



IPO NOTE
Ceigall India Ltd.

31st July 2024

Company Overview

Established in 2022, Ceigall India Ltd. is one of the fastest-growing Engineering, Procurement and Construction (EPC) companies undertaking specialized structural work such as elevated roads, flyovers, bridges, railway over bridges tunnels, highways, expressways, and runways. Having over 20 years of experience in the industry, the company has gradually increased its execution capabilities in terms of the size of projects and has demonstrated expertise in the design and construction of various road and highway projects, including specialized structures across ten states in India. The company’s principal business divisions are EPC and Hybrid Annuity Model (HAM) projects. For these projects, the scope of services include design and engineering of the project, procurement of raw materials, project execution at the site with overall project management up to the commissioning of the projects. The company has completed over 34 projects in the roads and highways sector, including 16 EPC, one HAM, five O&M, and 12 Item Rate Projects. It has 18 ongoing projects, including 13 EPC projects and five HAM projects, including elevated corridors, bridges, flyovers, rail over-bridges, tunnels, expressways, runways, metro projects and multi-lane highways. In addition to undertaking Operation and Maintenance (O&M) activities by contractual obligations under the EPC/HAM concession agreements, the company has also undertaken independent O&M projects. Further, they have also undertaken in the past and continue to undertake sub-contracting projects.

Objects of the issue

The net proceeds from the fresh issue will be used towards the following purposes:

- ⇒ Repayment/ prepayment, in full or in part, of certain borrowings availed by the company and the Subsidiary, CIPPL;
- ⇒ General corporate purposes.

Investment Rationale

Demonstrates future success through its experience in executing specialized structures

Ceigall India is one of the fastest-growing engineering, procurement and construction (EPC) companies. The company has over 20 years of experience and expertise in the construction, development and execution of major road and highway projects, including expressways and 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 company’s primary focus is on road and highway projects and projects involving specialized structures, and it has helped them gain technical expertise in undertaking projects of different sizes and varying degrees of complexity. The consistent growth in order book has resulted from continued focus on road projects and specialized structures and the ability to bid and win new projects successfully. The company has also diversified its skill set, and order book across different business and geographical regions, enabling it to pursue a broader range of project tenders and maximize business volume and profit margins. Ceigall India intends to leverage its experience in the road and highway sector and effectively use assets, market position and ability to execute and manage multiple projects across geographies to grow portfolio in other sectors, leading to long-term growth visibility for the business.

Efficient business model to aid strong financial performance

The company’s growth is mainly attributable to its efficient business model, which involves careful identification of projects and cost optimization, resulting from executing the projects with optimum planning and strategy. This model has helped the company maximize its efficiency and profit margins. The company follows a strategic approach during the pre-bidding stage, which involves undertaking technical surveys and feasibility studies and analyzing the technical and design parameters and the cost involved in undertaking the project. The strategic approach during the pre-bidding stage enables the company to bid at competitive prices and helps to win projects successfully. Once the company wins a bid, its focus is to ensure high-quality construction during the execution stage of the project, as a result of which, the company can reduce maintenance and repair costs and, therefore, realize higher margins during the operation and maintenance stage of the project. The overall financial performance of the company is likely to remain strong on account of efficient utilization of resources and low working capital cycle, effective control over operational expenses, low emphasis on fixed assets, purchasing the majority of equipment used for construction on a buy-back basis, and high external credit rating leading to low finance cost.

Issue Details

Offer Period	01 st August, 2024 - 05 th August, 2024
Price Band	Rs. 380 to Rs. 401
Bid Lot	37
Listing	BSE & NSE
Issue Size (no. of shares in mn)	31.23
Issue Size (Rs. in bn)	12.52
Face Value (Rs.)	5

Issue Structure

QIB	50%
NIB	15%
Retail	35%

BRLM	ICICI Securities Ltd; IIFL Securities, JM Financial.
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Registrar	Link Intime India Pvt. Ltd.
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Particulars	Pre Issue %	Post Issue %
Promoter & Promoter Group	100.00	82.06%
Public	0.00	17.94%
Total	100.00	100.00

(Assuming issue subscribed at higher band)

Valuation

Ceigall India Ltd. is one of the fastest growing EPC companies in terms of three-year revenue CAGR, among the companies with a turnover of over Rs. 1,000 crores in FY24 and over 20 years of experience in the industry. Over the last two decades, the company 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 specialized structures across ten states in India. The company is well positioned to take advantage of industry tailwinds, with significant experience in roads and highways and selective expansion of other infrastructure. The roads and highways infrastructure sector has a high growth potential, and the company's experience and track record in the construction business provide them with a competitive advantage in pursuing future opportunities. The Indian economy is on the path of USD 10.00 trillion of gross domestic product (GDP) by FY30, with the infrastructure sector expected to play a significant role with Rs. 52,962 billion investments in the infrastructure industry between FY24 and FY28. Ceigall India is well positioned to take advantage of industry tailwinds and has significant experience in roads and highways and selective expansion of other infrastructure. Considering the financial performance, the company's Revenue/EBITDA/PAT grew at a CAGR of 43.9%/17.1%/3.3% during the FY22-24 period. As we advance, Ceigall India's financial performance is driven by its continued focus on road projects and specialized structures, ability to successfully bid and win new projects, efficient business model, consistent growth in order book and preferred partner for NHAI projects. The company has recently joined hands with Delhi Metro for rail infra developments, which enables it to tap significant opportunities. **The issue is valued at a P/E of 20.7x on the upper price band based on FY24 earnings, which is deemed fair. Therefore, we recommend a SUBSCRIBE rating for the issue.**

Key Risks

- ⇒ The company's business is primarily dependent on contracts awarded by governmental authorities. Any adverse changes in central, state, or local government policies may lead to foreclosed, terminated, re-structured, or renegotiated contracts, which may have a material effect on the business and results of operations.
- ⇒ All projects the company operates have been awarded primarily through a competitive bidding process. However, the company's bids may not always be accepted. The company may not be able to qualify for, compete for, and win projects or identify and acquire new projects, which could adversely affect its business and results of operations.
- ⇒ Any delay in acquiring private land or rights of way, evicting encroachments, obtaining environmental clearances for projects, or resolving associated land issues, though attributable to its customers, may adversely affect the timely performance of the company's contracts and lead to disputes and losses.

Income Statement (Rs. in millions)

Particulars	FY22	FY23	FY24
Revenue			
Revenue from Operations	11,338	20,682	30,294
Total Revenue	11,338	20,682	30,294
Expenses			
Cost of raw materials consumed	4,115	6,871	10,531
Cost of Construction	4,599	9,874	12,978
Employee benefit expenses	253	296	620
Other expenses	513	684	988
Total Operating Expenses	9,479	17,725	25,117
EBITDA	1,859	2,956	5,177
Depreciation and Amortization expenses	186	376	550
Other income	127	189	368
EBIT	1,800	2,769	4,995
Finance costs	105	517	942
Exceptional Item			
PBT	1,695	2,252	4,054
Total tax	436	579	1,010
PAT	1,259	1,673	3,043
EPS	8.0	10.7	19.4

Source: RHP, StoxBox

Cash Flow Statement (Rs. in millions)

Particulars	FY22	FY23	FY24
Cash Flow from operating activities	(1,346)	(727)	(2,108)
Cash flow from investing activities	(1,636)	(1,338)	(382)
Cash flow from financing activities	3,096	3,260	2,749
Net increase/(decrease) in cash and cash equivalents	114	1,195	259
Cash and cash equivalents at the beginning of the period	860	975	2,169
Cash and cash equivalents at the end of the period	975	2,169	2,429

Source: RHP, StoxBox

Balance Sheet (Rs. in millions)

Particulars	FY22	FY23	FY24
Assets			
Non-Current Assets			
Property, plant and equipment	1,255	2,460	2,960
Capital work-in-progress	40	18	20
Right-of-Use assets	-	28	49
Intangible Assets	1	0	1
(i) Investments	3	172	22
(ii) Other financial assets	296	3	400
(iii) Receivable Under Service Concessions Arrangements	1,182	2,828	6,541
Deferred Tax Assets (Net)	24	109	89
Other non-current assets	118	6	139
Total Noncurrent assets	2,917	5,626	10,221
Current Assets			
Inventories	386	1,069	1,183
Contract Assets	941	3,050	4,028
(i) Investments	705	222	-
(ii) Trade Receivables	959	3,163	4,298
(iii) Cash and Cash Equivalents	975	2,169	2,429
(iv) Bank Balances other than Cash & Cash Equivalents	946	1,438	1,252
(v) Loans & Advances	1	1	1
(vi) Other Financial Assets	129	112	173
(vii) Receivable Under Service Concessions Arrangements	-	-	76
Current Tax Assets (Net)	36	-	93
Other current assets	1,595	1,428	2,170
Total Current Assets	6,674	12,652	15,701
Total Assets	9,591	18,278	25,922
Equity and Liabilities			
Equity Share Capital	393	393	786
Other Equity	3,920	5,538	8,092
Total Equity	4,313	5,931	9,064
Non-Current Liabilities			
(i) Borrowings	1,704	3,676	6,474
(ii) Lease Liabilities	-	26	43
Non-Current Provisions	16	25	38
Total Non-Current Liabilities	1,720	3,726	6,554
Current Liabilities			
Contract Liabilities	714	883	1,480
(i) Borrowings	1,459	3,325	4,138
(ii) Lease Liabilities	-	3	9
(iii) Trade Payables	567	3,588	3,436
(iv) Other financial liabilities	57	172	301
Other Current Liabilities	740	606	931
Current Provisions	21	15	10
Current Tax Liabilities (Net)	-	29	-
Total Current Liabilities	3,559	8,621	10,304
Total Liabilities	5,279	12,348	16,858
Total Equity and Liabilities	9,591	18,278	25,922

Source: RHP, StoxBox

Disclaimer Appendix

Analyst (s) holding in the Stock : Nil

Analyst (s) Certification :

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