



IPO Note

Ceigall India Limited

Recommendation: **APPLY!**

Company Background -

- Ceigall India Limited was originally incorporated as “Ceigall Builders Private Limited” on July 08, 2002. The registered office is located at Ludhiana, Punjab.
- The Company is 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.
- The 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.
- The company had 2,256 permanent employees as of March 31, 2024.

Objects of the Issue -

- Purchase of equipment
- Repayment/ prepayment, in full or in part of certain borrowings availed by the company and its subsidiary (Ceigall Infra Projects Private Limited)
- General Corporate Expenses.

Promoters Name -

Ramneek Sehgal, Ramneek Sehgal and Sons HUF and RS Family Trust

Rationale for recommendation -

- ✓ The top line and bottom line have increased in FY 2024.
- ✓ The company has 18 on-going projects and an order book of Rs. 9,470.84 Cr.
- ✓ The company has vast experience in the industry.
- ✓ The management overview is decent.
- ✓ The infrastructure industry expected to grow at a CAGR of 9.57% during the forecast period 2024-2029.

IPO Details

Opening Date	Aug 01, 2024
Closing Date	Aug 05, 2024
Allotment Date	Aug 06, 2024
Listing Date	Aug 08, 2024
Stock Exchange	BSE, NSE
Lot Size	37 Shares
Issue Price Per Share	₹380 to ₹401
Issue Size	1,252.66 Cr.
Fresh Issue	684.25 Cr.
Offer for Sale	568.41 Cr
Application Amt	₹ 14,837 – ₹ 1,92,881 (37 to 481 shares)

KPI's	KPIs (In Cr)		
	FY 22	FY 23	FY 24
Revenue	1,133.79	2,068.17	3,029.35
EBITDA	185.92	295.63	517.66
Net Profit	125.86	167.27	304.31
RoCE	27.73%	26.72%	29.62%
ROE	29.18%	28.20%	33.57%
P/E	50.06	37.65	20.70

Promoter Share Holding Pattern

Pre-Issue	Post Issue
99.99%	82.06%

Valuation Parameters

Particulars	Pre-Issue	Post Issue
EPS	19.37	17.47
BVPS	57.68	85.73
P/E	20.70	22.96
P/BV	6.95	4.68
Mkt Cap (In Cr)	6,301.15	6,985.41

Lead Managers -

ICICI Securities Limited

IIFL Securities Limited

JM Financials Limited

Registrar -

Link Intime India Private Limited

Business Overview -

Ceigall India Limited was established on July 08, 2002. The company is 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. Their principal business operations are broadly divided into engineering, procurement and construction ('EPC') projects and hybrid annuity model ("HAM") projects, which are spread over ten states in India.

The Company has completed over 34 projects, including 16 EPC, 1 HAM, 5 O&M and 12 Item Rate Projects, in the roads and highways sector. Currently, they have 18 ongoing projects, including 13 EPC projects and 5 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 contractual obligations under the EPC/HAM concession agreements, they have also undertaken independent O&M projects. Further, they also undertake sub-contracting projects.

The company's top 10 customers include National Highway Authority of India (NHAI), Indian Railway Construction International Limited ("IRCON"), Military Engineer Services ("MES"), Bihar State Road Development Corporation Limited ("BSRDCL"), R. K Infra, Himachal Pradesh Road & Other Infrastructure Development Corporation Limited, Sarala Project Works Private Limited, Haryana State Industrial and Infrastructure Development Corporation, JKA Associates Private Limited and Eklavya HSG DKY JV

On-going Projects -

The company has 18 on-going projects, 13 EPC projects amounting to ₹3,735.19 Cr and 5 HAM projects amounting to ₹5,735.66 Cr. So, the total order book as of June 30, 2024, is ₹9,470.84 Cr.

Revenue Bifurcation service wise -

(Amt in Crores)

Particulars	FY 2022		FY 2023		FY 2024	
	Amt	%	Amt	%	Amt	%
EPC	2,025.33	66.05	1,645.82	78.86	847.97	73.96
HAM	807.52	26.34	360.80	17.28	264.10	23.03
O&M	9.71	0.32	8.89	0.43	5.31	0.46
Total	2,842.56	92.71	2,015.51	96.57	1,117.38	97.45

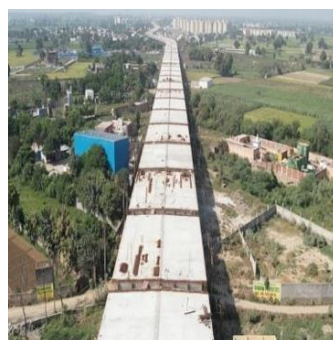
Past Completed Projects -



Kartapur Sahib Project



Ismailabad-Dhand PKG I Project



Delhi-Saharanpur PKG II Project



Ramban-Banihal PKG II Project

Subsidiaries -

I. Direct Subsidiaries -

1. Ceigall Infra Projects Private Limited (CIPPL)
2. Ceigall Southern Ludhiana Bypass Private Limited (CSLBPL)
3. Ceigall Jalbera Shahbad Greenfield Highway Private Limited (CJSGHPL)
4. Ceigall VRK 11 Private Limited ('Ceigall VRK 11')
5. Ceigall VRK 12 Private Limited ('Ceigall VRK 12')

II. Indirect Subsidiaries -

1. Ceigall Bathinda Dabwali Highways Private Limited ("CBDHPL")
2. Ceigall Ludhiana Bathinda Greenfield Highway Private Limited ("CLBGHPL")
3. Ceigall Ludhiana Rupnagar Greenfield Highway Private Limited ("CLRGHPL")
4. Ceigall Malout Abohar Sadhuwali Highway Private Limited ("CMASHPL")

Competition -

- **Market Competition:** The road construction industry in India is very competitive. The competition depends on various factors, such as the type of project, total contract value, potential margins, complexity, location of the project and risks. But mostly price is the deciding factor.
- **Domestic Competition:** The company faces competition from organized as well as unorganized players in domestic market.
- **Barriers to entry:** Moderate barriers to entry due to high capital requirements and technical expertise. The company has high threat of substitutes.
- **Bargaining Power of Suppliers:** The bargaining power is slightly high with the suppliers.
- **Bargaining Power of Buyers:** The bargaining power is slightly high with the customers.

Business Strategies -

Diversification by leveraging existing capabilities: The company intends to diversify into, and shall bid for, projects (including specialised structures) related to construction and maintenance of runways, projects related to railways and metros including earthwork and water treatment and sewerage related projects.

Selectively expand geographical footprint: The company intends to strategically expand into states which are economically and politically stable and have favourable geographic and climatic conditions thereby broadening revenue base and reduce risks of volatility of market conditions and price fluctuations.

Explore HAM and optimize project portfolio: The company has undertaken majority of the projects on the EPC basis but will continue to seek and evaluate opportunities for undertaking HAM projects that match their corporate profile, project experience and execution capabilities.

Risk Factors -

The company is primarily dependent on contracts awarded governmental authorities majorly of NHAI, which accounted for 80.31%, 76.66% and 89.72% for FY 2024, 2023 and 2022 respectively.

The company majorly derived revenue from execution of projects in the roads and highways accounting to 92.71%, 96.57% and 97.46% for FY 2024, 2023 and 2022 respectively.

The company had negative cash flow from operations for FY 2024, 2023 and 2022 which might sustain in the future as well.

The company is required to pay royalty charges of Rs. 36.56 Cr for mining where any minor mineral comprising of inter alia sand and stone is excavated.

There are 30 outstanding cases filed against the company for tax and regulatory matters amounting to Rs. 3.18 Cr.

There are 1 outstanding case filed by the company for criminal matter and 4 cases for civil matters amounting to Rs. 119.35 Cr.

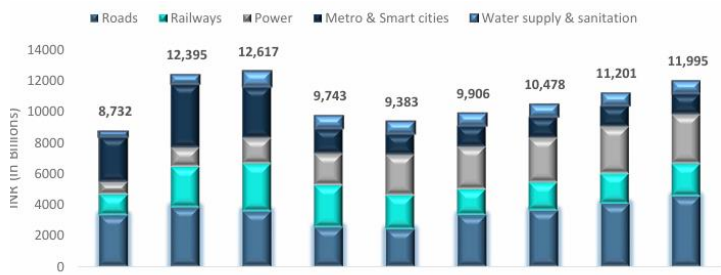
The company has contingent liabilities amounting to Rs. 939.08 Cr for FY 2023-24.

PEER ANALYSIS

Particulars	Ceigall India Limited			J Kumar Infraprojects Limited			KNR Constructions Limited			PNC Infratech Limited		
	FY 22	FY 23	FY 24	FY 22	FY 23	FY 24	FY 22	FY 23	FY 24	FY 22	FY 23	FY 24
NP Margin	11%	8%	10%	6%	7%	7%	10%	11%	17%	8%	8%	11%
EBITDA Margin	16%	14%	17%	15%	15%	15%	24%	25%	27%	22%	21%	24%
RoCE	31%	25%	30%	17%	19%	19%	18%	25%	22%	14%	13%	14%
ROE	29%	28%	34%	10%	12%	12%	16%	16%	21%	16%	15%	18%
EPS (INR)	8.01	10.65	19.37	27.21	36.26	43.71	13.58	16.29	27.64	22.62	25.67	35.45
P/E	50.06	37.65	20.70	6.30	7.02	14.44	21.55	15.57	8.91	11.44	11.25	12.31

Indian Infrastructure Industry -

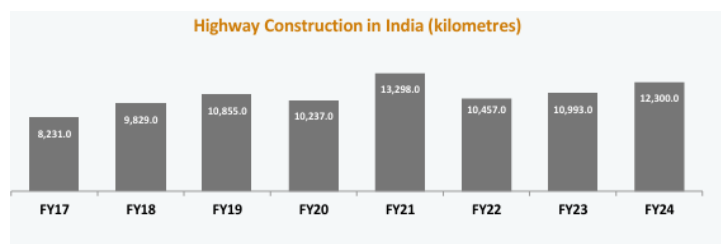
The Indian infrastructure to play major role with around 3% contribution to GDP as on FY23. It is estimated that India’s infrastructure industry investments will be Rs. 52,962 billion between FY24-FY28. In the Union Budget 2024-25, the government continued its focus on infrastructure development with budget estimates of capital expenditure toward the infrastructure sector of Rs. 11,111 billion.



(Source: RHP)

Road Infrastructure in India -

The road transport sector has grown on a CAGR of about 5.20% against the total CAGR growth of the GVA of about 5.5% during the period FY12-FY22. India has the second-largest road network in the world, with about 63.32 lakh km as of FY23. This comprises national highways, expressways, state highways, major district roads, other district roads, and village roads.



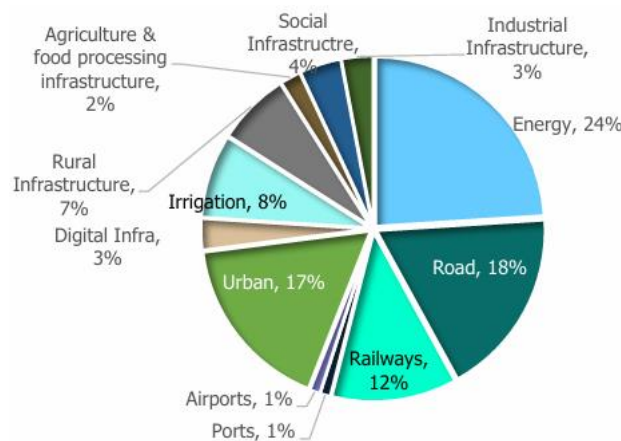
(Source: www.ibef.org)

Water Supply and Sanitation (WSS) -

The Government of India has come up with various schemes that emphasize water conservation and restoration. As a result, the number of polluted river stretches has reduced from 351 in 2018 to 311 in 2022 and improvement in water quality has been observed in 180 out of 351 Polluted River Stretches (PRS) during 2018. As per a report by the Ministry of Jal Shakti, the assessment of water quality over the years discloses that in 2015, 70.00% of rivers monitored were identified as polluted, whereas in 2022 only 46.00% of rivers monitored were identified as polluted.

Key Infrastructure Sectors -

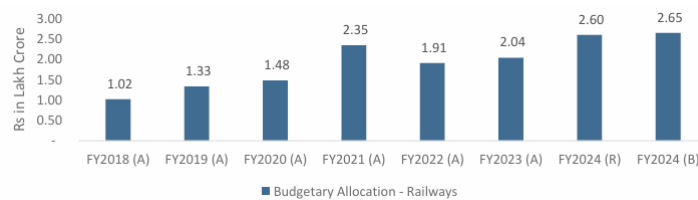
Revenue allocated to different infrastructure sectors:



(Source: RHP)

Indian Railway Sector -

Indian Railways is the fourth-largest railway system in the world behind the US, Russia, and China. India has over 68,043 km of the route km along with 7,308 stations as of FY22. In the Union Budget FY24-25, the government allocated Rs 2.65 trillion towards railways with an increase of 1.92% over previous year’s allocation. The allocation towards rolling stock is Rs 375.81 billion in the union budget 2024-25 from Rs 151.58 billion (revised budget) in FY23-24.



(Source: RHP)

Indian Airports Infrastructure -

The Indian airport sector has witnessed significant growth and transformation during the period driven by a confluence of factors like rising passenger traffic, private sector participation, technological advancements, and government focus on improving the airport infrastructure. In the interim budget 2024, the government focused on the development of new airports and the extension of current airports. There are now 149 airports, which is a twofold increase. With 517 new routes conveying 1.3 crore passengers, the Ude Desh ka Aam Naagrik (UDAN) initiative has widely expanded air connectivity to Tier II and III cities. Indian airlines have taken the initiative to order more than a thousand new aircraft.

Key Management -

Key Management Persons Name -	Ramneek Sehgal
Age	42
Designation and No. of years of experience	Promoter and Managing Director
Qualification	B. Com Degree
Roles and Responsibility	Responsible for expansion, profitability, overall growth and innovation of the company, as well as preparing and implementing business plans, managing cost-effective operations and market development activities.
Other Directorships	Ceigall Bathinda Dabwali Highways Private Limited, Ceigall Infra Projects Private Limited, Ceigall Jalbehra Shahbad Greenfield Highway Private Limited etc.

Key Management Persons Name -	Puneet Singh Narula
Age	57
Designation and No. of years of experience	Whole-Time Director
Qualification	Bachelor's degree in civil engineering, Associate member of Institutions of Engineers (India)
Roles and Responsibility	Responsible for managing overall operations of the company.
Other Directorships	Ceigall Infra Projects Private Limited and Ceigall Bathinda Dabwali Highways Private Limited

Key Management Persons Name -	Arun Goyal
Age	57
Designation and No. of years of experience	Independent Director
Qualification	Bachelor's degree in commerce, Associate member of ICAI
Roles and Responsibility	-
Other Directorships	Avon ISPAT & Power Limited, FLH Technologies Private Limited and Ralson (India) Limited

Key Management Persons Name -	Vishal Anand
Age	44
Designation and No. of years of experience	Independent Director
Qualification	Bachelor's degree in arts, Post graduate diploma in business management
Roles and Responsibility	-
Other Directorships	Health Care at Home India Private Limited, Healthquad Advisors Private Limited, Healthquad Capital Advisors Private Limited etc.

Key Management Persons Name -	Gurpreet Kaur
Age	60
Designation and No. of years of experience	Independent Director
Qualification	B. Com degree, M. Com degree, Doctor of Philosophy degree in Commerce and Management Studies
Roles and Responsibility	-
Other Directorships	Avon Cycles Limited

Key Management Persons Name -	Anisha Motwani
Age	61
Designation and No. of years of experience	Independent Director
Qualification	Bachelor's degree in science, master's degree in business administration
Roles and Responsibility	-
Other Directorships	Abbott India Limited, Dvara Kshetriya Gramin Financial Services Private Limited, Godrej Finance Limited etc.

FINANCIAL SNAPSHOT

Statement of Profit and Loss

Amt in Crores

Particulars	FY 22	FY 23	FY 24
Revenue from Operations	1,133.79	2,068.17	3,029.35
Other Income	12.72	18.87	36.84
Total Income	1,146.50	2,087.04	3,066.19
Expenses			
Cost of Material Consumed	411.45	687.09	1,053.05
Cost of Construction	459.87	987.38	1,297.84
Employee benefits	25.29	29.63	61.98
Finance Cost	10.55	51.71	94.15
Depreciation and Amortization expense	18.61	37.60	54.99
Other expenses	51.27	68.44	98.82
Total Expenses	977.03	1,861.85	2,660.84
EBITDA	185.92	295.63	517.66
EBITDA Margin	16.40%	14.29%	17.09%
Profit/(Loss) before tax	169.47	225.19	405.35
Tax Expense			
Current tax	43.59	66.61	99.27
Deferred Tax	0.02	-8.69	1.78
Total Tax Expense	43.61	57.92	101.05
Profit/(Loss) for the year	125.86	167.27	304.31
Net Profit Margin	10.98%	8.01%	9.92%

Statement of Assets and Liabilities

Amt in Crores

Particulars	FY 22	FY 23	FY 24
EQUITY AND LIABILITIES			
1. Shareholders' funds			
Share Capital	39.28	39.28	78.57
Other Equity	391.97	553.78	809.16
Non-Controlling Interest	-	-	18.68
Total Equity	431.25	593.06	906.41
2. Non-current liabilities			
Financial Liabilities			
(i) Borrowings	170.40	367.60	647.36
(i) Lease Liabilities	-	2.55	4.28
Non-Current Provisions	1.64	2.49	3.77
Total Non-current liabilities	172.04	372.64	655.41
3. Current liabilities			
Contract Liabilities	71.38	88.31	148.00
Financial Liabilities			
(i) Borrowings	145.91	332.50	413.76
(ii) Lease Liabilities	-	0.28	0.85
(iii) Trade Payables			
(a) Outstanding Dues to MSME	11.64	90.01	74.28
(b) Outstanding Dues to other than MSME	45.05	268.75	269.31
(iv) Other Financial Liabilities	5.72	17.24	30.05
Other current liabilities	74.03	60.62	93.14
Provisions	2.13	1.54	0.99
Current Tax Liabilities	-	2.88	-
Total Current liabilities	355.85	862.13	1,030.37
Total Liabilities	527.89	1,234.76	1,685.78

Particulars	FY 22	FY 23	FY 24
Total Equity and Liabilities	959.14	1,827.82	2,592.19
ASSETS			
1. Non-current assets			
Property, Plant and Equipment	125.53	246.04	296.00
Capital Work-in-progress	3.95	1.84	2.01
Right-of-Use	-	2.77	4.93
Intangible Assets	0.06	0.02	0.10
Financial Assets			
(i) Investments	0.29	0.34	2.22
(ii) Other financial assets	29.60	17.23	39.99
(iii) Receivables Under Service Concessions Arrangements	118.17	282.79	654.06
Deferred Tax Assets (Net)	2.37	10.91	8.93
Other non-current assets	11.76	0.64	13.85
Total Non-Current assets	291.74	562.58	1,022.07
2. Current assets			
Inventories	38.59	106.92	118.25
Contract Assets	94.07	305.02	402.84
Financial Assets			
(i) Investments	70.52	22.20	-
(ii) Trade receivables	95.94	316.34	429.79
(iii) Cash and cash equivalents	97.47	216.94	242.87
(iv) Bank balances other than cash and cash equivalents	94.64	143.78	125.19
(v) Loans & Advances	0.07	0.05	0.05
(vi) Other financial assets	12.94	11.17	17.27
(vii) Receivables Under Service Concessions Arrangements	-	-	7.58
Current Tax Assets (net)	3.63	-	9.29
Other Current Assets	159.54	142.83	217.01
Total Current assets	667.40	1,265.24	1,570.12
Total Assets	959.14	1,827.82	2,592.20

Cash Flow Statement			Amt in Crores
Particulars	FY 22	FY 23	FY 24
Net Cash Flow from Operating Activities	-1,345.89	-727.13	-2,108.26
Net Cash Flow from Investing Activities	-1,653.86	-1,337.95	-381.58
Net Cash Flow from Financing Activities	3,096.12	3,259.72	2,749.22

Key Ratios

Per Share Data	FY 22	FY 23	FY 24	Valuation Ratios (x)	FY 22	FY 23	FY 24
Diluted EPS	8.01	10.65	19.37	EV/EBITDA	2.99	3.15	3.09
BV per share	27.44	37.74	57.68	Market Cap / Sales	6.16	3.38	2.31
Operating Ratios				P/E	50.06	37.65	20.70
EBITDA Margins	16.40%	14.29%	17.09%	Price to Book Value	14.61	10.62	6.95
PAT Margins	10.98%	8.01%	9.92%	Solvency Ratios			
Inventory days	12.42	18.87	14.25	Debt / Equity	0.73	1.18	1.17
Debtor days	30.89	55.83	51.78	Current Ratio	1.88	1.47	1.52
Creditor days	4.91	17.33	11.82	Quick Ratio	1.77	1.34	1.41
Return Ratios				Asset Turnover	1.18	1.13	1.17
RoCE	27.73%	26.72%	29.62%	Interest Coverage Ratio	15.86	2.56	9.28
RoE	29.18%	28.20%	33.57%				

LEAD MANAGER TRACK RECORD -

The lead managers to the issue are ICICI Securities Limited, IIFL Securities Limited and JM Financial Limited. A table has been set below highlighting the details of the IPO of the last companies handled by the Lead Managers in recent times –

ICICI Securities Limited -

Sr. No.	Company Name	Issue Size in Cr.	Issue Price/Share (In INR)	Listing Date	CMP* (INR)
1.	Allied Blenders and Distillers Limited	1,500.00	281.00	July 02, 2024	308.20
2.	Stanley Lifestyles Limited	537.02	369.00	June 28, 2024	576.75
3.	Awfis Space Solutions Limited	598.93	383.00	May 30, 2024	682.40

The company has handled 44 mandates in the past three years (including the current year).

IIFL Securities Limited -

Sr. No.	Company Name	Issue Size in Cr.	Issue Price/Share (In INR)	Listing Date	CMP* (INR)
1.	Awfis Space Solutions Limited	598.93	383.00	May 30, 2024	682.40
2.	Go Digit General Insurance Limited	2,614.65	272.00	May 23, 2024	375.00
3.	JNK India Limited	649.47	415.00	April 30, 2024	770.00

The company has handled 44 mandates in the past three years (including the current year).

JM Financial Limited -

Sr. No.	Company Name	Issue Size in Cr.	Issue Price/Share (In INR)	Listing Date	CMP* (INR)
1.	Stanley Lifestyles Limited	537.02	369.00	June 28, 2024	576.75
2.	Le Travenues Technology Limited	740.10	93.00	June 18, 2024	176.00
3.	TBO Tek Limited	1,550.81	920.00	May 15, 2024	1,736.30

The company has handled 38 mandates in the past three years (including the current year).

*CMP for the above-mentioned companies is taken as of 31st July 2024.

As per the offer document, from the above-mentioned mandates all have opened at a premium on the listing day.

Recommendation -

Ceigall India Limited has been in the industry since 2002 and has vast experience in the industry. The management overview of the company is decent.

The P/E on a post-IPO and annualised basis is 22.96 which makes it slightly highly priced by looking at the performance of the company and sector. The Sector P/E is 18.34 times.

The company has seen an increase in the top line and bottom line for FY 2024, which was because of increase in revenue from construction contracts and sale of goods and materials. But the profitability margins have seen inconsistency over the years.

Additionally, the company has 18 on-going projects valuing to Rs. 9,470.84 Cr which will help in the growth of the top line in future and improve overall profitability of the company. The company majorly works with NHAI, and they will 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 public 342 sector undertaking for highways, bridges and tunnel construction work in north-eastern states of India.

The infrastructure industry has been booming and expected to grow at a CAGR of 9.57% during the forecast period 2024-2029.

The company had negative cash flow from operations for FY 2022, 2023 and 2024, but that shouldn't be a major concern as few of its peers have seen similar pattern.

Thus, knowledgeable and informed investors can **MAY APPLY** this IPO.

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