

IPO Details		Company Background				
Opening Date	Sept 12, 2023	<ul style="list-style-type: none"> ○ Chavda Infra Limited was incorporated in the year 2012 and has its registered office in Gujarat. ○ The Company is an integrated civil construction company offering a diversified range of construction and allied services across residential, commercial, and institutional projects. ○ Since incorporation, the company have constructed well-known buildings and as of May 31, 2023, the company have 26 ongoing projects. ○ As of 31st March 23, the Company has 217 employees on its payroll. 				
Closing Date	Sept 14, 2023					
Stock Exchange	NSE SME					
Lot Size	2000 Shares					
Issue Price	₹ 60 to ₹ 65 per share					
Issue Size	Aggregating up to 43.26 Cr.					
Fresh Issue	Aggregating up to 43.26 Cr.					
Offer for Sale Application Amount	- ₹ 1,30,000					
IPO Objective		Market Capitalization				
Working Capital Requirements.		(In Cr.)				
Public Issue Expenses.		Pre-Issue	Post-Issue			
General Corporate Purposes.		₹ 117	₹ 160			
Pre-Issue Shareholding			Financial Summary			
Category	No. of Shares	% of Total Shares	(In Lacs)			
Promoter & Promoter Group	1,79,99,500	100.00 %	For the Period Ended	Mar-21	Mar-22	Mar-23
Public	500	0.00 %	Total Assets	8,668.11	10,880.79	15,424.40
Promoter of the Company			Net Assets	1,314.28	1,835.74	3,040.36
1	Mahesh Gunvantlal Chavda		Total Borrowings	3,125.60	4,290.75	5,845.21
2	Dharmishtha Maheshkumar Chavda		Total Revenue	9,131.05	10,987.68	16,203.37
3	Johil Maheshbhai Chavda		Profit After Tax	443.84	521.46	1,204.62
Competitive Strengths			Tentative Timeline			
1	Experienced Promoters and Management.		Opening Date	Sept 12, 2023		
2	End-to-end execution capabilities.		Closing Date	Sept 14, 2023		
3	Optimal Utilization of Resources.		Basis of Allotment	Sept 20, 2023		
4	Visible growth through a robust order book		Initiation of Refunds	Sept 21, 2023		
5	Long-standing relationships with the customers.		Credit of Shares to Demat	Sept 22, 2023		
			Listing Date	Sept 25, 2023		

Company Background and Analysis

The Company was originally incorporated on October 08, 2012. The company is an integrated civil construction company offering a diversified range of construction and allied services across residential, commercial, and institutional projects in Gujarat, especially in Ahmedabad and Rajkot. The company provides services across the construction value chain, ranging from planning and design to construction and post-construction activities to clients. The company is ISO 9001:2015 certified for quality management systems by BCQ Assessment Private Limited. The quality certification is towards the construction of commercial, residential, and institutional buildings.

The company has in-house capabilities to deliver a project from conceptualization to completion with a fast turnaround time from acquisition to launch to completion which focuses on de-risking and improving return on investment. The company's core competence lies in professionally managing the real estate value chain and attracting and retaining talent to maximize value creation.

Since the incorporation of the company, the company has constructed well-known buildings in Ahmedabad namely Sraft Laxuria, Shivalik Parkview and Shivalik Sharda Harmony, being residential projects. AAA Corporate House, Sadbhav House, Solitaire Sky, Sandesh Press, Suyash Solitaire and Solitaire Connect, are commercial projects. AIS Toddler's Den, Nirma University (old Building) and Zydus School & Excellence, are institutional projects. The company has executed more than 100 projects worth Rs. 67,099.45 lakhs. As of May 31, 2023, the company have 26 ongoing projects worth approximately ₹ 60,139 lakhs. Out of those 26 ongoing projects 4 are commercial Projects, 4 are institutional projects and 18 are residential projects.

The company services include –

1. Contracting Services
2. Development Services
3. Commercial Renting Services.

Revenue break-up for the fiscal year ended 2021, 2022, and 2023 are given below-

(Amount in Lakhs)

Particulars	Fiscal 2021		Fiscal 2022		Fiscal 2023	
	Amount	%	Amount	%	Amount	%
Construction Income	8,971.93	98.34	10,890.68	99.17	4,882.05	91.93
Developer Income	-	0.00	-	0.00	1,165.67	7.20
Rent Income	76.40	0.84	91.56	0.83	140.85	0.87
Ready-mixed concrete Sale	75.46	0.83	-	0.00	-	0.00
Total	9,123.79	100.00	10,982.24	100.00	16,188.57	100.00

To conclude, the company was originally incorporated in the year 2012. The company is an integrated civil construction company offering a diversified range of construction and allied services across residential, commercial, and institutional projects. The company operates only from one state which is Gujarat. The company currently has 26 ongoing projects. The company is raising total gross proceeds of Rs. 43.26 Cr.

Business Strategies

1. Continue to enhance the project execution capabilities.

The company intends to continue the focus on enhancing project execution capabilities to derive twin benefits of client satisfaction and improvements in operating margins. The company will constantly endeavour to leverage operating skills through equipment and project management tools to increase productivity and maximize asset utilization in ongoing projects. The company intends to continue the focus on performance and project execution ability to maximize the operating margins.

2. Leveraging the market skills and relationships.

The business of the Company is customer-oriented and always strives to maintain good relationships with the marketers. The company aims to do this by leveraging its operations expertise as well as marketing skills and industry relationships.

3. Maintaining an edge over competitors.

The company intends to continue to enhance & scale in existing execution capabilities to provide the best quality construction to their clients. To maintain its competitive edge, the company will continue to add the best construction equipment, skilled labourers, and good quality materials.

4. Expand the geographical footprint.

The company intends to expand its geographical footprint and grow its business by increasing orders from outside of Gujarat. The company believe that the geographical diversification of the projects will reduce the reliance on the home state of Gujarat and allow them to capitalise on different growth trends in different states across the country.

Competitive Scenario and Peer Mapping

Competition

The company operates in a highly competitive market and there are large numbers of players. The competition arises not only from small but also from big regional, national, and international players. The barriers to entry are low in the sector in which the company operates. The bargaining power of suppliers is high, and consumers are low in such sectors.

Peer Analysis

The comparison of the key performance indicators of the listed peers as of Mar-23 is given below -

Particulars	Chavda Infra Limited	PSP Projects Limited	Ahluwalia Contracts (India) Limited
	31st Mar 2023	31st Mar 2023	31st Mar 2023
Net Profit Margin	7.44%	6.90%	6.84%
EBITDA Margin	16.72%	11.83%	10.71%
Return on Capital Employed	36.65%	10.71%	10.63%
Return on Equity	39.62%	16.63%	15.80%
EPS (INR)	6.69	36.95	28.96

The comparison of the key performance indicators of the listed peers as of Mar-22 is given below -

Particulars	Chavda Infra Limited	PSP Projects Limited	Ahluwalia Contracts (India) Limited
	31st Mar 2022	31st Mar 2022	31st Mar 2022
Net Profit Margin	4.75%	9.26%	5.76%
EBITDA Margin	14.24%	14.69%	9.55%
Return on Capital Employed	24.56%	17.76%	10.90%
Return on Equity	28.41%	23.65%	14.98%
EPS (INR)	2.90	45.11	23.17

The comparison of the key performance indicators of the listed peers as of Mar-21 is given below -

Particulars	Chavda Infra Limited	PSP Projects Limited	Ahluwalia Contracts (India) Limited
	31st Mar 2021	31st Mar 2021	31st Mar 2021
Net Profit Margin	4.86%	6.53%	3.88%
EBITDA Margin	16.29%	10.88%	7.77%
Return on Capital Employed	30.76%	11.01%	6.02%
Return on Equity	33.77%	15.06%	8.77%
EPS (INR)	2.47	22.44	11.52

Industry Overview

Exhibit 1: Growth in Infrastructure Related Activities in FY21 (%)

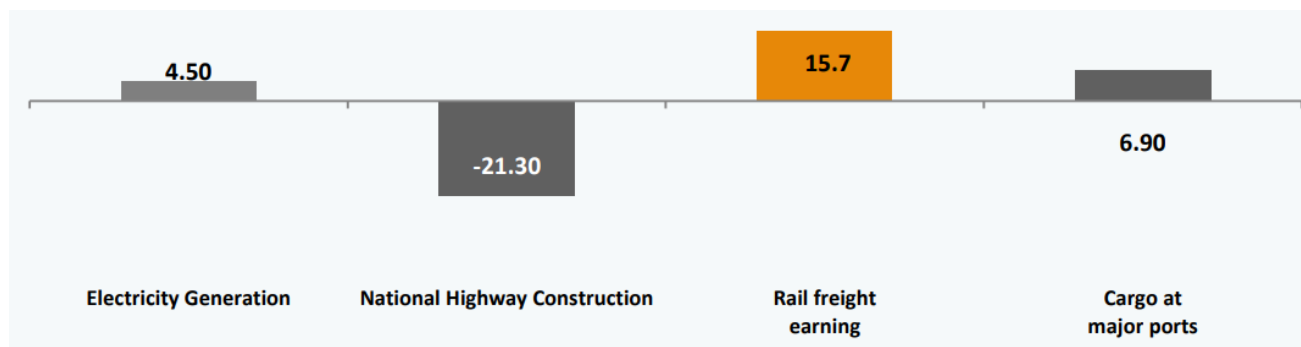
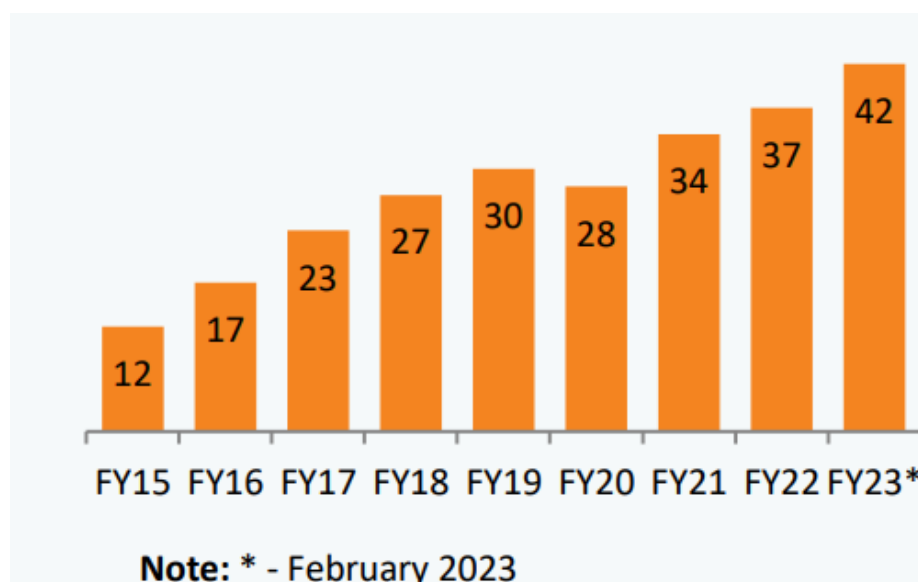


Exhibit 2: Road Construction Per Day (kms).



(Source: ibef.com)

Indian Infrastructure Industry-

India's high growth imperative in 2023 and beyond will significantly be driven by major strides in key sectors with infrastructure development being a critical force aiding the progress.

Infrastructure is a key enabler in helping India become a US \$26 trillion economy. Investments in building and upgrading physical infrastructure, especially in synergy with the ease of doing business initiatives, remain pivotal to increasing efficiency and costs. Prime Minister Mr Narendra Modi also recently reiterated that infrastructure is a crucial pillar to ensure good governance across sectors.

The government's focus on building the infrastructure of the future has been evident given the slew of initiatives launched recently. The US\$ 1.3 trillion national master plan for infrastructure, Gati Shakti, has been a forerunner to bring about systemic and effective reforms in the sector and has already shown significant headway.

Infrastructure support to the nation's manufacturers also remains one of the top agendas as it will significantly transform goods and exports movement making freight delivery effective and economical.

The infrastructure sector is a key driver of the Indian economy. The sector is highly responsible for propelling India's overall development and enjoys intense focus from the Government for initiating policies that would ensure the time-bound creation of world-class infrastructure in the country. The infrastructure sector includes power, bridges, dams, roads, and urban infrastructure development. In other words, the infrastructure sector acts as a catalyst for India's economic growth as it drives the growth of the allied sectors like townships, housing, built-up infrastructure, and construction development projects.

Road Ahead -

India must enhance its infrastructure to reach its 2025 economic growth target of US\$ 5 trillion. India's population growth and economic development require improved transport infrastructure, including through investments in roads, railways, aviation, shipping, and inland waterways.

The government has also suggested an investment of \$750 billion to strengthen railway infrastructure and envisioned the Maritime India Vision 2030 which estimates massive investments in world-class infrastructure development at Indian ports.

Global investment and partnerships in infrastructure, such as the India-Japan forum for development in the Northeast are also indicative of more investments. These initiatives come at a momentous juncture as the country aims for self-reliance in future-ready and sustainable critical infrastructure.

India, it is estimated, needs to invest \$840 billion over the next 15 years into urban infrastructure to meet the needs of its fast-growing population. This investment will only be rational as well as sustainable if we additionally focus on long-term maintenance and strength of our buildings, bridges, ports and airports.

(Source: ibef.com)

Key Managerial Personnel

Mahesh Gunvantlal Chavda, aged 66, is one of the Promoters, Chairman, and Managing Director of the company. He has completed his Diploma in Plastic Engineering. He has more than 18 years of experience in the field of Construction and Real Estate industries.

Johil Maheshbhai Chavda, aged 34, is one of the Promoters, and Whole-Time Director of the company. He holds a Diploma in Civil Engineering. He has more than 10 years of experience in the Construction and Real Estate Industries.

Dharmistha Maheshkumar Chavda, aged 57, is one of the Promoter, and Executive Director of the company. She has completed her Bachelor of Arts. She has more than 10 years of experience in the Construction and Real Estate Industry.

Drashti Laxmikant Solanki, aged 29, is the Independent Director of the Company. She holds the Degree of Company Secretary and Bachelor as well as a Master of Commerce and holds Degree of Bachelors in law. She has more than 7 years of experience in the field of corporate law and compliance in various companies.

Darshil Hemendrakumar Shah, aged 33, is the Independent Director of the Company. He has more than 4 years of experience in the field of Corporate Law as a Company Secretary He has completed his Degree as a Company Secretary and holds the Degree of Bachelor's and Master Commerce and has also completed his bachelor's in law.

To conclude, the company has 3 promoters, who have good experience in the industry in which the company operates. The remaining directors have decent experience in the fields which help in the growth of the business. The roles and responsibilities handled by the management are not provided accurately.

Financial Snapshot

Profit and Loss Statement			(In Lacs)
Particulars	FY 21	FY 22	FY 23
Revenue from Operations	9,123.79	10,982.24	16,188.57
Other Income	7.26	5.44	14.80
Total Income	9,131.05	10,987.68	16,203.37
Expenses			
Cost of Material Consumed	5,481.85	5,104.61	9,855.29
Construction Expense	2,235.18	4,142.79	4,097.31
Changes in inventories of finished goods	-899.36	-1,155.68	-2,177.40
Employee benefits expense	675.79	893.68	1,038.15
Finance costs	361.34	326.52	478.89
Depreciation and Amortization expense	525.04	510.14	564.39
Other expenses	143.86	433.07	668.79
Total Expenses	8,523.70	10,255.13	14,525.42
Earnings Before Interest, Taxes, Depreciation & Amortization	1,486.47	1,563.77	2,706.43
EBITDA Margin	16%	14%	17%
Profit before exceptional and extraordinary items and tax	607.35	732.55	1,677.95
Exceptional items	0	0	0
Profit/(Loss) before tax	607.35	732.55	1,677.95
Tax Expense			
Current Tax	182.53	204.00	455.00
Excess Income tax provisions last year w/off	0.44	-	7.01
Deferred tax (net)	-19.46	7.09	11.32
Total Tax Expense	163.51	211.09	473.33
Profit/(Loss) for the year	443.84	521.46	1,204.62
Net Profit Margin	4.86%	4.75%	7.43%

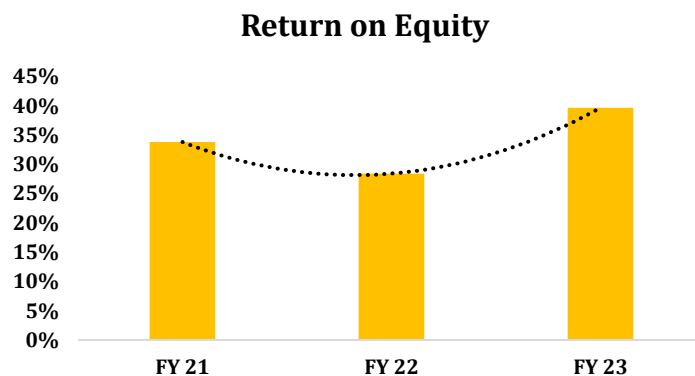
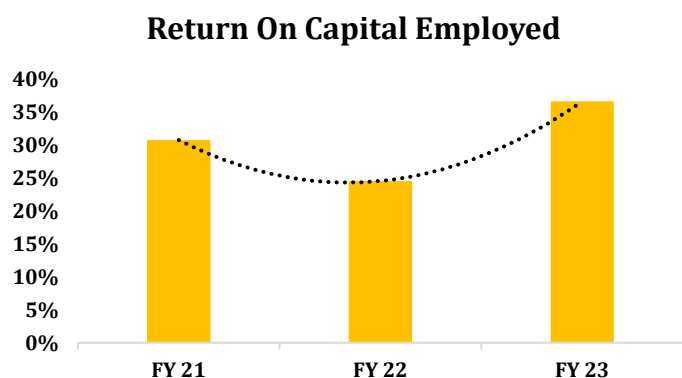
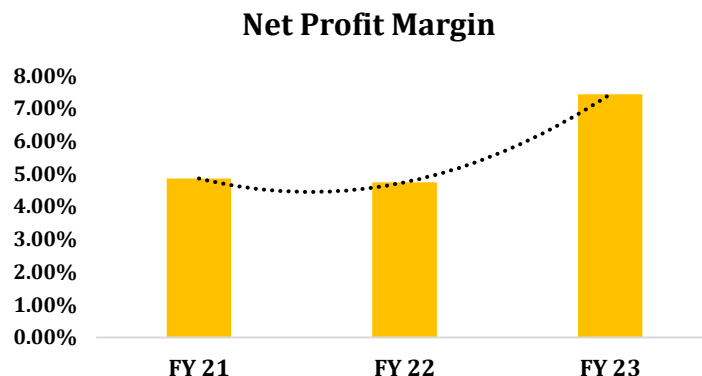
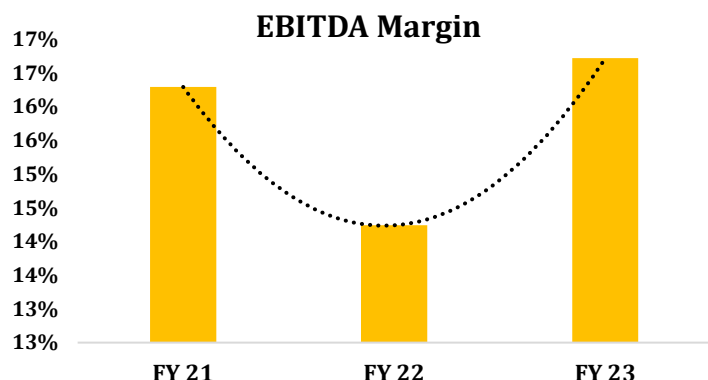
Balance Sheet			(In Lacs)
Particulars	FY 21	FY 22	FY 23
ASSETS			
Non-Current Assets			
Property, Plant and Equipment	3,375.09	2,943.75	3,432.95
Capital Work-in-progress	-	121.30	-
Deferred tax assets (Net)	49.35	42.26	30.94
Long-term loans and advances	28.33	16.96	4.47
Other Non-Current Assets	-	47.83	-
Non-Current Investments	2.00	-	-
Total Non-Current assets	3,454.77	3,172.10	3,468.36
Current Assets			
Inventories	2,453.12	3,608.80	5,786.20
Trade Receivables	2,014.42	2,672.03	4,141.05
Cash and Cash Equivalents	169.73	434.37	309.35
Short-Term Loans and Advances	569.65	676.81	1,587.51
Other current assets	6.42	316.68	131.93
Total Current assets	5,213.34	7,708.69	11,956.04
Total Assets	8,668.11	10,880.79	15,424.40
EQUITY AND LIABILITIES			
Equity			
Share Capital	150.00	150.00	1,800.00
Reserves and Surplus	1,164.28	1,685.74	1,240.36
Total Equity	1,314.28	1,835.74	3,040.36
Liabilities			
Non-current liabilities			

Balance Sheet			(In Lacs)
Borrowings	1,712.62	2,336.38	2,676.34
Other Long-Term Liabilities	65.00	78.86	78.86
Long term provisions	33.70	38.77	49.65
Total Non-current liabilities	1,811.32	2,454.01	2,804.85
Current liabilities			
(i) Short Term Borrowings	1,617.70	2,656.76	2,652.61
(ii) Trade Payables			
i) Due to micro and small enterprises	-	-	-
ii) Due to other than micro and small enterprises	3,394.30	2,986.95	5,949.88
Other Current Liabilities	437.69	907.73	695.71
Short-Term Provisions	92.82	38.60	280.99
Total Current liabilities	5,542.51	6,590.04	9,579.19
Total Liabilities	7,353.83	9,044.05	12,384.04
Total Equity and Liabilities	8,668.11	10,879.79	15,424.40

Cash Flow Statement			(In Lacs)
Particulars	FY 21	FY 22	FY 23
Net Cash Flow from Operating Activities	1,060.42	-918.22	868.05
Net Cash Flow from Investing Activities	-1,229.99	-258.01	-947.09
Net Cash Flow from Financing Activities	106.13	1,376.28	-75.58

Ratio Sheet			
Particulars	FY 21	FY 22	FY 23
Per Share Data			
Diluted EPS	2.47	2.9	6.69
BV per share	5.33	7.45	12.33
Operating Ratios (%)			
EBITDA Margins	16%	14%	17%
PAT Margins	5%	5%	7%
Inventory days	98.14	119.94	130.46
Debtor days	80.59	88.81	93.37
Creditor days	226.00	213.58	220.36
Return Ratios (%)			
RoCE	31%	25%	37%
RoE	34%	28%	40%
Valuation Ratios (x)			
EV/EBITDA	3.01	4.09	2.98
Market Cap / Sales	1.76	1.46	0.99
P/E	26.32	22.41	9.72
Price to Book Value	12.19	8.73	5.27
Solvency Ratios			
Debt / Equity	2.53	2.72	1.75
Current Ratio	0.94	1.17	1.25
Quick Ratio	0.50	0.62	0.64
Asset Turnover	1.05	1.01	1.05
Interest Coverage Ratio	2.66	3.23	4.47

Financial Charts



Key Risk Factors

1. The company is dependent on a few number of customers for sales. The loss of any of these large customers may affect revenues and profitability. The top ten customers contribute 73.96%, 81.03% and 81.28% of the total sales for the financial year ended on March 31, 2023, 2022 and 2021, respectively.
2. The company have certain outstanding litigation against the company, an adverse outcome of which may adversely affect the business, reputation, and results of operations. 1 taxation, and 1 other litigation against the company amounting to Rs. 20.37 lakhs, and 47.51 lakhs respectively. 4 taxation cases against the directors and promoters amounting to Rs. 2.84 lakhs.
3. The Company had negative cash flow from operating activity in recent fiscals. Sustained negative cash flow could adversely impact the business, financial condition, and results of operations. The company had negative operating cash flow for the financial year ended 2022.

Track Record of Lead Manager

The lead manager to the issue is Beeline Capital Advisors Private Limited. A table has been set below highlighting the details of the IPO of the last 10 companies handled by the Lead Managers in recent times –

Beeline Capital Advisors Private Limited -

Sr. No.	Company Name	Issue Size in Cr.	Issue Price/Share (In INR)	Listing Date	CMP* (INR)
1.	Vinsys IT Services Limited	49.84	128.00	August 11, 2023	342.75
2.	Shri Techtex Limited	45.14	61.00	August 04, 2023	95.35
3.	Ahasolar Technologies Limited	12.85	157.00	July 21, 2023	374.30
4.	Pentagon Rubber Limited	16.17	70.00	July 07, 2023	142.20
5.	Remus Pharmaceuticals Limited	47.69	1,229.00	May 29, 2023	4,292.70
6.	Sotac Pharmaceuticals Limited	33.30	111.00	April 13, 2023	125.00
7.	Dev Labtech Venture Limited	11.22	51.00	March 29, 2023	60.27
8.	Vertexplus Technologies Limited	14.20	96.00	March 15, 2023	237.00
9.	Viaz Tyres Limited	20.00	62.00	March 01, 2023	49.50
10.	Transvoy Logistics India Limited	5.11	71.00	February 02, 2023	72.44

*CMP for all the above-mentioned companies is taken as of 5th September 2023.

As per the offer document, Beeline Capital Advisors Private Limited has had 10 mandates in the last three fiscal years. For Beeline Capital Advisors Private Limited out of the 10 mentioned above, 1 opened at a par, and all the remaining mandates opened at premiums on the listing day.

Recommendation

The company has been in the industry since 2012 and has decent experience in the industry. The company has seen consistent growth in the top line of its financials but has seen a sudden surge in its bottom line of the financials which may or may not be sustained going forward.

The PE on an annualised and post-IPO basis is around 13.30 times which seems to be fairly priced by looking at the performance of the company and its peers.

The company operates in a competitive segment. The management outlook of the company is good with the top management having vast experience in the industry in which the company operates. The company has seen consistency in its operating margins but has seen a sudden surge in the net profit margin. The company has a good order book which can improve the company's revenues in the future, but the company is operating only from Gujarat as of right now, if the company increases its geographical reach outside of Gujarat it will yield good growth. Keeping the above point in mind one can decide to **APPLY** to this IPO.

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