1st August 2024

IPO NOTE

Ceigall India Limited

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Price Band: ₹ 380-401

ISSUE SUMMARY	
Issue Opens	01-Aug-24
Issue Closes	05-Aug-24
Offer Price (₹ per share)	380-401
Bid Lot	37 shares
Face Value (₹)	5.0
Pre Issue Shares o/s (mn)	157.0
Offer for Sale (No of sh. mn)	14.1
Fresh Issue (No of sh. mn)	17.0
Post Issue shares o/s (mn)	174.0
^Issue Size (₹ bn)	12.5
QIB	=>50%
Non-institutional	<15%
Retail	<35%

^ Issue Size (@ ₹401)

POST ISSUE DETAILS	
M.Cap @ ₹401/sh. (₹ bn)	69.84
Shareholding pattern	
Promoters	82.1%
Non-Promoters	17.9%

One of the fastest growing EPC company: Ceigall is one of the fastest growing EPC player (3 yrs revenue CAGR 50%), among its peers with a turnover of over ₹1,000cr in FY24. It undertakes specialized structural work viz. elevated roads, flyovers, rail over bridges and tunnels, spread across 10 states. It has a successful track-record in executing projects of different sizes ranging from 20 lane km to 260 lane km in terms of length.

Healthy orderbook leading to long term revenue visibility: As of June'24, Ceigall's OB stood at ₹9470cr (Book to Bill ratio of 3.05x), of which projects awarded by NHAI contributed 80%. Of the 13 ongoing projects, 5 are HAM projects and it seeks to evaluate further opportunities. It has diversified into new upcoming segments like Railways, Metro, water treatment & sewerage and airport runway in order to derisk its business. It has completed 7 projects ahead of schedule, of which, 2 projects received bonus for early completion. It has also received 2 awards for its operational & technical excellence.

Momentum in Key Infrastructure Sectors: The infra sector allocation in the budget has increased from ₹5542bn in FY22 to ₹11,111bn in FY25. Investments in roads sector is expected to grow at a CAGR of 17.22% during FY4-FY28 with NHAI set to award ~5000km/yr projects upto FY27. Even sectors like railways, airports and water are highly underpenetrated and are likely to grow in double digit over next 5 years.

Financials: Ceigall's revenue grew at 63% CAGR over FY22-24. As on date, it is eligible to bid for single NHAI EPC project upto value of ₹5,700cr and for single NHAI HAM project upto value of ₹5,500cr. The margin profile has been stable with EBITDA growing at 55% CAGR over FY22-24. It has best ROE (28%) among its peers.

Issue Size: ₹12.5bn IPO consists of fresh issue of ₹6.8bn and OFS of ₹5.7bn by promoters & investor selling shareholder. The proceeds from the fresh issue will be used for repayment of debt, capex, investment in subsidiary and general corporate purpose.

View: Over the last two decades, Ceigall has transitioned from a small construction company to an established EPC player. It recently acquired a 50% stake in R.K Infra, which will benefit company in terms of project execution capabilities and bidding credentials for future projects. The IPO is reasonably priced at 23x FY24 P/E (on diluted basis). We believe with government's focus on infrastructure, Ceigall is poised to benefit. Recommend **Subscribe**.

Exhibit 1: Financials & Valuations (₹ mn)

Y/E March	FY22	FY23	FY24
Revenue	11,338	20,682	30,294
Growth (%)	-	*82.4*	*46.5*
Adj PAT	1,259	1,673	3,035
Growth (%)	-	32.9	81.4
EPS (INR)	7.2	9.6	17.4
RoE (%)	29.2	32.7	28.0
P/E (x)	55.5	41.8	23.0

**Calculated on Diluted basis at upper price band of ₹401; Source: RHP, MOFSL*

IPO Note

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Peer Comparison

Exhibit 2: Key Matrix as on Mar'24

Company	M.Cap. INR Bn	Rev. CAGR FY21-23 (%)	EBITDA CAGR FY21-23 (%)	PAT CAGR FY21-23 (%)	EBITDA M FY23 (%)	ROE FY23 (x)	P/E FY23 (x)
Ceigall	665	63.5	55.2	55.3	14.0	28.0	23.0
IRB Infra	400	13.0	9.1	29.5	45.0	4.5	66.7
G R Infra	164	-1.5	-10.1	-3.9	13.5	11.4	23.5
KNR Const.	105	9.9	0.9	9.0	17.4	14.4	24.1

Source: Company RHP, MOFSL

**Price Data as on31st Jul, 2024*

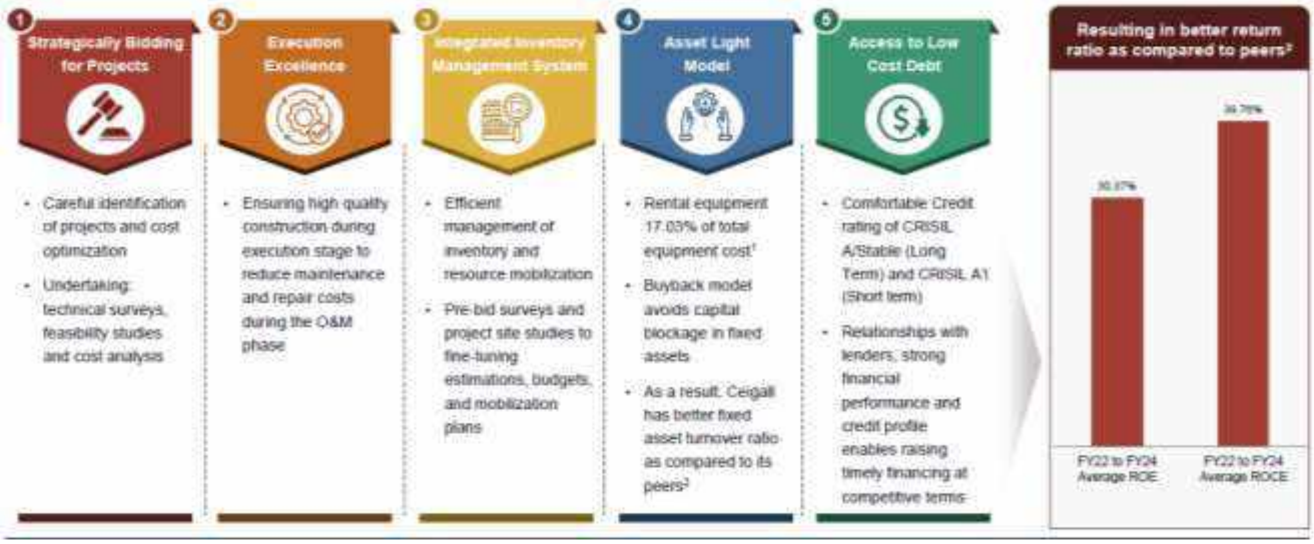
**Calculated on diluted basis at upper price band of ₹401;*
Source: Company RHP, Bloomberg, MOFSL

Risk and Concerns

- As of Jun'24, projects from NHAI constituted 80.3% of the order book while the remaining 19.7% was from contracts with other central, state governmental and local departments, thus any change in policy or termination of contract would impact the revenues.
- Sustained negative operating cash flows can create an adverse impact on the company's ability to meet working capital expenditure and repay loans.
- 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.

About the Company

Exhibit 3: Efficient Business Model



Source: RHP, MOFSL

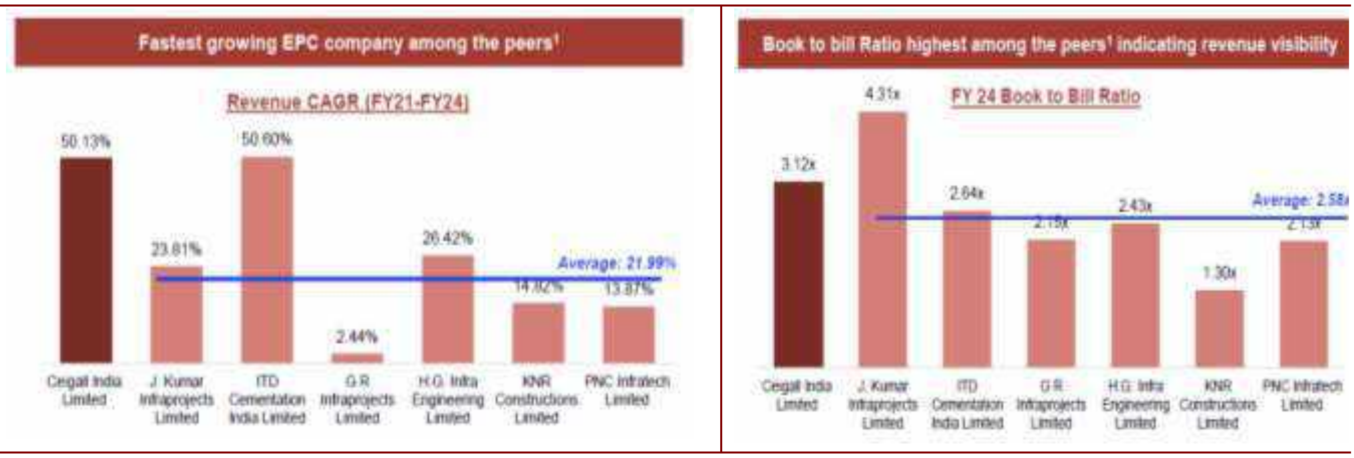
Exhibit 4: Demonstrated Project Execution expertise

Source: RHP, MOFSL

Exhibit 5: Healthy Orderbook Giving Long Term Revenue Visibility

Source: RHP, MOFSL

Exhibit 6: One of the Fastest Growing EPC Company



Source: RHP, MOFSL

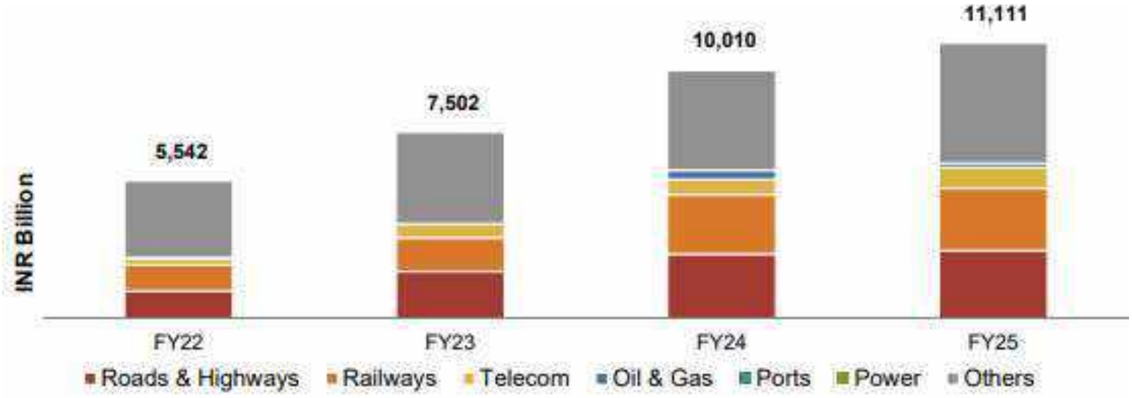
Exhibit 7: Acquisition of stake in R.K. Infra

Incorporated	• 2014
Specialization	• Construction of complex structures (bridges, elevated highways)
Current Projects	• Undertaking structural work for two Ceigall projects
Acquisition Date	• February 22, 2024
Stake Acquired	• 60%
Benefits of Acquisition	• Bidding Credentials • Improve our project execution skills; • Leverage to undertake projects which require construction of complex structures

Source: RHP, MOFSL

About the Industry

Exhibit 8: Allocation to Infrastructure Sector in Budget increasing over the years



Source: RHP, MOFSL

Exhibit 9: Major Infrastructure Development Plans in India

Source: RHP, MOFSL