

Ceigall India Limited

Infrastructure | India

IPO | 31 July 2024

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About the Company

Ceigall India Limited (CIL) is one of the fastest growing engineering, procurement and construction ("EPC") companies with experience in undertaking specialized structural work such as elevated roads, flyovers, bridges, railway over bridges, tunnels, highways, expressways and runways across 10 states in India. CIL operations are broadly divided into EPC projects and hybrid annuity model ("HAM") projects, as they are eligible to bid for single NHAI EPC projects up to a value of Rs 57,000 mn and for single NHAI HAM projects up to a value of Rs 55,000 mn.

Infrastructure growth enabling levers for CIL

The Indian economy is on the path of \$10 tn of GDP by FY30 and the infrastructure sector continues to play a major role with 3.50% of GDP contribution with key infrastructure investment are roads, metro lines, water supply and sanitation sector, and airports. The multiples projects of NHAI pace of awarding 5000 Kms per year up to FY27, O&M related projects worth Rs.77.2 bn through various tenders, and road sector is expected to grow at CAGR of 17% over FY24-28, proposed railway and metro lines projects will supplement regular bidding for companies like CIL to consistently grow its order book in various sectors and states over the next few years.

Consistent growth into new segments

CIL has transitioned from a small construction company to an established EPC player leveraging its strengths with a balanced mix of EPC and HAM projects. It 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, bonus received in 2 projects on early completion of days. CIL has specialized in construction in high-traffic and high-density areas construction of specialized structures such as tunnels in hilly terrain, exploring opportunities in undertaking O&M projects through strategic alliances and JV's.

Efficient business model with healthy order book

CIL has an efficient business model which involves careful identification of projects and cost optimization with optimum planning and strategy, better utilization of resources and low working capital cycle which helps to maximize margins and return ratios compared to peers in the industry. CIL operates in multiple segments of infrastructure with desired margins structures depending upon the size of the projects, expertise to take advantage of the industry growth and executing the projects in a timely manner with requisite quality standards. CIL has 18 ongoing projects with a book to bill ratio of 3.05X as of Mar'24 and its recent entry into metro projects will improve the orderbook going ahead.

Financials in Brief

CIL's financials have seen an increase in revenue from 1134 Cr in FY22 to 3029 Cr in FY24 which grew by a CAGR of 63% with strong order book being delivered on time ahead of schedule in various 7 infrastructure projects ahead of schedule. EBITDA and PAT margins have remained stable in a range and increase in revenues base has improved the profitability over the years. CIL orderbook stands at 3.05X with a healthy margin profile, repayment of debt will increase margins and return ratios over the years improving its overall key performance indicators among peers in the sector.

Our View

CIL is one of the fastest growing EPC companies with 20 years experience, expertise in executing specialized structures projects of different sizes and involving varying degrees of complexity which has been the landmark projects for the company. CIL strategically bid for projects, leveraging its experience in roads and highways sectors to grow portfolio in other sectors like HAM, BOT for higher business growth areas and expanding its geographical footprint to various states of India. CIL follows an asset light model, ensuring better fixed asset turnover ratios and strong relationships with lenders enables to raise timely financing at competitive terms whenever required. We believe CIL will continue to maximize revenues with multiple projects in hand and increase the profit margins and return ratio over the next few years. **Hence, we recommend a SUBSCRIBE to the issue.**

IPO Details

Price Band (Rs)	380-401
Face Value (Rs)	5
Issue Open/Closing Date	1-Aug-24/5-Aug-24
Fresh Issues (Cr)	684.25
OFS (Cr)	568.41
Total Issue (Cr)	1,252.66
Minimum Bid Qty. (Nos)	37
QIB / HNI / Retail	50%/15%/35%
Implied Market Cap (Rs Crs)*	6,985

*At higher band

Object of the Issue

- ▶ Repayment/Prepayment of all/portion of borrowings availed by the company.
- ▶ Purchase of Equipment and general corporate purposes

Strengths

- ▶ Fastest growing EPC companies with an experience in executing specialized structures.
- ▶ Healthy orderbook giving long term revenue visibility.
- ▶ Efficient business model and experienced management team.
- ▶ Promoters and management with industry expertise of over 38 years.

Key Risks

- ▶ Orders highly dependent on contracts awarded by NHAI.
- ▶ Delays in the completion of construction of ongoing projects.

Key Financials

(Rs Crs)	FY22(12)	FY23(12)	FY24(12)
Revenue	1,133.7	2,068.1	3,029.3
EBITDA	185.9	295.6	517.7
EBITDA Margin (%)	16.4	14.3	17.1
PAT	125.9	167.3	304.3
PAT Margin (%)	11.1	8.1	10.0
Diluted EPS (Rs)	7.2	9.6	17.5
RoE (%)	29.2	28.2	33.6
RoCE (%)	29.8	28.7	32.0
Net Worth	431.3	593.1	906.4
Total Borrowings	652.1	1,252.6	1,811.0

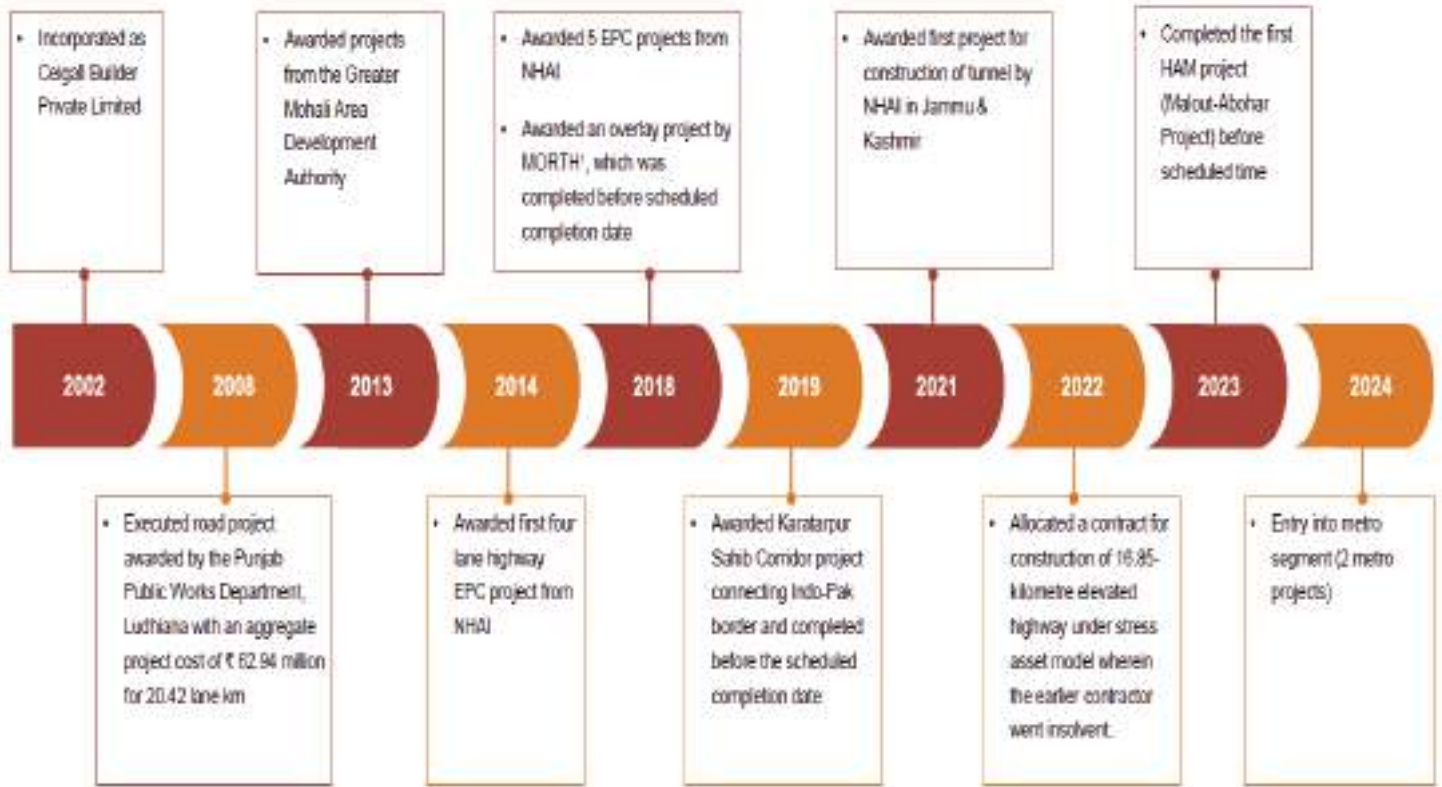
Source: RHP

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Exhibit 1: Ceigal's Journey



Source: RHP, Notes: 1. Ministry of Road Transport and Highways 2. As per CARE Report

Exhibit 2: 20+ years of Experience in Undertaking Specialized Structural Work

20+ years of Experience in Undertaking Specialized Structural Work:			Our Landmark Projects	
				<ul style="list-style-type: none"> ➤ Providing access from India to pilgrimage site in Pakistan ➤ 8 lane highway including bridges ➤ Won special award (completing project in challenging conditions)
				<ul style="list-style-type: none"> ➤ Constructed in one of the congested areas of Delhi-NCR ➤ One of the largest six lane elevated highway in India ➤ Awarded by NHAI through a Disputes agreement as the original contractor was unable to complete this Project.
				<ul style="list-style-type: none"> ➤ Access controlled greenfield corridor from Haryana road project providing connection between NH-44 and NH-66 ➤ Project has underpasses, bridges, ROB and culverts ➤ Received bonus payment
				<ul style="list-style-type: none"> ➤ Construction of a over tube tunnel of 8.83 km length in hilly terrain ➤ Project also includes slope protection and rock fall protection work in the areas prone to high rainfall in Rambhadr district of J&K.

Established Infrastructure Construction Company with Experience in Specialized Structural Works ¹

Source: RHP

Exhibit 3: Continued High Investment Momentum in Indian Key Infrastructure Sectors



Source: RHP, CareEdge Research

Exhibit 4: Breakup Of CapEx Mix of NHAI



Source: RHP, NHAI Annual Reports, CareEdge Research

Exhibit 5: Investments in Roads sector



Source: RHP, Niti Aayog report on National Infrastructure Pipeline, CareEdge Research

Exhibit 6: Total CapEx in State Road (FY19-FY23) and Projected Investments (FY24- FY28)



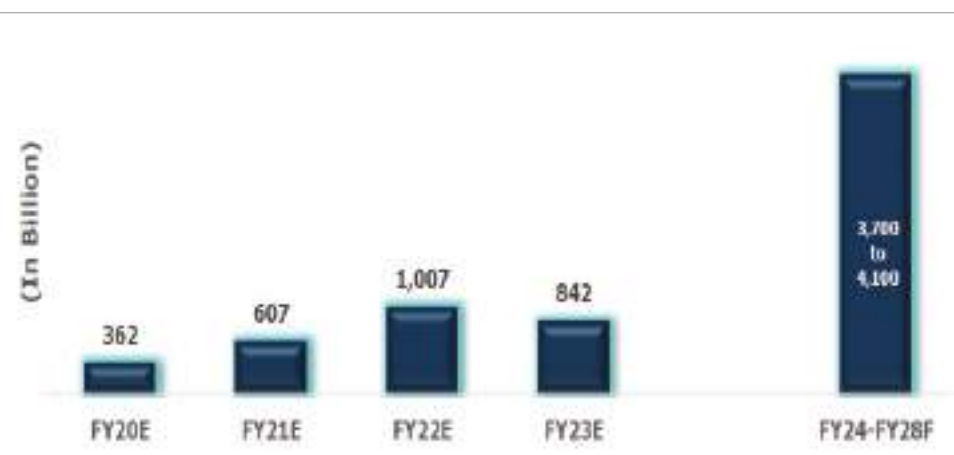
Source: RHP, PMGSY, MORTH, CareEdge Research

Exhibit 7: Investments in Railway Sector



Source: RHP, NIP, CareEdge Research

Exhibit 8: Trend in Investments in Water Supply & Sanitation



Source: RHP, National Infrastructure Pipeline 2020

Exhibit 9: Trend in Investments in Metro and Smart Cities Projects



Source: RHP, National Infrastructure Pipeline 2020

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