

The Issue	
Type of Issue	Issue size Rs. Mn
Fresh Issue	6,843
Offer for sale	5,684
Total	12,527
Post issue mkt cap*	69,854
Lot size	37 shares

***At Upper Price Band**

Issue Break-Up	
Reservation for	% of Issue
QIB	50%
NII	15%
Retail	35%
Total	100%

Indicative Offer Timeline	Indicative Date
Bid/Offer Opening Date	01 Aug, 2024
Bid/Offer Closing Date	05 Aug, 2024
Finalization of the Basis of Allotment	06 Aug, 2024
Credit of shares	07 Aug, 2024
Listing Date	08 Aug, 2024

Use of Proceeds	Rs. Mn
Purchase of Equipment	998
Debt Repayment of Company	3,846
Debt Repayment of Subsidiary	288
General Corporate Purpose	-

Manager	ICICI Securities, IIFL Securities, JM Financial
Registrar	Link Intime India

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Capitalizing on industry tailwinds...

Company Overview:

- Incorporated in 2002, Ceigall India is an infrastructure construction company undertaking specialized structural work including elevated roads, flyovers, bridges, railway over bridges, tunnels, highways, expressways, and runways. They have executed projects across 10 states in India.
- The company's operations are mainly divided into **EPC (~70% of sales)** and **HAM (~25% of sales)**. They also carry out **O&M (~0.5% of sales)** of projects as well as undertake sub-contracting projects.
- As on date, the company has completed over 34 projects including 16 EPC, 1 HAM, 5 O&M and 12 Item Rate projects in roads and highways sector. Furthermore, it has 18 ongoing projects, 13 EPC and 5 HAM, which include elevated corridors, bridges, flyovers, rail over-bridges, tunnels, expressway, runway, metro project and multi-lane highways.
- As on 30th June 2024, the order book stands at Rs. 947.1bn offering revenue visibility of over 3 years on FY24 basis. The company is involved with NHAI for majority of its project with 80% of the order book comprising orders from NHAI.
- The company has developed a long-standing relationship with NHAI with nine completed projects and 12 ongoing projects, including two projects where appointed date is yet to be declared. Currently, the company is eligible to bid up to value of Rs 57bn under single NHAI EPC project and Rs 55bn under NHAI HAM project.
- They majorly execute projects themselves or through subsidiary but may even form project specific JV, SPV with other infrastructure and construction companies. As on the date of the RHP, they have 9 subsidiaries (5 direct and 4 indirect) and 8 JV for the purpose of execution of projects.

Valuation and Outlook: At an upper price band of Rs 401/sh, the IPO is valued at 13.9x on EV/EBITDA (post issue) vs ~10x for Industry peers. Ceigall India is an infrastructure construction company engaged in the civil construction business of roads, highways, flyovers, bridges, railway over bridges, tunnels, expressways, and runways. Over FY22-24, Revenue/EBITDA/APAT has grown at a CAGR of 63.5%/66.9%/55.5%, respectively. In FY24, they command an ROE and ROCE of 33.6% and 32% respectively. Book to bill, which offers revenue visibility stands at over 3 years which is at the higher end compared to industry peers. Healthy order book, significant tendering pipeline with NHAI and diversifying strategy in other infrastructure business are the growth drivers for the business. Further, the fresh issue proceeds would be majorly utilized towards debt repayment. We draw confidence from its improving return ratios, strengthening balance sheet (post debt repayment) and strong order book. We therefore assign a "Subscribe" rating to the IPO.

Key Financial Summary

Financial Summary (Rs. Mn)	FY22	FY23	FY24
Revenue	11,338	20,682	30,294
EBITDA	1,859	2,956	5,177
<i>EBITDA margin (%)</i>	<i>16.4%</i>	<i>14.3%</i>	<i>17.1%</i>
Adj. PAT	1,259	1,673	3,061
<i>Adj. PAT margin (%)</i>	<i>11.1%</i>	<i>8.1%</i>	<i>10.1%</i>
EPS (Adj for issue)	7.3	9.7	17.7

Profitability Ratio (%)

Particulars	FY22	FY23	FY24
Gross Margin	23.2	19.0	22.4
Operating Margin	16.4	14.3	17.1
Net Profit Margin	11.1	8.1	10.1
ROCE	27.7	26.7	29.6
ROE	29.2	28.2	33.8
ROA	13.1	9.2	11.8

Holding Structure

Shareholding Pattern	Pre-issue	Post-issue*
	Holding (%)	Holding (%)
Promoter & Promoter Group	99.99	82.76
Public	0.01	17.24
Total	100.0	100.0

* At upper price band

Peers' Valuation

Particulars	FY24		FY22-24			FY24				
	Market Cap (Rs in Mn.)	Revenue (Rs in Mn.)	Revenue CAGR	EBITDA CAGR	PAT CAGR	ROE	ROCE	ROA	EV/EBITDA	PE(x)
Cieigall India*	69,854	30,294	63.5%	66.9%	56.0%	33.6%	29.8%	11.8%	13.9	22.8
Listed Peers										
J. Kumar Infraprojects Limited	65,030	48,790	17.6%	18.1%	26.4%	13.2%	18.4%	7.3%	9.0	19.9
ITD Cementation India Limited	88,220	77,180	42.3%	59.5%	99.3%	20.0%	27.5%	5.0%	10.9	32.2
PNC Infratech Limited	1,29,850	86,500	9.5%	14.3%	25.2%	19.2%	16.1%	6.4%	9.4	14.4
G R Infraprojects Limited	1,72,010	89,800	3.0%	10.6%	26.1%	15.7%	17.0%	8.2%	9.1	15.8
H.G. Infra Engineering Limited	1,05,450	53,780	19.7%	22.2%	19.1%	24.0%	24.1%	10.2%	11.0	20.2
KNR Constructions Limited	1,13,720	44,290	10.8%	14.3%	42.6%	23.8%	25.4%	14.8%	10.2	15.1
Average									9.9	19.6

Competitive Strengths:

Strong performance track record: The company's revenue from operations has CAGR of 63.5% over FY22-24. The growth was driven by diversified construction activity undertaken (i.e., from roads, highways to specialized structures such as bridges, elevated roads and tunnels amongst others) and increase in order book. Over the same period, the company's order book has increased from Rs 63.5bn in FY22 to Rs 92.3bn in FY24 growing at 14.3% CAGR. The consistent growth in order book was the result of the company's continued focus on road projects and specialized structures along with their ability to successfully bid and win new projects.

Orders from NHAI strengthens revenue visibility: Of the total order backlog of Rs 94.7bn (as of June 30, 2024) 80.3% of orders are from NHAI. This offers secured revenue visibility over medium term for the company. In addition to this, the company aims to diversify their skill set and order book across different business and geographical regions for them to pursue broader range of project tenders, higher revenue generation and profit maximization. The company is eligible to bid for single NHAI EPC projects up to a value of Rs 57bn and for single NHAI HAM projects up to a value of Rs 55bn.

Strong Project management and execution capabilities: They have constructed over 1,739.88 lane kms of roads and highways, including specialized structures. The company's strong project management and execution capabilities can be inferred from their experience of executing projects in high-traffic and density areas, and construction of specialized structures in hilly terrain. The execution is also bolstered by an in-house engineering and design team, which has the necessary skills and expertise in the areas of construction activity such as civil construction and help in preparing detailed architectural and/or structural designs.

Efficient business Model: Order book is a leading indicator of any infrastructure or construction related business. Orders are secured based on bidding. Company in this field thereby undertake pre-bidding stage analysis through technical surveys and feasibility studies of the project in pursuit. Post completion of the study a competitive bid is submitted to secure the contract. Once the contract is awarded, the company ensures to deliver high quality of constructions during execution stage, which then reduces maintenance and repair cost during the operation and maintenance. Credit rating also forms a crucial part of the business as the company is able to raise debt financing at reasonable interest cost for projects execution. At present, the company's Commercial paper and Short-term debt has been assigned A1, and long-term debt has been assigned A+ rating with stable outlook by CRISIL.

Business Strategies:

Diversification by leveraging existing capabilities: Though the company's primary focus remains on developing and executing EPC and HAM projects related to road and highway sector. They also intend to pursue other models like build, operate and transfer (BOT model), in order to diversify the offerings to further grow business operations, reduce the risk of dependency on existing services and strategically target higher margin opportunities. Further, they would also explore more opportunities in undertaking independent O&M projects in order to realize higher margins during the operation and maintenance stage of the project. Through experience of executing higher scale and complexity projects, Ceigall seeks to participate in higher contract values project involving construction of specialized structures. To summarize, they are looking to foray in projects related to the construction and maintenance of runways, projects related to railways and metros including earthwork and water treatment and sewerage related projects.

Continue to explore hybrid annuity-based model to optimize its project portfolio: Majority of the projects they have secured or are under execution pertains to EPC contracts. Focus would continue to add on these projects. However, they are also exploring opportunities to increase HAM projects which offers favourable risk and reward profile. The HAM model helps to lower the financial burden on the concessionaire during project implementation phase. For projects where they are not pre-qualified to bid independently, they may enter into strategic alliances and joint ventures with other developers.

Continue focusing on enhancing execution efficiency: Timely and efficient execution is important for companies operating in infrastructure sector. Delays in execution would lead to cost overruns and lower profit margins. The company intends to improvise on execution by adopting current industry practices and modern equipment to deliver quality projects in timely manner. The recent 50% acquisition in M/s R.K. Infra is also expected to mobilize more projects pertaining to construction of extensive structures in timely and efficient manner.

Continue to grow and benefit from the robust future growth of India's economy and infrastructure: India is on route to become \$10trn economy by Fiscal 2030. The major contributor of this growth would be Infrastructure sector which is expected to contribute 3.5% to the GDP. Deep diving into Road construction, over 45,000 km of road construction project is yet to be awarded by NHAI. NHAI plans to float 5,000 km of these projects every year across BOT and EPC. Additionally, bids for third party O&M contracts worth Rs 77.2bn is currently in pipeline. Ceigall is well positioned to take benefit of these industry tailwinds with significant experience in roads and highways.

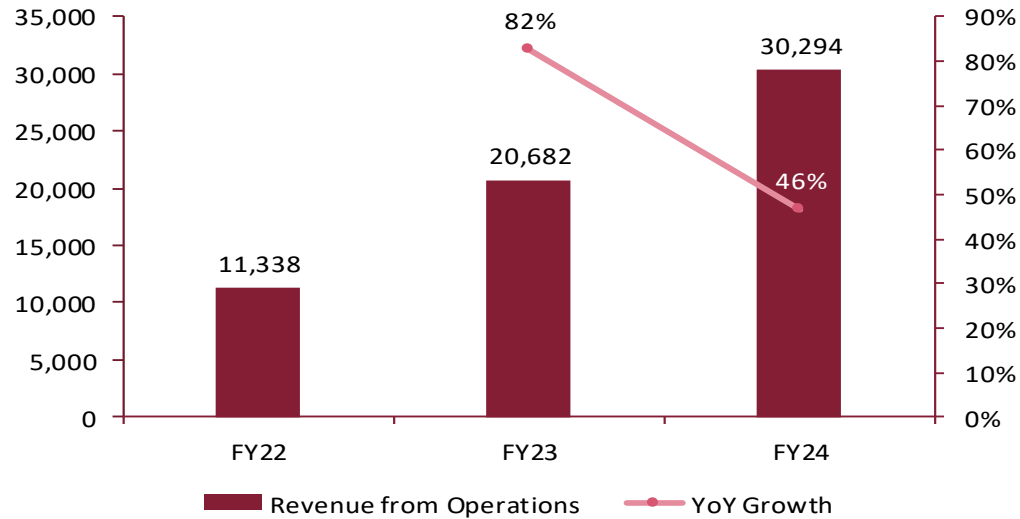
Key Risks:

- Order book consists of 100% orders from all levels government bodies which gives the company very limited leverage to negotiate the terms of project. Furthermore, if the company fails to maintain projects pursuant to the relevant contractual requirements, it may be subject to penalties or even termination of contracts. This would have adverse impact on results of operations and cash flows.
- The orders secured are subject to termination or cancellation. In FY24, three projects were cancelled on account of non-availability of land. The cancellation would have material impact on future revenue generation.
- Revenues from execution of projects in the roads and highways sector including specialized structures constituted approximately 92.71%, 96.57% and 97.46% of their total revenue for the FY24, 23 and 22, respectively.
- For many projects, the company may be required to form JV to meet the demands. Any delays on account of non-performance of the joint venture partner, principal or sub-contractor might create potential reputational risk and reduced profits for the company.
- Civil Engineering business is manpower intensive and any unavailability of employees or shortage of contract labours or any strikes, work stoppages, increased wage demands by workmen or changes in regulations governing contractual labour would have material impact on the operational activities, revenue, profitability, and ultimately on debt servicing ability and cash flow.
- The business is heavy capital intensive and dependent on government funded projects, any delay in the receivables would have impact on timely servicing of debt payments.
- Contingent liabilities to net worth ratio stands at 1x in FY24, which is material if in case of any adversity and could have significant impact on the capital structure in the operations of the business.

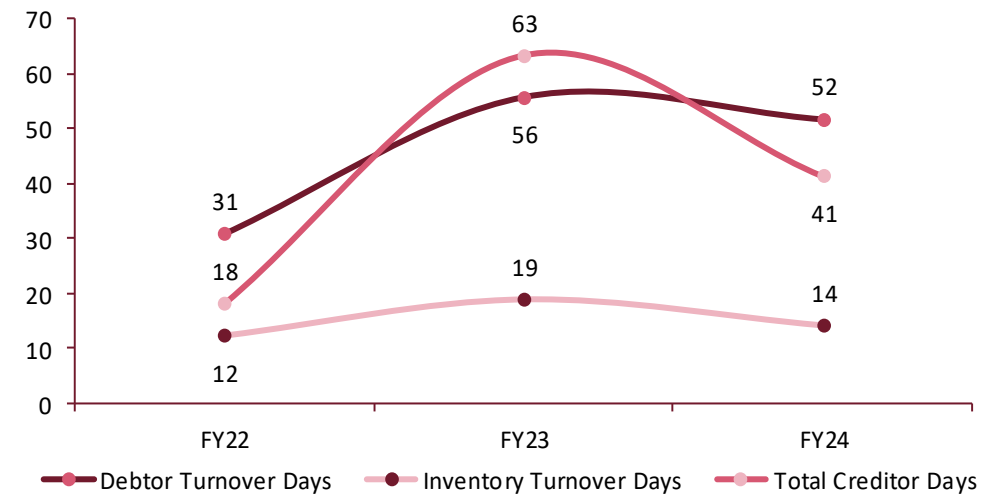
Contingent Liabilities	FY22	FY23	FY24
Total	8,358	10,525	9,359
<i>Bank Guarantees</i>	3,358	5,525	7,499
<i>Corp. Guarantees by the Company</i>	5,000	5,000	1,860
Net Worth	4,313	5,931	9,064
CL/Net Worth	1.9x	1.8x	1.0x

Ceigall India Limited

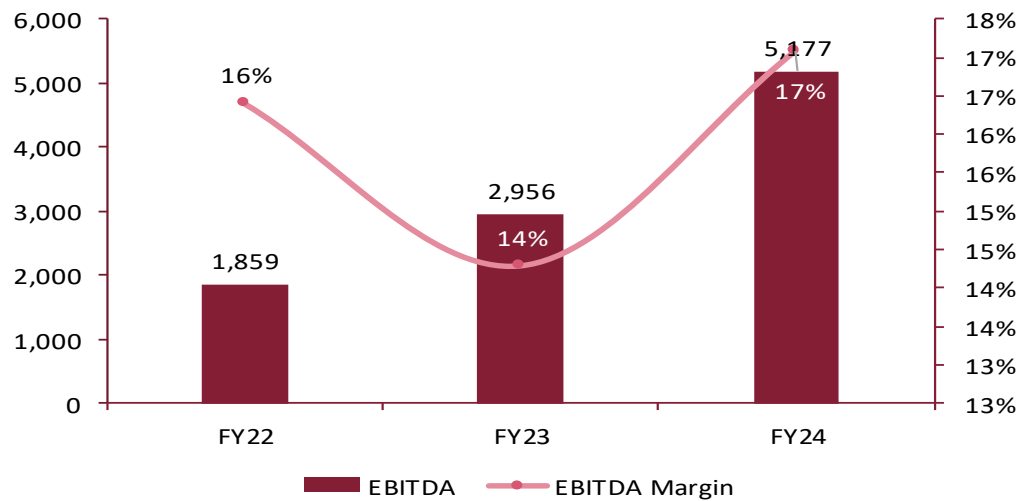
Revenue from operations (Rs. Mn)



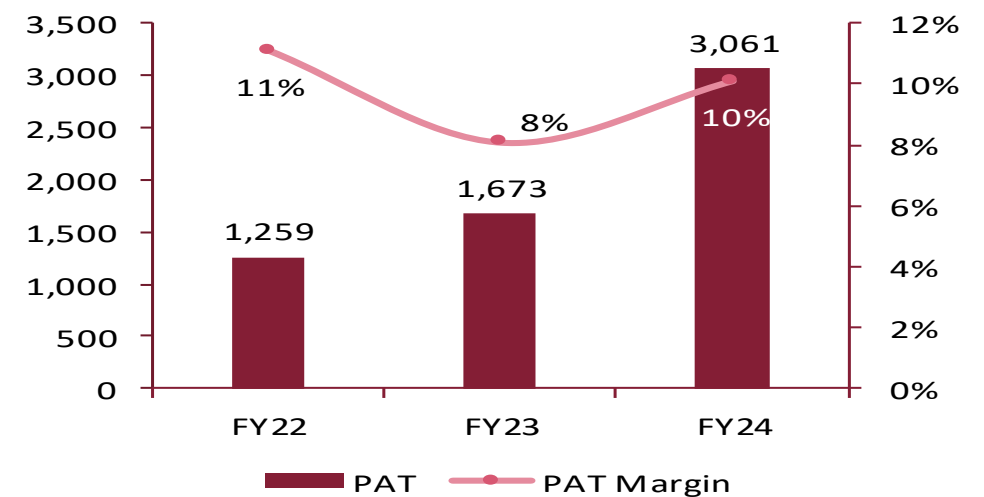
Working Capital Days



EBITDA (Rs. mn) and OPM (%)

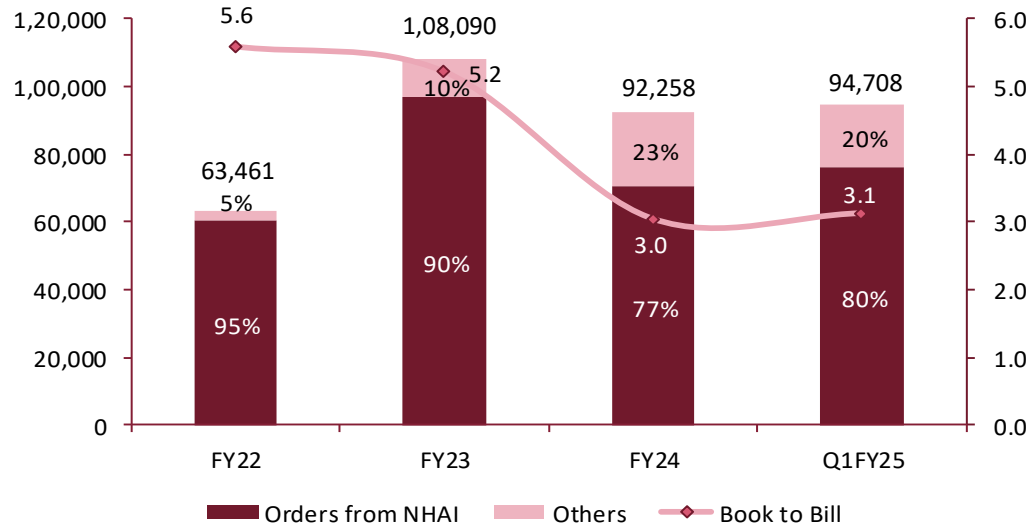


PAT (Rs. mn) and PAT Margin (%)

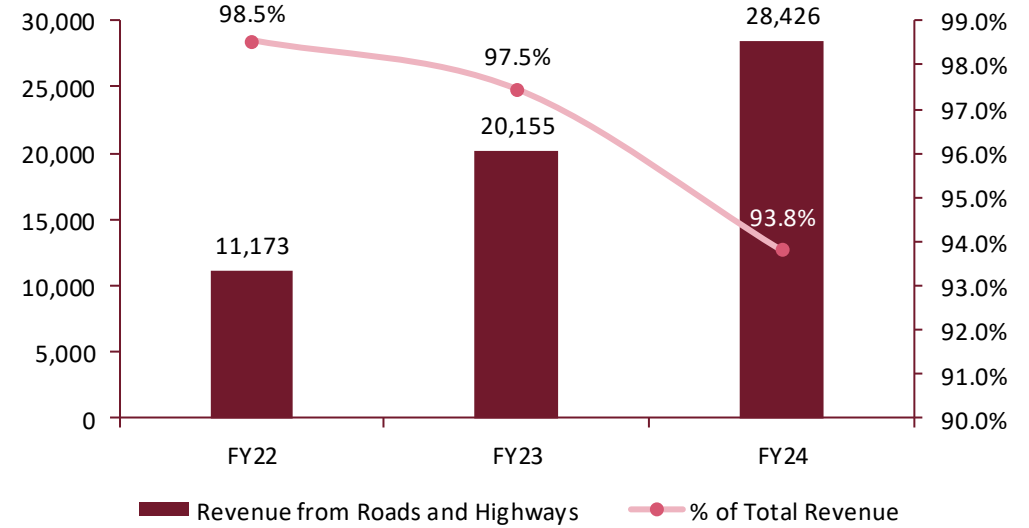


Ceigall India Limited

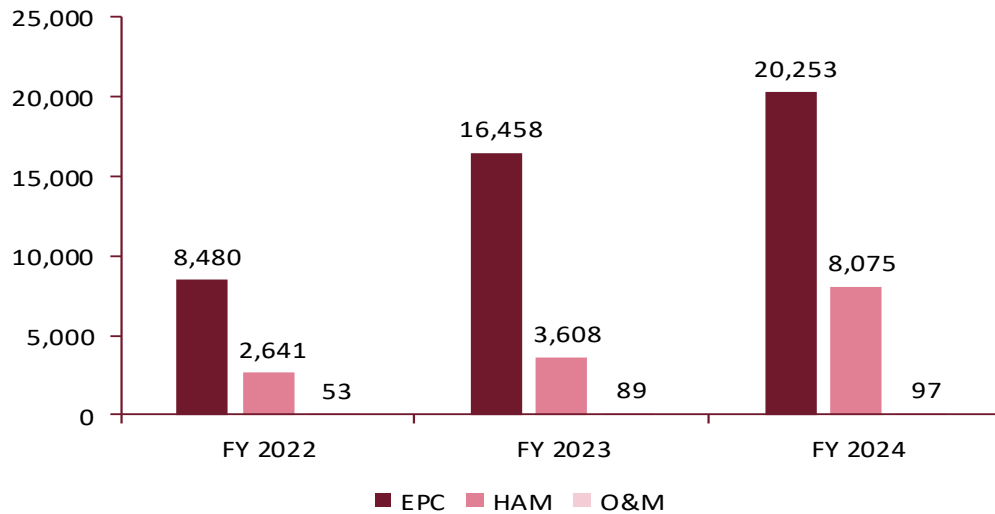
Order Book (Rs. Mn)



Revenue from Roads and Highways (Rs. Mn)



Revenue by Segment (Rs. Mn)

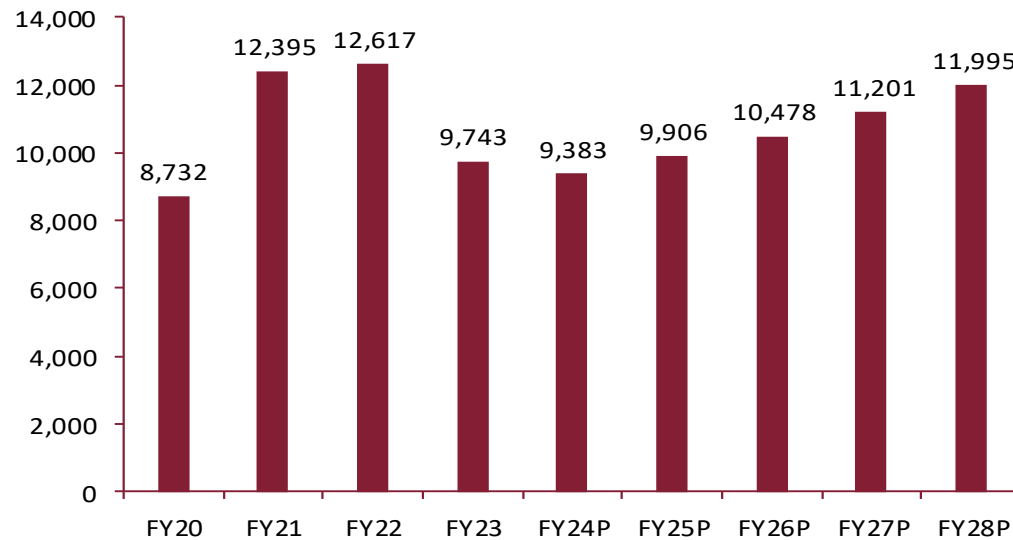


Revenue by State (Rs. Mn)

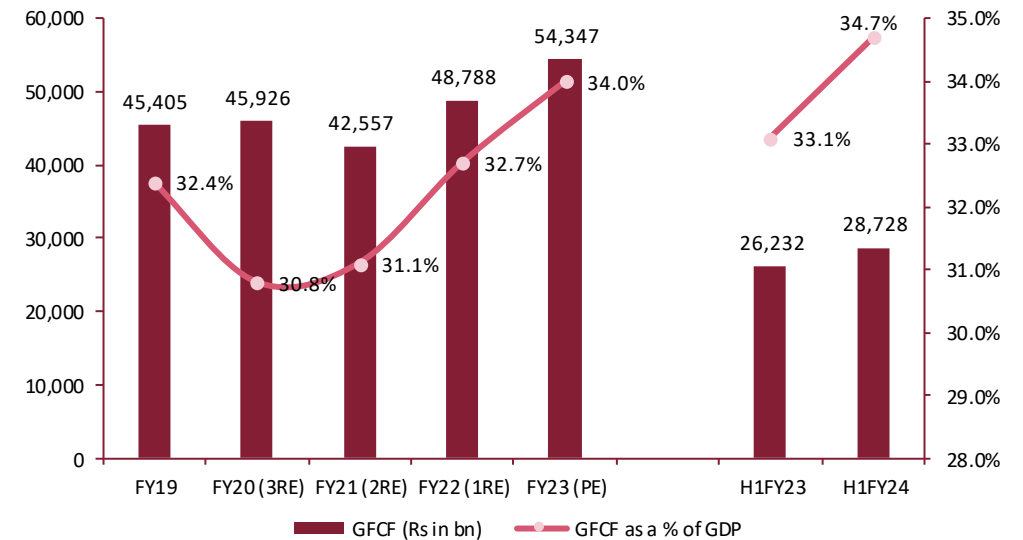
State	FY22	FY23	FY24
Punjab	4,541	10,392	15,307
Jammu and Kashmir	183	1,907	4,134
Haryana	6,068	449	2,816
Himachal Pradesh	498	834	271
Maharashtra	48	210	234
Madhya Pradesh	0	0	109
Bihar	0	0	392
Uttar Pradesh	0	6,889	7,030
Total	11,338	20,682	30,294

Industry Overview

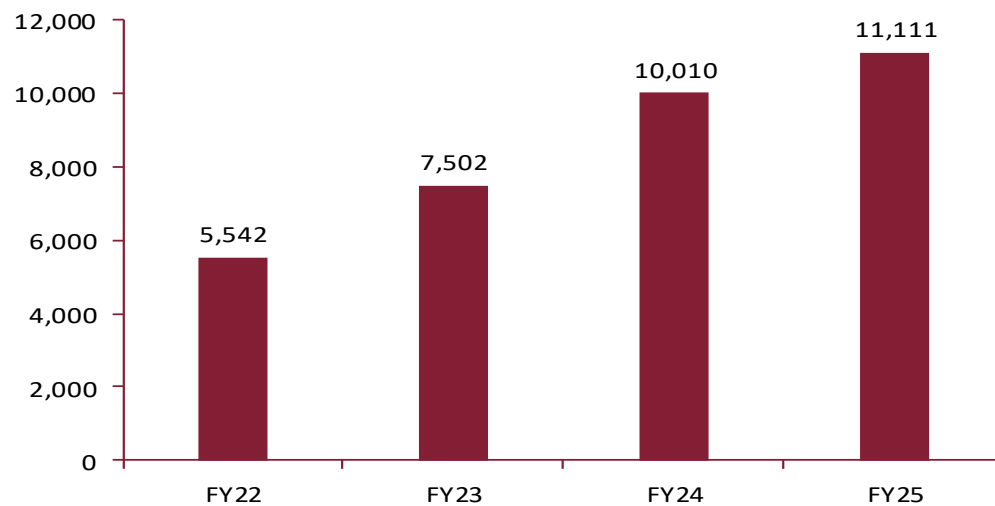
Investment in Infrastructure Sectors (Rs. Bn)



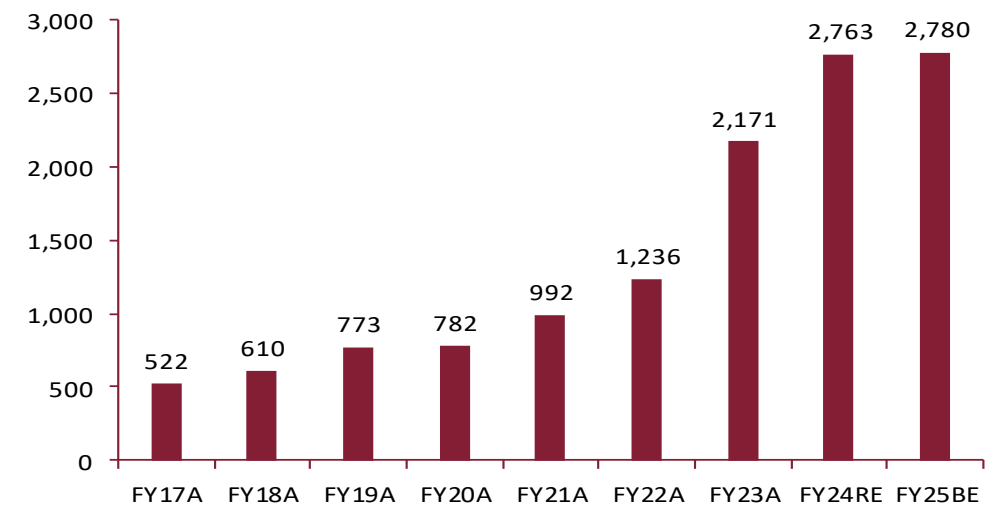
Gross Fixed Capital Formation (GFCF) as % of GDP (At constant prices)



Union Budget Capex allocation towards Infrastructure (Rs. bn)

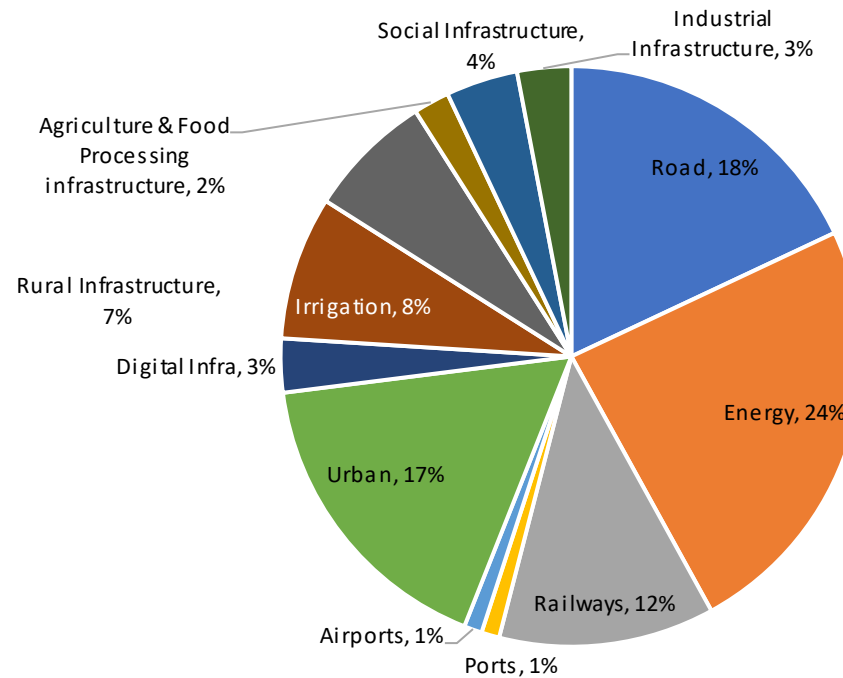


Budget Allocation for Ministry of Road Transport and Highways (Rs. Bn)



Industry Overview

Sector-wise break up of capex of Rs. 11 trillion:



Road Transport as a % of GVA

Year	FY12	FY13	FY14	FY15	FY16	FY17	FY18	FY19	FY20	FY21	FY22
Road Transport (Rs in Bn)	2,624	2,824	3,006	3,208	3,431	3,623	3,964	4,175	4,322	3,217	4,355
% Share in Total GVA	3.2%	3.3%	3.3%	3.3%	3.3%	3.2%	3.3%	3.3%	3.3%	2.5%	3.2%

INDSEC Rating Distribution

BUY : Expected total return of over 15% within the next 12-18 months.

HOLD : Expected total return between 0% to 15% within the next 12-18 months.

SELL : Expected total return is negative within the next 12-18 months.

NEUTRAL: No investment opinion, stock under review.

DISCLOSURE

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