



IPO Report

29th July '24

Snapshot

Ceigall India, incorporated in July 2002, has expertise in constructing state and national highways, specialized structures such as elevated corridors, bridges, flyovers, and rail over-bridges, along with the maintenance of highways, which is an integral component of its projects. Over the last two decades 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 specialised structures across ten states in India. Since its inception, Ceigall India Limited (CIL) has executed several projects with the Public Works Department (PWD) in Punjab, the National Highways Authority of India, and the Ministry of Road Transport and Highways (MoRTH) by bidding for tenders. Other notable public sector clients include Indian Railway Construction International Limited (IRCON), Military Engineer Services (MES), and Bihar State Road Development Corporation Limited (BSRDCL). Furthermore, Ceigall India recently acquired a 50% stake in R.K Infra, which will benefit Ceigall in terms of project execution capabilities and bidding credentials for future projects.

VALUATION

Company is bringing the issue at price band of Rs 380-401 per share at p/e multiple of 23x on post issue FY24 PAT basis.

Company being one of the fastest growing EPC companies with an experience in executing specialised structure has healthy orderbook giving long term revenue visibility along with demonstrated project development, execution and operational capabilities & efficient business model & experienced management team looking decent: Hence , we recommend "Subscribe" on issue.

Price Band (Rs./Share)	380-401
Opening date of the issue	01st Aug '2024
Closing Date of the issue	05th Aug '2024
No of shares pre issue	157,136,000 Eq Shares
Issue Size	Rs 1223-1253 Cr
Fresh issue	Rs 684.25 Crore
Offer for Sale	14,174,840 Equity Shares
Face Value (Rs/ share)	Rs 5/share
Bid Lot	37
Employee Reservation	Shares aggregating upto Rs 2 Cr
Employee Discount	Rs 38/share

BIDDING DETAILS

QIBs (Including Anchor)	50% of the offer (Approx 15,594,302 Eq Shares)
Non-Institutional	15% of the offer (Approx 4,678,291 Eq Shares)
Retail	10% of the offer (Approx 10,916,012 Eq Shares)
Employee	55,096 Eq Shares
Lead managers	ICICI Securities, IIFL Securities, JM Financial
Registrar to the issue	Link Intime India Pvt Ltd

WHAT WE LIKE

One of the fastest growing EPC company with an experience in executing specialised structures

Company 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 ₹ 10,000 million in Fiscal 2024 .Company have achieved one of the highest year-on-year revenue growth of approximately 43.10% in Fiscal 2024. Company have grown at a CAGR of 50.13% between Fiscals 2021 to 2024

Healthy orderbook 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 company's Order Book. Company's order book, as on June 30, 2024 is Rs 94708 Million. .As on the date of this Red Herring Prospectus, company is eligible to bid for single NHAI EPC projects up to a value of ₹ 57,000.00 and for single NHAI HAM projects up to a value of ₹ 55,000.00 million. Further, as on June 30, 2024, company's total project cost for ongoing NHAI EPC projects is ₹ 38,710.59 million and completed NHAI EPC projects is ₹ 39,476.60 million. As on the date of this Red Herring Prospectus, company have 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.



COMPANY BACKGROUND

Company have achieved one of the highest year-on-year revenue growth of approximately 43.10% in Fiscal 2024 among the peers. Company have grown at a CAGR of 50.13% between Fiscals 2021 to 2024. Over the last two decades, 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 specialised structures across 10 states in India. Company's revenue from operations has increased significantly from ₹ 11,337.88 million in Fiscal 2022 to ₹ 30,293.52 million in Fiscal 2024. Company's principal business operations are broadly divided into EPC projects and hybrid annuity model ("HAM") projects, which are spread over ten states in India.

Company was incorporated in July 2002 and since then, company have gradually increased company's execution capabilities in terms of size of the projects. One of company's initial road projects that company executed for the Punjab Public Works Department, Ludhiana division, was awarded in 2006 with an aggregate project cost of ₹ 62.94 million for 20.42 lane km. In 2014, company was awarded the first four lane highway EPC project from NHAI for 24.08 lane km with a project cost of ₹ 378.10 million and the most recent four lane elevated corridor EPC project, which consists of one of the longest four lane elevated corridor portion of 14.26 kms in India as per CARE Report, was awarded by NHAI with a project cost of ₹ 19,693.90 million and total length of 100.32 lane km.

As on the date of this Red Herring Prospectus, company is eligible to bid for single NHAI EPC projects up to a value of ₹ 57,000.00 million and for single NHAI HAM projects up to a value of ₹ 55,000.00 million. As on the date of this Red Herring Prospectus, company have 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.

As on the date of this Red Herring Prospectus, Company 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, 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 projects and multi-lane highways. In addition to undertaking operation and maintenance ("O&M") activities in accordance with company's contractual obligations under the EPC/HAM concession agreements, company have also undertaken independent O&M projects. Further, company have also undertaken in the past and continue to undertake sub-contracting projects.

Company's Order Book, as on June 30, 2024 and Fiscals 2024, 2023 and 2022, amounted to ₹ 94,708.42 million, ₹ 92,257.78 million, ₹ 108,090.43 million and ₹ 63,461.30 million, respectively. As on June 30, 2024, projects awarded by NHAI contributed 80.31% to its Order Book. Company's other public sector clients include Indian Railway Construction International Limited ("IRCON"), Military Engineer Services ("MES") and Bihar State Road Development Corporation Limited ("BSRDCL"). Company's 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. One of the key drivers for economic growth is the increased infrastructure investment thrust by the Government of India. In the Union Budget for Fiscal 2025, the Government of India continued its focus on infrastructure development with budget estimates of capital expenditure towards the infrastructure sector of ₹ 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. Company have demonstrated its ability to execute projects on or ahead of schedule in the past and that company have the requisite capabilities and expertise to take advantage of the industry's growth.

Over the years, Company 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. Company have a consistent track-record of execution of projects either on time or ahead of schedule. Company's 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. As on the date of this Red Herring Prospectus, company have completed 7 (seven) EPC projects out of 16 EPC projects on or before the scheduled completion date and have already received bonus payments for early completion for two EPC and one HAM projects.



INVESTMENT RATIONALE

<p><i>Demonstrated project development, execution and operational capabilities</i></p>	<p>As on the date of this Red Herring Prospectus, Company 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, 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, company have 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. Company have 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. For instance, company's ongoing project for construction of twin tube tunnels and viaducts in Jammu and Kashmir involves high degree of complexities such as construction in hilly terrain along with slope protection and rock fall protection due to high rainfall. Company's focus is to leverage its strong project management and execution capabilities, including company's experience in completing projects involving specialized structures, in order to complete its projects in a timely manner while maintaining high quality construction. Company undertake construction of the specialized structures through M/s R.K. Infra. Company have recently acquired 50% stake in M/s R.K. Infra by way of the partnership deed executed between Karan Singla, Sakshi Singla and Company on February 22, 2024, which will benefit company to improve its project execution skills. Company has 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. Company is also focused on ensuring that each project is executed in conformity with the work description provided in the contracts and adheres to the quality and standard of construction associated with Company.</p>
<p><i>Efficient business model</i></p>	<p>Company's growth is largely attributable to its efficient business model which involves careful identification of company's projects and cost optimisation, which is a result of executing company's projects with optimum planning and strategy. This model has facilitated company in maximising company's efficiency and increasing company's profit margins. 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. Company's strategic approach during the pre-bidding stage enables company to bid at competitive prices and helps company to successfully win projects</p>
<p><i>Experienced management team</i></p>	<p>Company have seen robust business growth under the vision, leadership and guidance of company's individual Promoter and Managing Director, Ramneek Sehgal, who has more than 20 years of experience in the construction industry. Company's individual Promoter has played a key role in the development of company's business and company benefit from his industry knowledge and expertise, vision and leadership as well as strong operational knowledge, good relationships with company's clients and a successful track record of executing infrastructure projects.</p>



OBJECTS OF OFFER

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

Objects of the Fresh Issue

Company proposes to utilize the Net Proceeds towards funding the following objects (collectively, the “Objects”):

1. Purchase of equipment;
2. Repayment/ prepayment, in full or in part, of certain borrowings availed by:
 - a) Company; and
 - b) Subsidiary, Ceigall Infra Projects Private Limited
3. General corporate purposes.

RISKS

Company’s business is primarily dependent on contracts awarded by governmental authorities. As on June 30, 2024, the NHAI projects awarded to company constituted 80.31% of company’s Order Book, while the remaining 19.69% of company’s Order Book was from contracts with other central, state governmental and local departments. Any adverse changes in the central, state or local government policies may lead to company’s contracts being foreclosed, terminated, restructured or renegotiated, which may have a material affect on company’s business, profitability and results of operations..

Source:RHP

INDUSTRY OVERVIEW

Maintenance of Roads in India Huge Opportunity for EPC Companies in the O&M Space

In the initial 10 months of FY24, NHAI has authorized O&M-related projects worth Rs. 77.21 billion through various tenders. Coupled with the Asset Monetization Program, this presents a significant opportunity for EPC companies in the forthcoming years. Furthermore, the government's emphasis on sustained infrastructural development serves as a pivotal driving force for this sector.

Key Growth Drivers and Emerging Trends for the Road Sector

• Hybrid Annuity Model (HAM) facilitates Private Participation in Highway Construction

The national highway projects have witnessed a decline in awarding activity due to lower participation from private players. However, with an increased focus on Engineering, Procurement and Construction (EPC) and Hybrid Annuity Model (HAM) models, the pace of awards of NH projects till FY23 grew at a strong pace of 11.41% CAGR over the past 4 years.

Government's Infrastructural Development Plans to Support Medium-Term Growth

Road construction is amongst the critical sub-segments for infrastructure development, economic growth, and employment creation. Besides, the government is primarily focusing on infrastructure. For instance, in the Union budget 2024-25, the government budgeted to incur higher expenditure toward road construction. Wherein, the central government made the highest ever outlay of Rs 2,780 billion (compared to the estimated expenditure of Rs 2,763 billion for 2023-24). Overall, the Union Budget for 2024-25 emphasized infrastructure development. The budget plan aims for multimodal logistics facilities and connectivity systems under the PM Gati Shakti. For infra push, financial assistance of Rs 1,300 billion in interest-free loans for 50 years has been allocated to states from the Centre. This augurs well for the roads sector alongside the government’s plans to generate employment opportunities. Moreover, Rs 111 trillion of investments have been projected in infrastructure projects for FY20-FY25 by the Task Force on National Infrastructure Pipeline (NIP), with ~18% of the targeted investment expected to be made in the road sector in India. Also, under the recently announced Asset Monetization Pipeline, around Rs 1,600 billion are to be raised through the monetization of roads.


Consolidated Financials

(Rs in Mn)

Financials	FY22	FY23	FY24
Total Revenue (A)	11337.88	20681.68	30293.52
Total Expenditure (B)	#REF!	82.41	46.48
EBIDTA	9478.73	17725.39	25116.9
EBIDTA Margin	16.40	14.29	17.09
Other Income	127.15	188.74	368.36
Depreciation	186.12	376.00	549.90
EBIT	1800.18	2769.03	4995.08
Interest	105.47	517.11	941.54
PBT	1694.71	2251.92	4053.54
Share of profit in Asso	0.00	0.00	0.00
PBIT	1694.71	2251.92	4053.54
Exceptional	0.00	0.00	0.00
PBT	1694.71	2251.92	4053.54
Tax	436.11	579.20	1010.47
PAT	1258.60	1672.72	3043.07
NPM	11.10	8.09	10.05
ROE%	29.19	28.20	33.57
EPS	8.01	10.65	19.37
Eq Cap	392.84	392.84	785.68
Net Worth	4,312.51	5,930.62	9,064.12

(Source: RHP)

Peer Comparison

Company Name	P/E	Revenue from operations (Rs in Mn)	EPS	NAV	ROE %
<i>Ceigall India</i>		<i>30293.52</i>	<i>19.37</i>	<i>57.68</i>	<i>33.57</i>
Peers					
PNC Infratech Limited	14.75	86498.68	35.45	202.11	17.54
G R Infraprojects Limited	12.60	89801.50	136.87	786.27	17.40
H.G. Infra Engineering Limited	20.43	53784.79	82.64	376.71	21.94
KNR Constructions Limited	13.17	44294.86	27.64	124.37	21.51
ITD Cementation India Limited	29.39	77178.73	15.93	87.21	18.30
J Kumar Infraprojects Limited	19.68	48792.05	43.71	349.44	12.51

(Source: RHP)



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