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IPO Note

July 30, 2024

Ceigall India Limited

HDFC securities
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20 YEARS

Issue Snapshot:

Issue Open: August 01 – August 05, 2024

Price Band: Rs. 380 – 401 (Discount of Rs 38 per share for all eligible employees)

*Issue Size: Up to Rs 1252.7 cr (including Fresh issue of Rs 684.25 cr + Offer for sale of 14,174,840 eq share including employee reservation of upto Rs.2 cr

Reservation for:

QIB	upto	50% eq sh
Non-Institutional ((including 1/3rd for applications between Rs.2 lakhs to Rs.10 lakhs))	atleast	15% eq sh
Retail	atleast	35% eq sh

Face Value: Rs 5

Book value: Rs 57.68 (March 31, 2024)

Bid size: - 37 equity shares and in multiples thereof

100% Book built Issue

Capital Structure:

Pre Issue Equity:	Rs.	78.57 cr
*Post issue Equity:	Rs.	87.10 cr

Listing: BSE & NSE

Book Running Lead Managers: ICICI Securities Limited, IIFL Securities Limited, JM Financial Limited

Sponsor Bank: HDFC Bank Limited & ICICI Bank Ltd

Registrar to issue: Linkintime India Private Limited

Shareholding Pattern

Shareholding Pattern	**Pre issue %**	**Post issue %**
Promoter and Promoter Group	99.99	82.06
Public & Employees	0.01	17.94
Total	100.0	100.0

*=assuming issue subscribed at higher band
Source for this Note: RHP

Background & Operations:

Ceigall India Limited (CIL) is 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. It 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. 10,000 million in Fiscal 2024 with over 20 years of experience in the industry. It has achieved one of the highest year-on-year revenue growth of approximately 43.10% in Fiscal 2024 among the peers. The Company has grown at a CAGR of 50.13% between Fiscals 2021 to 2024. Over the last two decades, it has transitioned from a small construction company to an established EPC player, demonstrating expertise in the design and construction of various road and highway projects including specialised structures across 10 states in India.

CIL 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, it 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 projects and multi-lane highways. In addition to undertaking operation and maintenance ("O&M") activities in accordance with its contractual obligations under the EPC/HAM concession agreements, it has also undertaken independent O&M projects. Further, it has also undertaken in the past and continue to undertake sub-contracting projects. Its Order Book, as on June 30, 2024 and Fiscals 2024, 2023 and 2022, amounted to Rs.94,708.42 million, Rs.92,257.78 million, Rs.108,090.43 million and Rs.63,461.30 million, respectively. As on June 30, 2024, projects awarded by NHAI contributed 80.31% to its Order Book. Its other public sector clients include Indian Railway Construction International Limited ("IRCON"), Military Engineer Services ("MES") and Bihar State Road Development Corporation Limited ("BSRDCL"). Its 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.

Over the years, CIL has become 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 and has a reputation of delivering quality projects. It has a consistent track-record of execution of projects either on time or ahead of schedule. Its efficient project execution capabilities have enabled it to execute projects in a timely manner, and in certain cases before the stipulated timelines, while maintaining requisite quality standards. It has completed 7 (seven) EPC projects out of 16 EPC projects on or before the scheduled completion date and it has already received bonus payments for early completion for two EPC and one HAM projects.

The Company has a successful track-record in executing projects of different sizes ranging from 20.42 lane km to 260.00 lane km in terms of length. 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.

As on March 31, 2024, CIL has 1,488.17 lane kms of ongoing projects. It has completed 2,158.72 lane kms of O&M projects. For its EPC and HAM projects, the scope of its services typically includes design and engineering of the project, procurement of raw materials, project execution at site with overall project management up to the commissioning of these projects. Its employee resources and fleet of owned equipment, some of which are under buyback arrangements, and rental equipment, together with its engineering skills and capabilities, enable it to execute a range of projects.

The Company has an experience of executing projects across diverse geographic locations in India with varying degrees of complexities such as construction in high-traffic and high-density areas, construction of tunnels in hilly terrain and slope protection and rock fall protection due to high rainfall and involving specialised structures such as tunnels, bridges and elevated roads. CIL has diversified its geographical presence in construction and development and execution of major multi-lane highway projects with specialised structures in various states of India, including Punjab, Haryana, Rajasthan, Uttar Pradesh, Himachal Pradesh, Jammu and Kashmir, Jharkhand, Delhi, Maharashtra and Bihar. Its projects were spread across six states in Fiscal 2022, and it expanded to ten states by Fiscal 2024.

Objects of Issue:

The Offer comprises a Fresh Issue of Equity Shares, aggregating up to Rs. 6,842.52 million and an Offer for Sale of up to 14,174,840 Equity Shares by the Selling Shareholders.

Offer for sale

The proceeds of the Offer for Sale shall be received by the Selling Shareholders. The Company will not receive any proceeds from the Offer for Sale. The Selling Shareholders will be entitled to their respective portion of proceeds of the Offer for Sale, net of their respective proportion of the Offer-related expenses and the relevant taxes thereon.

Objects of the Fresh Issue

CIL proposes to utilize the Net Proceeds towards funding of the following objects:

- Purchase of equipment;
- Repayment/ prepayment, in full or in part, of certain borrowings availed by:
    - ✓ *CIL and its Subsidiary, Ceigall Infra Projects Private Limited*
- General Corporate Purposes.

In addition, CIL expects to receive the benefits of listing of the Equity Shares on the Stock Exchanges.

Utilisation of Net Proceeds (Rs in million)

Particulars	Amount to be funded from Net Proceeds	Amount to be deployed from the Net Proceeds in Fiscal 2025
Purchase of equipment;	997.89	997.89
Repayment/ prepayment, in full or in part, of certain borrowings availed by	4,134.00	4,134.00
General corporate purposes	*	*
Total	*	*

Competitive Strengths

One of the fastest growing EPC company with an experience in executing specialised structures: CIL is one of the fastest growing engineering, procurement and construction (“EPC”) company in terms of threeyear revenue CAGR as of Fiscal 2024, among the companies with a turnover of over Rs.10,000 million in Fiscal 2024. It has achieved one of the highest year-on-year revenue growth of approximately 43.10% in Fiscal 2024. The Company has grown at a CAGR of 50.13% between Fiscals 2021 to 2024. Its revenue from operations has increased significantly from Rs.11,337.88 million in Fiscal 2022 to Rs.30,293.52 million in Fiscal 2024. It has over 20 years of experience and expertise including construction, development and execution of major road and highway projects including expressways, specialized structures such as elevated roads and tunnels in various states of India, including Punjab, Haryana, Uttar Pradesh, Himachal Pradesh, Jammu and Kashmir and Bihar. The primary focus is on undertaking roads and highways projects and projects which involve specialised structures, and it has helped the Company in gaining technical expertise in undertaking projects of different sizes and involving varying degree of complexity. Its Order Book, as on June 30, 2024 and Fiscals 2024, 2023 and 2022, amounted to Rs.94,708.42 million, Rs.92,257.78 million, Rs.108,090.43 million and Rs.63,461.30 million, respectively.

The consistent growth in Order Book has resulted from continued focus on road projects and specialized structures along with ability to successfully bid and win new projects. Its experience in execution of road projects including specialized structures, technical capabilities, timely performance, reputation for quality as well as financial strength of its bids have enabled it to successfully bid for and win projects. Over the years, CIL has become an established infrastructure construction company with experience in undertaking specialized structural work such as elevated roads, flyovers, bridges, railway over bridges, tunnels, highways, expressways and runways and has a reputation of delivering quality projects.

Healthy order book giving long term revenue visibility: In the infrastructure industry, an order book is considered an indicator of future performance since it represents a committed portion of anticipated future revenue. As on June 30, 2024, projects awarded by NHAI contributed 80.31% to its Order Book. Diversifying skill set and Order Book across different business and geographical regions, enables it to pursue a broader range of project tenders and therefore maximize its business volume and profit margins. The consistent growth in Order Book is a result of past experience, focus on maintaining quality standards in its construction and project execution skills. Further, as on June 30, 2024, Total Project Cost for ongoing NHAI EPC projects is Rs. 38,710.59 million and completed NHAI EPC projects is Rs.39,476.60 million. It has been empanelled to participate with the Delhi Metro Rail Corporation Limited in its upcoming tenders involving inter alia construction of railways, mega bridges and tunnels in India and abroad and also with a public sector undertaking for highways, bridges and tunnel construction work in north-eastern states of India, and such empanelment is mutually extendable. The significant growth of its business in terms of its Order Book, in the last three Fiscals, has contributed significantly to the financial strength.

Demonstrated project development, execution and operational capabilities: CIL 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. It has developed experience of executing projects across diverse geographic locations in India with varying degrees of complexities such as construction in high-traffic and high-density areas, construction of specialized structures such as tunnels in hilly terrain. With multiple ongoing projects at any given time, ready access to equipment is essential to execute its ongoing projects efficiently along with timely completion of projects profitably and to bid for additional complex and challenging projects.

CIL ensures that the key construction materials are timely delivered to its location sites, thereby enabling it to manage its processes effectively and maintain key raw material inventory in an optimal manner. These attributes have enabled CIL to compete projects prior to or by scheduled timelines. Further, it is easily able to mobilise its equipment depending on the size of the project. The Company also requires experienced professionals for the purpose of undertaking complex projects. Through CIL's experience of executing projects of varying sizes, it has developed internal systems and processes which help it in effective execution of its ongoing projects.

Efficient business model: CIL's growth is largely attributable to its efficient business model which involves careful identification of its projects and cost optimisation, which is a result of executing its projects with optimum planning and strategy. This model has facilitated it in maximising its efficiency and increasing its profit margins. The Company follows a strategic approach during the pre-bidding stage, which involves undertaking technical surveys and feasibility studies and analysing the technical and design parameters and the cost involved in undertaking the project. Its strategic approach during the pre-bidding stage enables CIL to bid at competitive prices and helps it to successfully win projects. CIL has an integrated inventory management system, which enables it to manage its inventory efficiently and monitor equipment supply and mobilisation of its resources in a cost effective and timely manner. It carries out pre-bid surveys, study of the project sites to gauge the local conditions in order fine tune its estimations, budgets and mobilisation plans as befits each project site.

CIL on a routine basis invests a minimum amount on its machinery vertical, some of which are under buyback arrangements i.e., the right of the Company to return the asset to the vendor after a specified period at a pre-defined amount, pursuant to the terms and conditions in their agreements. This enables the Company to avoid blockage of its capital in fixed assets and ensure availability of effective machinery with the Company for speedy execution of its projects. Over the years, it has gradually added a fleet of modern construction equipment to supplement the growth of its construction business. As on March 31, 2024, CIL's rental equipment and owned equipment constitutes 17.03% and 82.97% respectively, of its total equipment cost. The Company has been able to generate more revenue per rupee of fixed investments in fixed assets thereby having low investment in fixed assets.

In addition, CIL has historically and will seek to continue to secure cost effective funding at commercially acceptable terms. It avails fund based and non-fund-based facilities in the ordinary course of its business for purposes such as, inter alia, meeting its working capital requirements or business requirements.

CIL's credit ratings and relationships with its lenders enable it to raise financing in a timely manner, which helps the Company to maintain the requisite leverage for its operations. Its balance sheet coupled with low levels of debt enable it to pursue opportunities for growth and better manage unanticipated cash flow variations. Driven by its execution track record, CIL has exhibited strong financial performance and credit profile over the last few years. Its financial performance and substantial assets, helps it present a strong credit profile to its lenders and keeps alternatives sources of financing available to it.

Experienced management team: CIL has seen robust business growth under the vision, leadership and guidance of its individual Promoter and Managing Director, Ramneek Sehgal, who has more than 20 years of experience in the construction industry. Its individual Promoter has played a key role in the development of its business and it benefits from his industry knowledge and expertise, vision and leadership as well as strong operational knowledge, good relationships with its clients and a successful track record of executing infrastructure projects. In addition to its individual Promoter, its Board of Directors and senior management team includes qualified, experienced and skilled professionals who has experience across various sectors. The stability of its management team and the industry experience brought on by CIL's individual Promoter will enable it to continue to take advantage of future market opportunities and expand into newer markets. Its senior management team is able to leverage its market position with their collective experience and knowledge in the infrastructure construction industry, to execute its business strategies and drive its future growth. The Company's department heads have an average experience of over two decades in the infrastructure construction industry.

Business Strategy:

Diversification by leveraging existing capabilities: CIL intends to draw on its experience in the road and highway sector, effectively use its assets, market position and its ability to execute and manage multiple projects across geographies to grow its portfolio in other sectors. While CIL's primary focus is on development and execution of EPC and HAM projects involving specialized structures such as elevated roads, flyovers, bridges, railway over bridges, tunnels, highways, expressways and runways, it intends to pursue other models like build, operate and transfer, 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. It also continues to focus on its health, safety and environmental management and quality management standards as these elements of performance measurement have become important competition differentiators and key criteria for pre-qualification of contractors. In order to mitigate the risk of over-diversification, CIL seeks to expand in businesses that require execution skills that are similar to its construction business and allows it to leverage its past experience and maximize the use of its manpower, equipment and new materials in its expansion and avoid additional investment in new equipment wherever possible. As part of business growth strategy, CIL intends to diversify into, and shall bid for, projects (including specialised structures) related to construction and maintenance of runways, projects related to railways and metros including earthwork and water treatment and sewerage related projects.

Selectively expand geographical footprint: CIL started its operations from Punjab and gradually expanded to undertake road and highway projects in other states in India. It has undertaken road and highways projects over ten states in India including in Punjab, Bihar, Jharkhand, Uttar Pradesh, Delhi, Himachal Pradesh, Haryana, Maharashtra and Jammu and Kashmir. It plans to continue its strategy of diversifying and expanding its presence in different states for the growth of its business. CIL's strategy of selective expansion is focused on mitigating diversification related risks. It intends to strategically expand into states which are economically and politically stable and has favourable geographic and climatic conditions thereby broadening its revenue base and reduce risks of volatility of market conditions and price fluctuations by expanding its geographic footprint. It seeks to explore more opportunities by strategically evaluating the investments required and selecting projects where the risk, profitability and reward profile is favourable. The geographical diversification of its projects will reduce its reliance on particular states in India and allow the Company to capitalise on different growth trends in various states across India. Through further diversification of CIL's operations geographically, it intends to hedge against risks in specific areas or projects and protect it from fluctuations resulting from business concentration in limited geographical areas.

Continue to explore hybrid annuity based model to optimize project portfolio: CIL has undertaken majority of its projects on the EPC basis and while its focus primarily is to grow its EPC business, it will continue to seek and evaluate opportunities for undertaking HAM projects that match its corporate profile, project experience and execution capabilities and offer a risk and reward profile that may be favourable to it. The Company has one completed HAM project i.e. Malaout- Abohar Project and are undertaking five HAM projects all of which are awarded by NHAI, with a total project value of Rs. 52,470.00 million. The HAM model aims to lower the financial burden on the concessionaire during project implementation phase. In projects undertaken on HAM basis, the developer is responsible to meet only 60% of the total project cost but undertakes the entire risk of operations and maintenance, while the government/authority bears 40% of the total project cost and undertakes the entire toll collection risk. The Company seeks to selectively explore more opportunities of undertaking HAM projects by evaluating the investments required and selecting projects where the risk and reward profile is favourable. Leveraging CIL's experience, track record, commercial relationships and brand recognition in the EPC business, it will continue to evaluate opportunities to undertake HAM projects, with a focus on selectively bidding for HAM projects in states with stable growth, and with central or multilateral funding. For projects where CIL is not pre-qualified to bid independently, it may also enter into strategic alliances and joint ventures with other developers.

Continue focusing on enhancing execution efficiency*:* CIL intends to continue to focus on efficient project execution by adopting current industry practices and modern equipment to deliver quality projects to the satisfaction of its customers, upgradation of its information and communication technology infrastructure and other internal processes to reduce manual intervention and improve reliability and efficiency of its business and operations. It intends to continue to invest in modern construction equipment to ensure continuous and timely availability of equipment critical to its business, which will help it in exercising better control over the execution of its projects.

Further, the scale of CIL's operations provides it with a significant advantage in reducing costs and sustaining its cost advantage. It seeks to attract, train and retain qualified personnel and skilled labourers and further strengthen its workforce through more comprehensive training and provide adequate and skilled manpower to its clients.

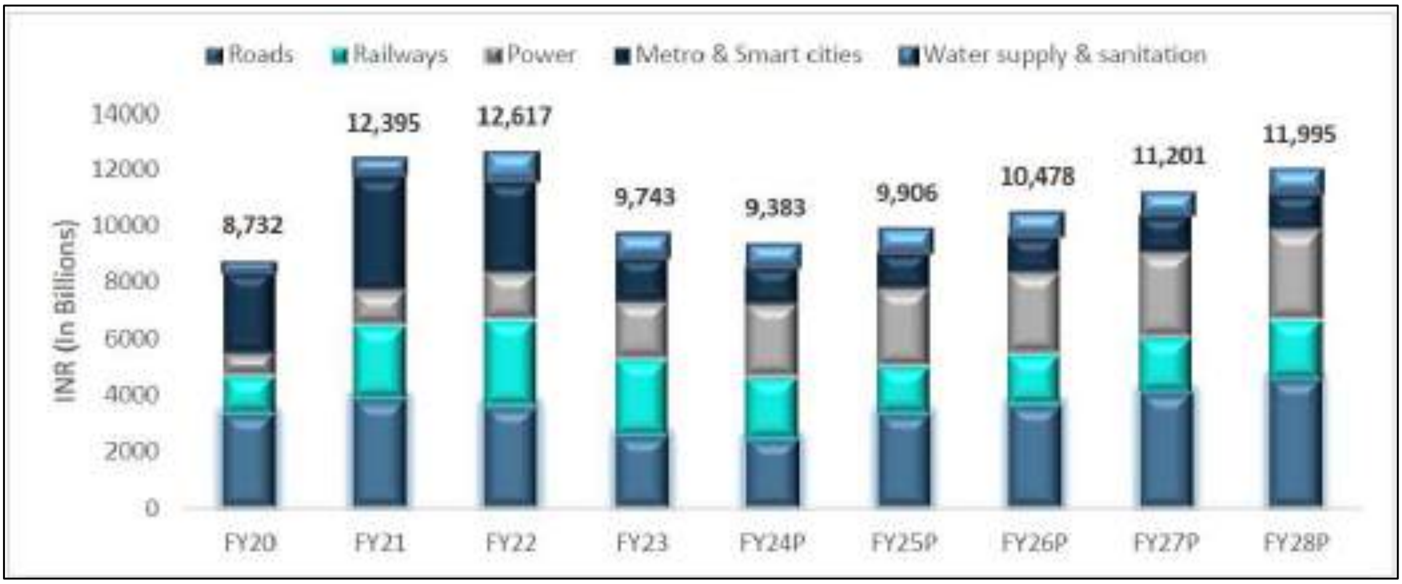
Further, CIL has received bonus payments for two EPC and one HAM projects for completing the projects ahead of the scheduled completion date. It will continue to focus on performance and project execution in order to maximize client satisfaction and profit margins. It intends to integrate efficient practices from different sectors and geographic regions and continue its practice of efficient planning and project management and centralizing procurement of major equipment and raw materials.

Continue to grow and benefit from the robust future growth of India's economy and infrastructure: The Indian economy is on the path of USD 10.00 trillion of gross domestic product ("GDP") by Fiscal 2030, infrastructure sector continues to play a major role with 3.50% of GDP contribution with Rs.52,962.00 billion investments in infrastructure industry between Fiscal 2024 to Fiscal 2028. CIL is well positioned to take benefit of industry tailwinds with significant experience in roads and highways and expanding in other infrastructure selectively. The roads and highways infrastructure sector has high potential for growth and its experience and track record in the construction business provides it with a competitive advantage in pursuing future opportunities. The Company will continue to focus on the operations, maintenance and development of its existing projects. Its strategy is to continue to focus on strengthening its market position and developing and executing EPC and HAM projects in the roads and highways sector, while seeking opportunities to bid for additional projects. It intends to draw on its experience, effectively use its assets, market position and ability to execute and manage multiple projects across geographies, to grow project portfolio. The Company will continue to leverage its existing technology and adopt new technologies, designs and project management tools to increase productivity and maximize asset utilization in capital intensive activities.

Industry Overview

Overview of Infrastructure Industry in India

Continued High Investment Momentum in Indian Key Infrastructure Sectors



The Indian infrastructure to play major role with around 3% contribution to GDP as on FY23. CareEdge estimates India's infrastructure industry investments of Rs. 52,962 billion between FY24-FY28. India's economic growth is fueled by a diverse range of sectors, of which infrastructure is a vital sector. In recent years, the government has taken several steps to accelerate infrastructure development, wherein, the key focus areas are transportation, energy, smart cities, water, social infrastructure, and digital infrastructure. There have also been efforts to attract foreign investors in the infrastructure sector through policy reforms.

Infrastructure projects are often expensive and have a long gestation period. To address this issue, fundraising and generating returns, the government is continuously striving to create a favorable operating environment for its players. Accordingly, national and state-level agencies like the National Highways Authority of India (NHAI), state-level bodies, and private sector companies (both domestic and international), are actively participating in infrastructure development.

With the growing population, the long-term need for robust infrastructure is necessary for economic development. This generates the need for massive investments in the development and modernization of infrastructure facilities which will not only cater to the growing demand but will also ensure competitiveness in the global market. Gross Fixed Capital Formation (GFCF), which is the measure of a country's investment in fixed assets witnessed significant improvements over the years. It is a key indicator considered to assess the trend in investments in an economy. In FY23, the ratio of investment (GFCF) to GDP climbed up to its highest in the last decade at 34%.

Budgetary Outlay Toward Infrastructure and Governmental Infra-Projects

One of the key drivers for economic growth is the increased infrastructure investment thrust by the government. In the Union Budget 2024-25, the government continued its focus on infrastructure development with budget estimates of capital expenditure toward the infrastructure sector of Rs. 11,111 Billion. Furthermore, continuous efforts by the Government of India to make the business environment convenient to operate and streamline the regulatory process will support the growth of investments in the infrastructure segment.

Growth Drivers and Risk Factors in Infrastructure Investments

There are several factors that contribute to infrastructure investment drive. They mainly include the following:

The increasing urbanization rate and population growth create a demand for better urban infrastructure, including transportation, housing, water supply, and sanitation. As of 2022, the total population and urban population are 1.4 billion and 0.5 billion, respectively. According to United Nation's estimates, the Indian population is expected to reach ~1.6 billion by 2050 and will have added ~416 million urban dwellers. This is expected to generate more need for infrastructure investments.

Government-led initiatives such as 'Make in India,' 'Smart Cities Mission,' and 'Atmanirbhar Bharat' focus on infrastructure development, attracting investments, and promoting economic growth. Such constant government support is likely to foster more investment in the infrastructural domain in the coming years.

Foreign investments also play a crucial role in infrastructural development as they bring in innovation and foster value chains. For which, more liberalization in foreign direct investments attracts investors to participate in infrastructure projects, bringing in capital, technology, and expertise. This will also help in attracting more investments.

Economies across the globe are now gradually putting more emphasis on **renewable energy and sustainability**. Compared to other countries, India has established a position as the third-largest host country for announced greenfield projects. Thus, with such an increasing focus on renewable energy and environmental concerns, investments in infrastructure are likely to grow further in the coming years. Such investments will help align with environmental goals and provide sustainable, long-term growth opportunities.

India has actively embraced **Public-Private Partnerships (PPPs)** as a model for infrastructure development across various sectors. The government has recognized the potential of PPPs to leverage private sector efficiency, innovation, and investment in addressing the country's vast infrastructure needs. Private financing reduces the burden on the government's budget, leveraging private capital for public infrastructure development. Some of the notable PPP projects in India are Delhi Airport, Mumbai Metro, and several national and state highways. These projects have exhibited good potential to attract more private investment into the infrastructure segment which bodes well for the industry.

Furthermore, continuous efforts by the government to make the business environment convenient to operate and streamline the regulatory process will support the growth of investments in the infrastructure segment.

On the other hand, some of the risk factors relating to infrastructure investments are: **Regulatory and policy risks** are significant considerations in infrastructure investments, as they can have a substantial impact on the feasibility, profitability, and success of projects. Moreover, investors in infrastructure projects face uncertainties related to changes in laws, regulations, and government policies. Thus, frequent changes in policies and regulatory uncertainties can deter investors and impact project viability.

Funding challenges in infrastructure investments are common and can arise from various factors. Infrastructure projects often require significant upfront capital investment. The high initial costs can be a deterrent for both public and private investors. Also, these projects typically have long gestation periods and payback periods. Investors may be reluctant to commit funds to projects that take many years to generate returns, especially when compared to shorter-term investments with quicker returns. Furthermore, some infrastructure projects, especially those involving public-private partnerships (PPPs), rely on user fees or government payments for revenue. The uncertainty associated with revenue generation, particularly if it depends on user demand, can make investors hesitant to commit funds.

Land acquisition and environmental clearances are two critical challenges that often pose obstacles to infrastructure development. These issues can significantly impact project timelines, costs, and overall feasibility.

Infrastructure maintenance is a critical aspect of sustainable and effective infrastructure development. However, it often poses challenges when it comes to raising investment for new projects. Governments and private entities may face **budget constraints**, leading to deferred maintenance of existing infrastructure. This backlog can create a negative perception among investors, as they may be concerned about the long-term viability and reliability of the infrastructure.

While technological advancements bring numerous benefits to infrastructural development, they also pose challenges that need to be addressed. Adopting new technologies often requires significant upfront investments in research, development, and implementation. The initial costs can be a barrier for some infrastructure projects, especially for cash-strapped governments or smaller organizations. Hence, **rapid technological advancements** may render certain infrastructures obsolete, necessitating ongoing updates and investments.

Major Infrastructure Development Plans

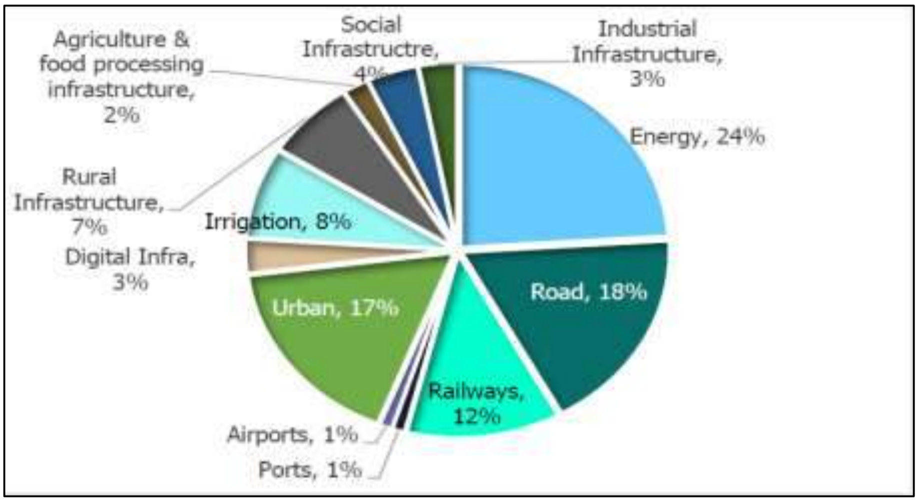
Some of the key government infrastructure schemes include:

The 2023-24 budget by the government highlights the impetus for growth by focusing on big public investment for modern infrastructure, which will be guided by **PM Gati Shakti** and benefit from the synergy of a multi-modal approach. It is a step toward economic growth as well as sustainable development and is driven by seven engines, namely, roads, railways, airports, ports, mass transport, waterways, and logistics infrastructure. 100 critical transport infrastructure projects have been identified at an investment of Rs 750 Billion including Rs 150 Billion from private players. For the urban infrastructure in Tier–II and Tier–III cities, a corpus of Rs 100 Billion has been set aside via the establishment of the Urban Infrastructure Development Fund.

The government has also announced plans for the **National Monetization Pipeline (NMP)** and **Development Finance Institution (DFI**) to improve the financing of infrastructure projects.

The Government of India had unveiled the National Infrastructure Policy (NIP) covering various sectors and regions indicating that it is relying on an 'infrastructure creation-' led revival of the country's economy. The NIP, which covered rural and urban infrastructure, entailed investments to the tune of Rs.111 trillion to be undertaken by the central government, state governments, and the private sector during FY20-25. The chart below depicts a sector-wise break up of capex of Rs. 111 trillion:

Sector-Wise Break-Up of Capital Expenditure of Rs. 111 Trillion during Fiscal FY20- FY25



The government has helped the growth of urbanization through a number of schemes and projects, including the **Smart Cities Mission,** the **Atal Mission for Rejuvenation and Urban Transformation (AMRUT),** and the **Pradhan Mantri Awas Yojana (Urban)**.

Review and Break-up of Investments in Key Infrastructure Sectors

The government has from time to time announced schemes with regards to infrastructure development. The central government continues to focus on increasing capex outlay to spur growth in light of the 2024 general elections. The infrastructure capex for FY2023-24 (Budget Estimate) at Rs. 10 trillion is almost three times of the capital expenditure in FY2019-20. The Government also increased outlay on railways and included plans for 50 new airports in the Union Budget 2023-24. The capex increase is in line with the central government's aim to make growth more inclusive as investment in infrastructure and productive capacity have a multiplier effect on economic growth. The public sector capex has focused on improving the connectivity within the country, with the allocation towards highways and railways surging from 35% of total infrastructure capex in FY18 to 64% in FY24.

Outlook on investments in national highways

The length of projects awarded by the National Highways Authority of India (NHAI) has increased over time, going from just 2,222 km in FY19 to 6,306 km in FY22. Even amidst the disruptions caused by the COVID-19 pandemic, FY21 saw a remarkable upswing, with the NHAI awarding 4,818 km of highway projects – the highest in three years at that time.

The NHAI awarded 6,306 km in FY22, demonstrating the increasing trend of awarding, while in FY23 it reached at around 6000 km and the awarding is expected to slow down and reach approx. 5000 km per year upto FY27. Since the cost of essential input materials, such as steel, bitumen, and cement, have been volatile, developers have been delaying the purchase of these supplies, which has prevented construction from moving forward much this year. The construction speed has slowed down as a direct result, affecting everyday operations. According to Ministry of Road Transport & Highways, out of the total length approved, an aggregate length of 14,317 km have been approved on EPC mode, an aggregate length of 10,898 km on HAM mode and an aggregate length of 408 km on BOT mode as on 31st December 2022.

Overview of Tunneling Projects in India and Recent Upcoming Projects

Tunnel construction in India has picked up pace in the last decade given factors like upgrading the water supply & sewerage system, expanding the road & rail network, and constructing underground crude oil storage. Tunnel development was initially undertaken by the railway sector, while the maximum number of tunnels have been developed in the hydropower sector. In the past few years, tunnel development has consistently received a push with high CapEx toward infrastructure development across various segments. Expansion in hydropower capacity, underground rail metro projects, Bharatmala, Chardham Connectivity, AMRUT, and the Smart Cities Mission are thus expected to provide ample opportunities to tunnel contractors and consultants in the coming years. Also, most upcoming tunnel projects are of longer lengths, larger diameters, and even higher contract values, which is reflected in tunnelling project size with a substantial increase.

The growing complexity of tunnel construction in the Himalayan and peninsular regions has necessitated the use of new & advanced materials. Some of the key materials used in the construction of tunnels are steel fibrereinforced shotcrete, safer emulsion-based explosives, geosynthetics such as 5D steel fibres (for increased tensile strength), mineral admixtures, geotextile membranes, steel anchors, and self-drilling rock bolts. However, this segment does face some challenges with respect to issues arising from geological complexities and inadequate investigation of ground & soil conditions, which may lead to failure of tunneling projects. Over the coming years, the tunneling sector is expected to offer multifold opportunities across sectors with 19 road tunnels with a length of 31.92 kms under bidding and 78 road tunnel projects with a length of 348.18 kms under planning stage. This holds immense opportunities for engineering, procurement and construction contractors, consultants, technology and equipment providers, construction material suppliers, etc., over the long term. In terms of the method/technique of tunnel construction, the drill-and-blast method (DBM) continues to be the dominant mode of tunneling, especially in the Himalayan region and the Western Ghats. Mechanised/Advanced tunneling techniques such as tunnel boring machines (TBMs) are also being used extensively for tunneling activities in congested urban areas. TBMs have predominantly been deployed for the construction of tunnels in the metro rail sector. Another method of tunneling that has been witnessing increasing acceptance is micro-tunneling or the trenchless construction method. It is used to install pipelines beneath highways, railways, runways, harbors, rivers, and environmentally sensitive areas.

Indian Railway Sector

Railway Infrastructure

Railways are one of the most efficient and cost-effective modes of transport globally as they can carry higher numbers of passengers and cargo at higher speeds over long distances. It is also the most environment-friendly mode of land transport with much lower energy consumption and carbon dioxide emission compared to roadways or waterways.

Overview on Indian Rail Track Length

Indian Railways is the fourth-largest railway system in the world behind the US, Russia, and China. India has over 68,043 km of the route km along with 7,308 stations as of FY22. The number of passengers carried and freight transported has been on the rise over the past few years. Further, the Indian railway sector has witnessed multiple developments in the last decade such as the introduction of high-speed trains and the modernization of railway stations. In addition, India Railways has set out massive network expansion and decongestion targets. It plans to undertake 17,000 track km of new lines, doubling and gauge conversion work by FY24, out of which, 5,243 km was achieved during FY23 as compared to 2,909 km during FY22. It also plans to become a net zero carbon emitter by FY30 as part of the country's strategy to combat climate change. It plans to source 1,000 MW of solar power and 200 MW of wind power across zonal railway and production units.

Freight and Passengers Carried by Indian Railways

Passenger and freight traffic were adversely affected in FY21 due to the COVID-19 pandemic, associated lockdowns, and restricted movement of passengers and cargo. The passenger numbers decreased by 84.54% in FY21 but the tonnage carried remained afloat due to the cargo carriages. Whereas in FY23, the passenger traffic rebound with 81.50% growth and freight traffic grew by 6.56%. There was a marginal increase in the number of passengers from FY23 to FY24.

Indian Airports Infrastructure

Overview

The Indian airport sector has witnessed significant growth and transformation during the period driven by a confluence of factors like rising passenger traffic, private sector participation, technological advancements, and government focus on improving the airport infrastructure. There have been several notable developments in the sector, such as the construction of big-ticket greenfield airports, the privatization of airports, the launch of a new airline, and the formulation of a drone policy, which have contributed to the positive sentiment. Airport infrastructure, as part of the aviation industry, plays a significant role in the development of the national economy due to its globalized nature. Entry of private players in the Indian airport sector introduced the concept of 'Airport Retailing'. Whereas the Regional Connectivity Scheme "Ude Desh ka Aam Nagrik" (RCS UDAN) scheme, has helped air traffic grow, with new routes being awarded, and more and more airports being operationalised. Besides, technology has become an integral part of the aviation sector. Airports and airlines are extensively using technology and digitalization, including plane boarding procedures, contactless screening, and biometrics to make travelling more efficient and smoother for passengers.

Further, the swift rebound of the Indian aviation industry post-COVID-19 highlights its resilience and adaptability. Additionally, with the continuous expansion of the domestic market and the resurgence of international travel, the aviation sector in India is poised to strengthen its position on the global stage. This includes expansion of terminal buildings, setting up new domestic cargo terminals, provision of navigational facilities, and development of greenfield airports. Whereas passenger and cargo traffic are expected to continue its growth momentum, driven by economic development, rising disposable income, and an e-commerce boom.

Moreover, there is an increasing focus on sustainability, technological advancements, and regional connectivity. For instance, the Ministry of Civil Aviation (MoCA) has taken initiatives to work toward carbon neutrality and achieving net zero carbon emissions at airports in the country by way of standardising the Carbon Accounting and Reporting framework of Indian Airports. For this purpose, airport operators with scheduled operations have been advised to map the carbon emission at their respective airports and work toward carbon neutrality & net zero emission in a phased manner. MoCA has also advised developers of the upcoming Greenfield Airports and the respective state governments to work toward achieving Carbon Neutrality & Net Zero, which inter-alia includes the use of green energy.

Airports at Delhi, Mumbai, Hyderabad, and Bengaluru have achieved Level 4+ and higher Airports International Council (ACI) Accreditation and have become carbon neutral. Additionally, 66 Indian airports are operating on 100% Green Energy. These government initiatives and private investments will play a crucial role in further infrastructure development and modernization.

In the interim budget 2024, the government focused on the development of new airports and the extension of current airports that will continue expeditiously going forward. Over the last ten years, there has been a surge in the aviation industry. There are now 149 airports, which is a twofold increase. With 517 new routes conveying 1.3 crore passengers, the Ude Desh ka Aam Naagrik (UDAN) initiative has widely expanded air connectivity to Tier II and III cities. Indian airlines have taken the initiative to order more than a thousand new aircraft. The government would carry on developing the airport infrastructure in the future. The development of new airports and the extension of current airports will continue expeditiously going forward.

Investments across Major Airports in India

In order to handle increased passenger and cargo traffic capacity, improved efficiency and service quality, enhance connectivity and accessibility and to boost economic activity and job creation, the major Indian airports are undergoing huge investments projects. These investment projects include construction of new terminals, expansion of existing terminals, and renovation/upgradation of existing facilities, construction of new runways, extension of existing runways, and rehabilitation of existing runways. There is also investment in various support facilities such as cargo terminals, Maintenance, Repair and Overhaul (MRO) facilities, ground transportation infrastructure, air traffic control (ATC) towers, security systems, fire stations, and other operational buildings. India aviation market is highly under penetrated, and this market is expected to double by 2030. The domestic seat per capita is expected to grow from 0.13x to 0.26x by 2030 as per the report of GMR Airports Infrastructure Ltd. Rapid growth in domestic outbound traffic is expected to grow led by spurt in international traffic due to growth in tourism, migration and trade. However, it will still remain below the other large markets. On the other hand, India's international seat per capita capacity have a significant headroom to grow in medium term.

Key Concerns

- Business is primarily dependent on contracts awarded by governmental authorities. Any adverse changes in the central, state or local government policies may lead to its contracts being foreclosed, terminated, restructured or renegotiated, which may have a material effect on the business, profitability and results of operations.

- CIL 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.

- Delays in the completion of construction of ongoing projects could lead to termination of contracts or cost overruns or claims for damages, which could have an adverse effect on cash flows, business, results of operations and financial condition.

- All projects CIL operates have been awarded primarily through competitive bidding process. Its bids may not always be accepted. It may not be able to qualify for, compete and win projects or identify and acquire new projects, which could adversely affect the business and results of operations.

- CIL is required to pay royalty charges for mining pursuant to terms of its contracts and specific central and state regulations. Any adverse change in the terms of contract and policies adopted by the government regarding payment of royalty on mining could adversely affect its project cost and profitability.

- There have been instances in the past where CIL has not made certain regulatory filings with the RoC and been in non-compliance with certain requirements under Companies Act, 2013, and paid a penalty of Rs. 1.28 million. Any such instances of non-compliance may have an adverse effect on its reputation and impact its profitability.

- CIL's operations are subject to accidents and other risks and could expose it to material liabilities, loss in revenues and increased expenses, which could have an adverse effect on the business, results of operations and financial condition.

- Promoters and members of Promoter Group hold Equity Shares and have interests in the performance in addition to their normal remuneration or benefits and reimbursement of expenses incurred.

- Projects sub-contracted or undertaken through a joint venture may be delayed on account of nonperformance of the joint venture partner, principal or sub-contractor, resulting in delayed payments or non-enforcement of performance guarantee issued by CIL, could lead to material adverse effect on the business, prospects, financial condition and results of operations.

- Revenue from execution of projects in the roads and highways sector including specialized structures constituted approximately 92.71%, 96.57% and 97.46% of the total revenue for the Financial Years ended March 31, 2024, 2023 and 2022, respectively. Its business and financial condition would be materially and adversely affected if CIL fails to obtain new contracts or current contracts are terminated

- CIL has high working capital requirements. If it experiences insufficient cash flows to enable it to make required payments on its debt or fund working capital requirements, there may be an adverse effect on its results of operations and profitability of the Company.

- The Company may be exposed to liabilities arising from defects or faults during construction, for instance it paid Rs.1.77 million and Rs.1.75 million in Fiscal 2024 and 2023 respectively, for death claims and temporary disablement claims. Such liabilities may adversely affect the business, financial condition, results of operations and prospects.

- Order Book may not be representative of future results and actual income may be significantly less than the estimates reflected in the Order Book, which could adversely affect the business, financial condition, results of operations and prospects.

- Delays in the acquisition of private land or rights of way, eviction of encroachments, environmental clearances for the projects or resolution of associated land issues, which are though attributable to the customers, may adversely affect its timely performance of contracts and lead to disputes and losses thereby having an adverse effect on the business, results of operations and financial condition.

- CIL entered into the hybrid annuity model ("HAM") segment in 2021 for implementing highway projects which are different from the engineering procurement contract ("EPC") projects. It cannot be assured that if it will be successful in executing these HAM projects.

- Inability to obtain, renew or maintain the statutory and regulatory permits and approvals required to operate business could have a material adverse effect on the business

- Diversification beyond projects in the roads and highways sector may not be successful, which could adversely affect the business, financial condition, results of operations and prospects.

- CIL operates in a very competitive industry and failure to successfully compete could result in the loss of one or more of its significant customers and may adversely affect the business

- CIL owns and rent equipment and mobilize such equipment at the beginning of each project resulting in increased fixed costs to its Company. In the event it is not able to generate adequate cash flows it may have a material adverse impact on its operations.

- Projects are exposed to various implementation and other risks, including risks of time and cost overruns, and uncertainties, which may adversely affect the business, financial condition, results of operations, and financial condition

- CIL may not be able to always complete its projects ahead of schedule and be eligible for early completion bonus, which could have an adverse effect on its profitability.

- Operations and profitability could be affected if CIL fails to procure and mobilize its construction equipment and keep pace with technical and technological developments in the construction industry.

- If CIL is not successful in managing growth, its business may be disrupted and its profitability may be reduced.

- Business is manpower intensive and any unavailability of employees or shortage of contract labour or any strikes, work stoppages, increased wage demands by workmen or changes in regulations governing contractual labour may have an adverse impact on the cash flows and results of operations.

- Any termination or failure by CIL to renew the lease and license agreements for its Corporate Office in an acceptable and timely manner, or at all, could adversely affect the business and results of operations.

- Contracts with government authorities/bodies usually contain terms that favour them, who may terminate CIL's contracts prematurely under various circumstances beyond its control and as such, it has limited ability to negotiate terms of these contracts and may have to accept restrictive or onerous provisions.

- If CIL fails to maintain its projects pursuant to the relevant contractual requirements, it may be subject to penalties or even termination of the contracts, which could have an adverse effect on the business, results of operations and financial condition.

- Business is relatively concentrated in north, west and central region of India and any adverse development in these regions may adversely affect the business, results of operations and financial condition.

- The success of business is dependent on the ability to anticipate and respond to customer requirements, both in terms of the type and location of its projects. If unsuccessful, could have an adverse effect on its cash flows, business, results of operations and financial condition.

- Market conditions may affect ability to complete CIL's HAM and EPC projects at expected profit margin, which could adversely affect its results of operations and financial condition.

- Business is subject to seasonal and other variations and CIL may not able to accurately forecast its project schedule which could have an adverse effect on its cash flows, business, results of operations and financial condition.

- Failures in internal control systems could cause operational errors which may have an adverse impact on the profitability

- Projects may be adversely affected by public and opposition from the local communities, conflicting local interests, elections and protests.

- CIL depends on forming successful joint ventures to qualify for the bidding process for and to implement large projects and its inability to enter into or successfully manage such joint ventures could impose additional financial and performance obligations resulting in reduced profits or in some cases, significant losses from the joint venture, which could have a material adverse effect on the business, financial condition and results of operation.

- Any downgrade in credit ratings could increase borrowing costs, affect ability to obtain financing, and adversely affect the business, results of operations and financial condition.

- Increases in interest rates may materially impact the results of operations.

- CIL has entered into certain credit facilities that are repayable on demand. Any unexpected demand for repayment of such facilities by the lenders may adversely affect the business, financial condition, cash flows and results of operations

- Insurance policies may not be adequate to cover all losses incurred in business. An inability to maintain adequate insurance cover to protect it from material adverse incidents in connection with the business may adversely affect its operations and profitability.

- A slowdown in economic growth in other countries and jurisdictions, such as Europe, China and the United States, could cause its business to suffer.

Profit & Loss

Particulars (Rs in million)	FY24	FY23	FY22
Revenue from operations	30293.5	20681.7	11337.9
Other Income	368.4	188.7	127.2
Total Income	**30661.9**	**20870.4**	**11465.0**
Total Expenditure	**25116.9**	**17725.4**	**9478.7**
Cost of materials consumed	10530.5	6870.9	4114.5
Cost of Construction	12978.4	9873.8	4598.7
Employee benefits expense	619.8	296.3	252.9
Other expenses	988.2	684.4	512.7
PBIDT	**5545.0**	**3145.0**	**1986.3**
Interest	941.5	517.1	105.5
PBDT	**4603.4**	**2627.9**	**1880.8**
Depreciation and amortization	549.9	376.0	186.1
PBT	**4053.5**	**2251.9**	**1694.7**
Tax (incl. DT & FBT)	**1010.5**	**579.2**	**436.1**
Current tax	992.7	666.1	435.9
Deferred tax	17.8	-86.9	0.2
PAT	**3043.1**	**1672.7**	**1258.6**
Non-Controlling Interest	-18.4	0.0	0.0
Adj. PAT	**3061.4**	**1672.7**	**1258.6**
EPS (Rs.)	19.4	10.7	8.0
Face Value	5	5	5
OPM (%)	17.1	14.3	16.4
PATM (%)	10.1	8.1	11.2

Balance Sheet

Particulars (Rs in million) As at	FY24	FY23	FY22
Non-current assets			
Property, plant and equipment	2,960.0	2,460.4	1,255.3
Capital work-in-progress	20.1	18.4	39.5
Right-of-use assets	49.3	27.7	0.0
Intangible Assets	1.0	0.2	0.6
Financial assets			
Investments	22.2	3.4	2.9
Other Financial Assets	399.86	172.30	295.95
Receivable Under Service Concessions Arrangements	6,540.57	2,827.9	1,181.7
Deferred Tax assets (net)	89.3	109.1	23.7
Other non-current assets	138.5	6.4	117.6
Total non-current assets	**10,220.7**	**5,625.8**	**2,917.4**
Current assets			
Inventories	1,182.5	1,069.2	385.9
Contract assets	4,028.4	3,050.2	940.7
Financial assets			
Investments	0.0	222.0	705.2
Trade receivables	4,297.9	3,163.4	959.4
Cash and cash equivalents	2,428.7	2,169.4	974.7
Bank balances other than cash and cash equivalents	1,251.9	1,437.8	946.4
Loans & Advances	0.5	0.5	0.7
Other financial assets	172.7	111.7	129.4
Receivable Under Service Concessions Arrangements	75.8	0.0	0.0
Other current assets	2,170.1	1,428.3	1,595.4
Current tax assets (net)	92.9	0.0	36.3
Total current assets	**15,701.2**	**12,652.4**	**6,674.0**
Total assets	**25,921.9**	**18,278.2**	**9,591.4**
EQUITY & LIABILITIES			
Equity			
Equity share capital	785.7	392.8	392.8
Other equity	8,091.6	5,537.8	3,919.7
Non-Controlling interests	186.8	0.0	0.0
Total equity	**9,064.1**	**5,930.6**	**4,312.5**
Liabilities			
Non-current Liabilities			
Financial Liabilities			
Borrowings	6,473.6	3,676.0	1,704.0
Lease liabilities	42.8	25.5	0.0
Non-Current Provisions	37.7	24.9	16.4
Total non-current liabilities	**6,554.1**	**3,726.4**	**1,720.4**
Current liabilities			
Contract liabilities	1,480.0	883.1	713.8
Financial liabilities			
Borrowings	4,137.6	3,325.0	1,459.1
Lease liabilities	8.5	2.8	0.0
Trade payables			
Total Outstanding dues of Micro Enterprises and Small Enterprises	742.8	900.1	116.4
Total Outstanding dues Other than Micro Enterprises and Small Enterprises	2,693.1	2,687.5	450.5
Other financial liabilities	300.5	172.4	57.2
Current Provisions	9.9	15.4	21.3
Other current liabilities	931.4	606.2	740.3
Current tax liabilities (net)	0.0	28.8	0.0
Total current liabilities	**10,303.7**	**8,621.2**	**3,558.5**
Total liabilities	**16,857.8**	**12,347.6**	**5,278.9**
Total equity and liabilities	**25,921.9**	**18,278.2**	**9,591.4**

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