2021 to 2024. Since its incorporation in July 2002, the company has steadily expanded its project execution capabilities. Over the past two decades, the company has grown from a tiny construction company to an established EPC player with competence in designing and constructing road and highway projects, including specialized constructions, across 10 Indian states. Revenue from operations has increased significantly from Rs 1133.79 crores in Fiscal 2022 to Rs 3029.35 crores in Fiscal 2024. Principal business operations are broadly divided into EPC projects and hybrid annuity model ("HAM") projects, which are spread over ten states in India.

The company can compete for NHAI EPC projects up to Rs 5700.00 crores and NHAI HAM projects up to Rs 5500.00 crores. They have been appointed to participate in Delhi Metro Rail Corporation Limited's upcoming tenders for railways, mega bridges, and tunnels in India and abroad, as well as a public sector undertaking for highways, bridges, and tunnels in north-eastern states of India and such empanelment is mutually extendable.

Ramneek Sehgal, the main Promoter and Managing Director with over 20 years of experience in the construction industry, has driven the company's significant business growth through his vision, leadership, and direction. The individual promoter has contributed significantly to the growth of the firm by leveraging their industry knowledge, vision, leadership, operational expertise, client relationships, and track record of successful infrastructure projects. The Company has completed 34 road and highway projects, comprising 16 EPC, one HAM, five O&M, and 12 Item Rate Projects. Our company now has 18 ongoing projects, comprising 13 EPC and 5 HAM projects. These include elevated corridors, bridges, flyovers, rail over-bridges, tunnels, expressways, runways, metro projects, and multi-lane highways.

The company order book, as on June 30, 2024 and Fiscals 2024, 2023 and 2022, amounted to Rs 9470.84 crores, Rs 9225.78 crores, Rs 10809.04 crores and Rs 6346.13 crores, respectively. As on June 30, 2024, projects awarded by NHAI contributed 80.31% to the order book. Other public sector clients include Indian Railway Construction International Limited ("IRCON"), Military Engineer Services ("MES") and Bihar State Road Development Corporation Limited ("BSRDCL"). Book to Bill Ratio as of Fiscals ended March 31, 2024, March 31, 2023 and March 31, 2022 was 3.05, 5.23 and 5.60 times, respectively. The company specializes in infrastructure building, including elevated roadways, flyovers, bridges, tunnels, highways, expressways, and runways. It is known for producing high-quality projects. They consistently deliver projects on or ahead of schedule.

Investment Recommendation and Rationale: -

At the upper price band of Rs. 401, the issue is priced at a P/E multiple of 22.95 its FY24 post IPO EPS of Rs. 17.47. We give a 'SUBSCRIBE' rating to the issue for the following reasons: -

1. Provides high-quality infrastructure development services such as elevated roadways, flyovers, bridges, tunnels, highways, expressways, and runways.
2. It is a preferred partner for NHAI projects and has recently worked with Delhi Metro on rail infrastructure developments.
3. The company operates nine subsidiaries (five direct and four indirect) and eight joint ventures to execute projects.
4. One of the fastest growing engineering, procurement, and construction ("EPC") corporations in terms of three-year revenue CAGR as of Fiscal 2024, among enterprises with a turnover of over Rs 1000 crores.
5. Efficient business model and competent management team provide a healthy order book and long-term revenue visibility
6. In the Union Budget for Fiscal 2025, the Government of India allocated ₹ 11,111 billion to infrastructure development, the Government of India's initiatives to improve the business environment and reduce regulations would encourage investment in infrastructure.

Type of Issue	Fresh Issue of 17,063,640 shares aggregating up to Rs. 684.25 Cr Offer for Sale of 14,174,840 shares aggregating up to Rs. 568.41 Cr
Issue size	Rs. 1252.66 crores
Price Band	Rs. 380 to Rs. 401 per share
Bid lot/ Bid Size	37 shares/ Rs. 14,837
Issue structure	QIB-50%, HNI- 15%, Retail- 35%
Post issue equity shares	17,41,99,640
Promoters and Promoter Group Public	Pre Issue-99.99% Post Issue- 82% Pre issue-0.01% Post Issue- 18%
Post issue implied market cap	Rs. 6,985.40 crores
BRLMs	ICICI Securities Limited, IIFL Securities Limited, JM Financial Limited
Registrar to the issue	Link Intime India Private Limited

Financial Summary (Restated Consolidated) (₹Crore)

Particulars	FY24	FY23	FY22
Revenue from Operation	3029.35	2068.17	1133.79
EBITDA	517.66	295.63	185.92
EBITDA Margin (%)	17.09	14.29	16.40
PAT	304.31	167.27	125.86
PAT Margin	10.05	8.09	11.10
Net Worth	906.41	593.06	431.25
Fixed Asset Turnover Ratio	0.14	0.17	0.17
Total Debt to Equity	1.17	1.18	0.73
ROE(%)	33.57	28.20	29.19
ROCE (%)	31.98	28.67	29.84
EPS	19.37	10.65	8.01

Source: Red Herring Prospectus (RHP),



Objects of the issue
Offer for Sale of 14,174,840 shares aggregating up to Rs. 568.41 Crores
Shareholding pattern

Name of the Selling Shareholders	Type	Number of Equity Shares Offered	Weighted Average Cost of Acquisition per Equity Share (in ₹)^
Ramneek Sehgal	PSS	4,248,300 Equity Shares of face value of ₹ 5 each	NIL
Ramneek Sehgal and Sons HUF	PSS	7,536,050 Equity Shares of face value of ₹ 5 each	NIL
Avneet Luthra	PGSS	4,950 Equity Shares of face value of ₹ 5 each	0.02
Mohinder Pal Singh Sehgal	PGSS	919,960 Equity Shares of face value of ₹ 5 each	0.06
Parmjit Sehgal	PGSS	548,980 Equity Shares of face value of ₹ 5	NIL
Simran Sehgal	PGSS	914,950 Equity Shares of face value of ₹ 5 each	0.06
Kanwaldeep Singh Luthra	ISS	1,650 Equity Shares of face value of ₹ 5 each	0.06

Source: Red Herring Prospectus (RHP)

Fresh Issue of 17,063,640 shares aggregating up to Rs. 684.25 Crores

Company plans to use the Net Proceeds to fund the following objects:

- Purchase of equipment;
- Repayment/ prepayment, in full or in part, of certain borrowings availed by:
A) Company and subsidiary, Ceigall Infra Project Private Ltd.
- General corporate purposes

Source: Red Herring Prospectus (RHP)

The table below sets forth the state-wise revenue from operation and as a percentage of total revenue, for the years indicated below:

State	Revenue from operations (Rs. in Crores)			As a % of total Revenue from operations		
	Fiscal 2024	Fiscal 2023	Fiscal 2022	Fiscal 2024	Fiscal 2023	Fiscal 2022
Punjab	1530.70	1039.15	454.09	50.53	50.25%	40.05%
Jammu and Kashmir	413.44	190.72	18.29	13.65	9.22%	1.61%
Haryana	281.62	44.91	606.82	9.49	2.17%	53.52%
Himachal Pradesh	27.11	83.41	49.77	0.89	4.03%	4.39%
Maharashtra	23.39	21.03	4.81	0.77	1.02%	0.42%
Madhya Pradesh	10.86	-	-	0.36	-	-
Bihar	39.23	-	-	1.30	-	-
Uttar Pradesh	702.99	688.93	-	23.21	33.31	-
Total	3029.35	2068.17	1133.79	100.00	100.00	100.00

Source: Red Herring Prospectus (RHP)

Some of the landmark EPC projects undertaken by us in the road sector include the following:

Description of the Project	Scheduled date of completion	Date of completion	Length (in lane km)	Project Cost (Rs in crores)
Rehabilitation and augmentation of new NH-354 (Old SH-25) of section Ramdas to Gurdaspur from design chainage km 140.00 (existing km 46.320 of SH) to design chainage km 187.492 (existing km 3.185 of SH) for length of 47.492 km into two lane with paved shoulder/Four-lane under Bharatmala scheme in the state of Punjab EPC mode (Package-V) ("Ramdas Gurdaspur Project"), including, construction of Dera Baba Nanak – Kartarpur Corridor (India Territory) under change of scope in Gurdaspur Ramdas road stretch of NH-354 (Pkg-V) under Bharatmala Scheme in the State of Punjab ("Kartarpur Sahib Project")	December 12, 2020	June 30, 2020	Ramdas Gurdaspur Project: 94.98 Kartarpur Sahib Project: 25.50	235.38



Construction of six lane accesscontrolled highway NH-152 D starting from Ismailabad on NH-152 to junction with Karnal Pehowa road (SH-9) near Dhand ch 0+000 to Ch 23+0 length 23 km ("IsmailabadDhand PKG I Project")	May 1,2022	December 10, 2021	138.00	682.34
Six lane of access controlled in Uttar Pradesh portion of Delhi Saharanpur highway border from Delhi/UP Border to EPE Junction (Ch. 14.750 to 31.600) under Economic Corridor in Phase-1 of Bharatmala Pariyojana) ("Delhi-Saharanpur PKG II Project")	August 15,2024	Ongoing project	101.10	13,23.52
Construction of Four Laning of part of Ramban to Banihal Section of NH1A (Now NH-44), from Ch.158+675 to Ch.164+660 (North Bound) and Ch.160+282 to Ch.163+368 (South Bound connecting with Existing Tunnel-T4) excluding Ch.161+544 to Ch.164+100 (North Bound) including construction of Twin Tube Tunnel (Package-II) in the union territory of Jammu and Kashmir on EPC mode ("Ramban-Banihal PKG II Project")	February 25, 2025	Ongoing project	24.15	846.00

Source: Red Herring Prospectus (RHP)

Peer Comparison

Name of Company	Revenue, for Fiscal 2024 (in Rs. in crores)	Face value per equity share Rs	P/E (x)	EPS (Basic) (Rs per share)	EPS (Diluted) (Rs per share)	RoNW(%)	Net Asset Value "NAV" (Rs. in Crores)
Ceigall India Ltd	3029.35	5	22.95	17.47	17.47	33.57	52.06
Peer Groups							
PNC Infratech Limited	8649.87	2	14.75	35.45	35.45	17.54	202.11
G R Infraprojects Ltd	8980.15	5	12.60	136.90	136.87	17.40	786.27
H.G. Infra Engineering Ltd	5378.48	10	20.43	82.64	82.64	21.94	376.71
KNR Constructions Ltd	4429.49	2	13.17	27.64	27.64	21.51	124.37
ITD Cementation India Ltd	7717.87	1	29.39	15.93	15.93	18.30	87.21
J Kumar Infraprojects Ltd	4879.20	5	19.68	43.71	43.71	12.51	349.44

Source: Red Herring Prospectus (RHP)

Competitive Strengths

- One of the fastest growing EPC Company with an experience in executing specialised structures.
- Healthy order book giving long term revenue visibility
- Demonstrated project development, execution and operational capabilities.
- Efficient business model and experienced management team.

Source: Red Herring Prospectus (RHP)

Growth Strategies

- Diversify by utilizing existing capabilities and strategically expanding geographical reach.
- Explore hybrid annuity-based models to optimize project portfolios.
- Continue to thrive and benefit from India's powerful future growth in economy and infrastructure.
- Maintain attention on boosting execution efficiency.

Source: Red Herring Prospectus (RHP)

Key Risks

- Adverse changes in national, state, or municipal government policy can cause contracts to be foreclosed, terminated, restructured, or renegotiated, impacting corporate profitability and operations.
- The company has traditionally had negative cash flows from operations and may continue to do so in the future.



3. Delays in construction of current projects can result in contract termination, cost overruns, and claims for damages, negatively impacting cash flows, business outcomes, and financial situation.
4. The corporation has significant working cash needs. If they do not have enough cash flow to make debt payments or fund working capital requirements, it may have a negative impact on the company's operations and profitability.

Source: Red Herring Prospectus (RHP)


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