



## IPO Note

# NACDAC Infrastructure Limited

Recommendation: **AVOID!**

### Company Background -

- **Incorporation:** Incorporated in 2012, NACDAC Infrastructure Limited's registered office is located Ghaziabad, Uttar Pradesh
- **Business Activity:** construction company specializing in the construction of multi-story buildings, residential, commercial, and institutional structures.
- **Human Resource:** As of October 31, 2024, the company has 29 employees on its payroll.

### Objects of the Issue -

- Working Capital
- General Corporate Purposes

### Promoters Name -

Hemant Sharma, Uma Sharma and Ashish Saxena.

### Rationale for recommendation -

- ✓ Low D/E ; could have availed loans
- ✓ Negative Cashflow in FY 24.
- ✓ Volatile RoCE and ROE Margins.
- ✓ Highly competitive and fragmented industry.

### IPO Details

Opening Date	Dec 17, 2024
Closing Date	Dec 19, 2024
Allotment Date	Dec 20, 2024
Listing Date	Dec 24, 2024
Stock Exchange	BSE SME
Lot Size	4000 Shares
Issue Price Per Share	₹33 to ₹35 per share
Issue Size	₹10.01 Cr.
Fresh Issue	₹10.01 Cr.
Offer for Sale	-
Application Amt	₹1,40,000 (4,000 shares)

	KPIs			(In Lakhs)
KPI's	FY 22	FY 23	FY 24	Oct-24
Revenue	1,030.73	1,172.19	3,629.68	1,371.95
EBITDA	143.20	109.10	508.68	262.50
Net Profit	31.55	56.15	316.90	160.42
RoCE	26.35%	16.44%	38.45%	16.44%
ROE	6.51%	9.66%	26.39%	11.79%
P/E	79.55	46.67	8.45	13.43*

\*Annualized

### Promoter Share Holding Pattern

Pre-Issue	Post-Issue
95.90%	69.84%

### Valuation Parameters

Particulars	Pre-Issue	Post Issue*
EPS	4.14	0.76
BVPS	15.67	30.03
P/E	8.45	46.27
P/BV	2.23	1.17
Mkt Cap (In Cr)	26.83	36.84

\*Annualized

### Lead Managers -

**GYR Capital Advisors Pvt Ltd**

### Registrar -

**Maashitla Securities Private Ltd**

## Business Overview

NACDAC Infrastructure Limited, incorporated in 2012, specializes in civil and structural construction services, including multi-story buildings, steel structures, bridges, and electrical works. The company is a Class A contractor registered with Uttarakhand Peyjal Sansadhan Vikas Evum Nirman Nigam and holds ISO certification.

## Order Book Details

### Order Book Summary (as of November 30, 2024):

- **Total Value:** ₹8,832.66 lakhs
- **Project Categories:**
- **Government Projects:** ₹7,157.58 lakhs

### Revenue from Top 3 Customers:

- **U.K. Peyjal Sansadhan Vikas Evam Nirman Nigam -** ₹386.38 Lakhs (28.16%)
- **Larsen & Toubro Limited -** ₹355.01 Lakhs (25.88%)
- **A2Z InfraserVICES Limited -** ₹137.69 Lakhs (10.04%)

### Top 3 Government Projects:

1. **Construction of Bus Terminal and Workshop Building at Ramnagar Bus Stand, Ramnagar, Distt. Nainital, Uttarakhand**
  - **Client:** Uttarakhand Peyjal Nigam, Haldwani
  - **Value:** ₹2,474.69 lakhs
  - **Status:** In Progress
2. **Upgradation of Harrawala Railway Station under Amrit Bharat Station Scheme**
  - **Client:** Northern Railways, Moradabad Division
  - **Value:** ₹1,121.01 lakhs
  - **Status:** In Progress
3. **Construction of Driving School Campus at Gaulapar Haldwani**
  - **Client:** Uttarakhand Peyjal Nigam, Haldwani
  - **Value:** ₹1,994.24 lakhs
  - **Status:** In Progress

### Top 3 Private Projects:

1. **Metro University and Multi-speciality Hospital at Sector 12B, Techzone, Greater Noida West, Uttar Pradesh**
  - **Client:** Sunhill Health Care Pvt. Ltd.
  - **Value:** ₹471.99 lakhs
  - **Status:** In Progress
2. **Flooring Work at First Floor Metro University, Greater Noida**
  - **Client:** Sunhill Health Care Pvt. Ltd.
  - **Value:** ₹208.45 lakhs
  - **Status:** In Progress
3. **Construction of Rainwater Harvesting Chambers at Metro University, Greater Noida**
  - **Client:** Sunhill Health Care Pvt. Ltd.
  - **Value:** ₹46.64 lakhs
  - **Status:** In Progress

### Summary of Completed Projects

As of October 31, 2024, the company has successfully completed contract value of ₹9,674.88 lakhs.

### Top 3 Prominent Projects

1. **Construction of 2 Blocks (A&B)**
  - **Client:** Ajpa Parishad Sehkari Awas Samiti Ltd.
  - **Description:** B+S+14 building construction, including plumbing, electrical, and external development.
  - **Contract Value:** ₹3,090.69 lakhs.

### 1. Delhi Airport Project – Temporary Barricading

- **Client:** Larsen & Toubro Limited.
  - **Description:** Temporary barricading under Delhi Airport development.
  - **Contract Value:** ₹528.80 lakhs.
2. **Renovation and Upgradation of Government ITI (Roshnabad)**
    - **Client:** Uttarakhand Peyjal Nigam.
    - **Description:** Comprehensive renovation and upgradation of ITI infrastructure.
    - **Contract Value:** ₹481.77 lakhs.

## Strategic Analysis

### Order Book and Project Types:

- The company's order book, valued at approximately ₹88.33 crores as of October 31, 2024, indicates a strong pipeline of projects, reflecting its robust execution capabilities and client trust.
- A significant portion of the projects are government contracts, particularly in railway station upgrades and infrastructure development in Uttarakhand and Uttar Pradesh. This regional focus allows for operational efficiencies and better resource management but may expose the company to regional economic and political risks.
- The private sector projects, though smaller in value, diversify the company's portfolio and reduce dependency on government contracts.

## Business Strategy

### Expansion of Fleet of Machinery and Equipment

The company invests in advanced machinery to ensure timely availability, improve efficiency, and lower project costs, strengthening operational margins.

### Enhance Project Execution Capabilities

Timely project completion is prioritized using advanced technologies and project management systems. Workforce expansion and continuous learning are also emphasized to boost productivity and margins.

### Develop Client Relationships

The company builds strong alliances with government, semi-government, and private clients, fostering partnerships like joint ventures and subcontracting to expand opportunities.

### Collaboration with Industry Leaders

As a subcontractor for Larsen & Toubro's ₹919 lakh Delhi Airport project, the company targets larger projects via partnerships with EPC players.

### Geographical and Client Base Expansion

While serving Uttarakhand clients like Indian Railways, the company plans to expand domestically and internationally, diversifying operations to mitigate regional risks.

## Risk Factors –

### 1. Geographic Concentration of Operations

The company derives 41.43% of its revenue from Uttarakhand, 31.83% from Uttar Pradesh, and 24.00% from Delhi (as of October 31, 2024). This dependence exposes the business to risks like regional unrest, adverse climate, or regulatory changes, potentially affecting financial performance and business prospects.

### 2. Reliance on Key Customers

Top ten customers contributed 96.05%, 91.93%, 87.86%, and 99.98% of total sales for the period ending October 31, 2024, Fiscal 2024, Fiscal 2023, and Fiscal 2022, respectively. Loss of significant clients or reduced business from them could adversely impact revenue, financial health, and operational stability. This is natural for a company operating in SME Infrastructure space.

### 3. Limited Public Listing Experience

The company's directors lack prior experience managing a public listed company. As a listed entity, strict adherence to SEBI regulations, enhanced corporate governance, and extensive reporting requirements will demand significant resources, potentially diverting management's focus and impacting overall business

## Industry Overview- Infrastructure

India's infrastructure and construction sector is a pivotal component of its economic landscape, significantly contributing to GDP and employment. The sector encompasses various sub-sectors, including transportation, energy, urban development, and telecommunications, each playing a crucial role in the nation's development.

### Market Size and Growth

As of 2023, the Indian construction market was valued at approximately USD 639 billion and is projected to grow at a compound annual growth rate (CAGR) of over 6% during the forecast period.

#### [Mordor Intelligence](#)

This growth trajectory is supported by substantial government investments and policy initiatives aimed at enhancing infrastructure across the country.

### Government Initiatives and Investments

The Indian government has demonstrated a strong commitment to infrastructure development through various initiatives:

- **National Infrastructure Pipeline (NIP):** An ambitious program outlining planned investments of US\$1.4 trillion by 2025, targeting sectors such as energy, roads, railways, and urban development. : [EY](#)
- **Budget Allocations:** In the Union Budget 2023-24, the capital investment outlay for infrastructure was increased by 33% to Rs. 10 lakh crore (US\$ 122 billion), representing 3.3% of GDP. Additionally, a capital outlay of Rs. 2.40 lakh crore (US\$ 29 billion) was allocated for the Railways, marking the highest ever outlay and about nine times the allocation made in 2013-14.
- **Gati Shakti Plan:** A national master plan aimed at coordinated infrastructure development to reduce logistics costs and enhance economic efficiency.

### Sectoral Developments

- **Transportation:** Significant investments are being made to expand and modernize the transportation network, including roads, highways, and railways. Projections indicate an 80% increase in capital expenditure in the roads sector between fiscals 2024-28 and fiscals 2019-23, surpassing the Rs. 20 trillion mark : [Edelweiss Alternatives](#)
- **Urban Development:** Initiatives like the Smart Cities Mission and Housing for All are driving urban infrastructure projects, focusing on sustainable and inclusive urbanization.
- **Energy and Utilities:** Efforts are underway to enhance energy infrastructure, with a focus on renewable energy sources to meet growing demand and sustainability goals.

### Challenges and Opportunities

Despite the positive outlook, the sector faces challenges such as project delays, regulatory hurdles, and funding constraints. However, the emphasis on public-private partnerships and policy reforms aimed at improving the ease of doing business are expected to mitigate these challenges.

### Outlook

The Indian construction industry is expected to continue its growth trajectory, with forecasts indicating an expansion by 7% in real terms in 2024, supported by government investment in enhancing transport infrastructure across the country: [Business Wire](#)

The focus on infrastructure development is anticipated to drive economic growth, create employment opportunities, and improve the quality of life for citizens.

In conclusion, India's infrastructure and construction sector stands as a cornerstone of its economic development strategy. With robust government support, strategic investments, and a focus on sustainable growth, the sector is poised to play a transformative role in shaping India's future.

**Key Management -**

<b>Key Management Persons Name -</b>	<b>Hemant Sharma</b>
<b>Age</b>	34
<b>Designation &amp; experience</b>	Promoter, Chairman, and Managing Director
<b>Qualification</b>	Bachelor of Technology in Civil Engineering, Master's in Business Management, Diploma in Cooperative Management, Bachelor of Law Degree.
<b>Roles &amp; Responsibility</b>	Overseeing business expansion, corporate strategy, leadership and management, financial performance, stakeholder relations, innovation, growth, opportunity identification, and risk management.
<b>Previous Associations</b>	Secretary at the National Cooperative Development & Advisory Council, Partner at Aardee Interiorwale since 2019.

<b>Key Management Persons Name -</b>	<b>Ashish Saxena</b>
<b>Age</b>	34
<b>Designation and experience</b>	Promoter and Whole Time Director, with over 12 years of experience in the infrastructure and construction sectors.
<b>Qualification</b>	Post-Graduation Programme in Construction Management (National Institute of Construction Management and Research), B.Tech in Civil Engineering (Krishna Institute of Engineering & Technology).
<b>Roles &amp; Responsibility</b>	Managing infrastructure projects and strategic initiatives within the company.
<b>Previous Associations</b>	Project Engineer at Keltech Infrastructure Limited for over 4 years, Site Engineer at Manisha Projects Private Limited for 1 year, Director at NACDAC Infrastructure Limited (formerly Uma Infratech Pvt. Ltd. and Uma Infratech Ltd.) for over 7 years.

<b>Key Management Persons Name -</b>	<b>Uma Sharma</b>
<b>Age</b>	56
<b>Designation &amp; experience</b>	Promoter and Non-Executive Director, with experience in strategic oversight and operational management since March 2019.
<b>Qualification</b>	Bachelor's degree in commerce (Monad University).
<b>Roles &amp; Responsibility</b>	Overseeing all functions within NACDAC Infrastructure Limited and NACDAC Foods, ensuring smooth operation and sustained growth.
<b>Previous Associations</b>	Director at NACDAC Infrastructure Limited and NACDAC Foods.

**Apoorva Dwivedi Mahendra**

Apoorva Dwivedi Mahendra serves as the Non-Executive Independent Director of the company. She holds a Company Secretary Degree, Diplomas in Intellectual Property Law and Cyber Law, and a Bachelor's in LLB. With over 12 years of experience, she has worked on legal research projects with esteemed jurists and is the founder of ACS Jewels and Stones Pvt Ltd.

**Babbal Singh**

Babbal Singh is the Non-Executive Independent Director, holding a Bachelor's degree in Arts. He serves as Director at Sunidhi Buildcon Pvt Ltd, bringing expertise in the infrastructure sector.

## FINANCIAL SNAPSHOT

Statement of Profit and Loss				Amt in Lakhs.
Particulars	FY 22	FY 23	FY 24	Oct-24
Revenue from Operations	1,030.73	1,172.19	3,629.68	1,371.95
Other Income	1.37	1.73	3.54	4.27
<b>Total Income</b>	<b>1,032.10</b>	<b>1,173.92</b>	<b>3,633.22</b>	<b>1376.22</b>
<b>Expenses</b>				
Cost of Material Consumed	503.36	820.98	3,004.38	1,167.67
Direct Expenses	95.72	192.79	365.45	245.98
Changes in inventories of Work-in-progress	232.33	-99.71	-480	-466.49
Employee Benefit Expenses	89.1	96.69	125.23	85.5
Finance Cost	21.88	22.97	59.91	60.96
Depreciation and Amortization Expense	13.9	12.49	24.26	15.83
Other expenses	34.24	52.34	105.94	49.83
<b>Total Expenses</b>	<b>990.53</b>	<b>1,098.55</b>	<b>3,205.17</b>	<b>1,159.28</b>
<b>EBITDA</b>	<b>143.20</b>	<b>109.10</b>	<b>508.68</b>	<b>262.50</b>
<b>EBITDA Margin</b>	<b>13.89%</b>	<b>9.31%</b>	<b>14.01%</b>	<b>19.13%</b>
<b>Profit/(Loss) before tax</b>	<b>41.57</b>	<b>75.37</b>	<b>428.05</b>	<b>216.94</b>
<b>Tax Expense</b>				
Current tax	11.44	19.61	112.85	57.94
Deferred Tax	-1.42	-0.39	-1.7	-1.42
<b>Total Tax</b>	<b>10.02</b>	<b>19.22</b>	<b>111.15</b>	<b>56.52</b>
<b>Profit/(Loss) for the year</b>	<b>31.55</b>	<b>56.15</b>	<b>316.90</b>	<b>160.42</b>
<b>Net Profit Margin</b>	<b>3.06%</b>	<b>4.79%</b>	<b>8.73%</b>	<b>11.66%</b>

Statement of Assets and Liabilities				Amt in Lakhs.
Particulars	FY 22	FY 23	FY 24	Oct-24
<b>EQUITY AND LIABILITIES</b>				
<b>1. Shareholders' funds</b>				
Share Capital	437.58	464.15	766.51	766.51
Reserves and surplus	47.19	117.05	434.29	594.71
<b>Total Equity</b>	<b>484.77</b>	<b>581.20</b>	<b>1,200.80</b>	<b>1,361.22</b>
<b>2. Non-current liabilities</b>				
Long-Term borrowings	-	-	49.84	128.35
Long-term provisions	5.9	6.57	9.1	10.73
<b>Total Non-current liabilities</b>	<b>5.90</b>	<b>6.57</b>	<b>58.94</b>	<b>139.08</b>
<b>3. Current liabilities</b>				
Short Term Borrowings	189.92	9.49	593.4	682.82
Trade Payables				
(i) Total outstanding dues of MSME	-	-	-	-
(ii) Total outstanding dues of creditors other than MSME	136.91	102.21	215.61	234.36
Other Current Liabilities	82.62	545.83	364.06	574.71
Short-term provisions	0.68	0.79	26.95	30.59
<b>Total Current liabilities</b>	<b>410.13</b>	<b>658.32</b>	<b>1,200.02</b>	<b>1,522.48</b>
<b>Total Liabilities</b>	<b>416.03</b>	<b>664.89</b>	<b>1,258.96</b>	<b>1,661.56</b>
<b>Total Equity and Liabilities</b>	<b>900.80</b>	<b>1,246.09</b>	<b>2,459.76</b>	<b>3,022.78</b>
<b>ASSETS</b>				
<b>1. Non-current assets</b>				
Property, Plant & Equipment	188.67	177.58	225.59	307.56
Non-Current Investments	-	-	7.5	7.5
Deferred Tax Assets (net)	4.34	4.74	6.43	7.86



Recommendation: **AVOID**

Particulars	FY 22	FY 23	FY 24	Oct-24
Other Non-Current Assets	23.95	41.6	93.41	72.2
<b>Total Non-Current assets</b>	<b>216.96</b>	<b>223.92</b>	<b>332.93</b>	<b>395.12</b>
<b>2. Current assets</b>				
Inventories	302.35	416.41	991.54	1,472.96
Trade Receivables	143.6	237.46	392.05	327.09
Cash & Cash equivalents	36.33	56.04	187.27	340.21
Short term loans and advances	201.56	312.26	555.43	486.86
Other Current Assets	-	-	0.54	0.54
<b>Total Current assets</b>	<b>683.84</b>	<b>1,022.17</b>	<b>2,126.83</b>	<b>2,627.66</b>
<b>Total Assets</b>	<b>900.80</b>	<b>1,246.09</b>	<b>2,459.76</b>	<b>3,022.78</b>

Cash Flow Statement				Amt in Lakhs.
Particulars	FY 22	FY 23	FY 24	Oct 24
Net Cash Flow from Operating Activities	-141.29	164.44	-761.58	146.78
Net Cash Flow from Investing Activities	-4.54	-0.27	-76.91	-94.72
Net Cash Flow from Financing Activities	79.73	-163.12	876.54	106.97

Key Ratios									
<u>Per Share Data</u>	FY 22	FY 23	FY 24	FY 25*	<u>Valuation Ratios (x)</u>	FY 22	FY 23	FY 24	FY 25*
Diluted EPS	0.44	0.75	4.14	2.61	EV/EBITDA	3.13	4.90	3.26	4.75
BV per share	11.08	12.52	15.67	24.55	Market Cap / Sales	3.57	3.14	1.01	1.57
<b><u>Operating Ratios</u></b>					P/E	79.55	46.67	8.45	13.43
EBITDA Margins	13.89%	9.31%	14.01%	21.10%	Price to Book Value	3.16	2.80	2.23	1.08
PAT Margins	3.06%	4.79%	8.73%	11.66%	<b><u>Solvency Ratios</u></b>				
Inventory days	107.07	129.66	99.71	229.13	Debt / Equity	0.00	0.02	0.54	0.28
Debtor days	50.85	73.94	39.42	50.88	Current Ratio	1.67	1.55	1.77	1.73
Creditor days	48.48	31.83	21.68	38.91	Quick Ratio	0.93	0.92	0.95	0.76
<b><u>Return Ratios</u></b>					Asset Turnover	1.14	0.94	1.48	0.45
RoCE	26.35%	16.44%	38.45%	19.86%	Interest coverage Ratio	1.45	4.21	8.09	6.92
RoE	6.51%	9.66%	26.39%	11.08%					

**LEAD MANAGER TRACK RECORD –**

The lead manager to the issue is GYR Capital Advisors Private Limited.

A table has been set below highlighting the details of the IPO of the last companies handled by the Lead Manager in recent times –

**GYR Capital Advisors Private Limited –**

Sr. No.	Company Name	Issue Size in Cr.	Issue Price/Share (In INR)	Listing Date	CMP* (INR)
1.	Emerald Tyre Manufacturers Limited	49.26	95.00	Dec 12, 2024	186.90
2.	Rajputana Biodiesel Limited	24.70	130.00	Dec 03, 2024	274.55
3.	Freshara Agro Exports Limited	75.39	116.00	Oct 24, 2024	154.60
4.	Lakshya Powertech Limited	49.91	180.00	Oct 23, 2024	309.00
5.	Afcom Holdings Limited	73.83	108.00	Aug 09, 2023	926.50
6.	Sathlokhar Synergys E&C Global Limited	92.93	140.00	Aug 06, 2019	507.20
7.	S A Tech Software India Limited	23.01	59.00	Aug 02, 2024	143.20
8.	Petro Carbon and Chemicals Limited	113.16	171.00	Jul 02, 2024	214.35
9.	Medicamen Organics Limited	10.54	34.00	Jun 28, 2024	58.60
10.	HOAC Foods India Limited	5.54	48.00	May 24, 2024	125.00

The company has handled 31 mandates in the last three years (including current year).

\*CMP for the above-mentioned companies is taken as of 18<sup>th</sup> Dec 2024.

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



### Recommendation -

The company has been operating since 2012, gaining considerable experience in the infrastructure sector. Despite the impressive 88% CAGR growth in the past three years and consistently rising PAT and EBITDA margins, the company's RoCE and RoE have shown wide fluctuations. While the company has maintained a low debt-to-equity ratio, there is a missed opportunity to leverage borrowings, especially considering the capital-intensive nature of the industry. The company is raising only ₹10 crore, which may not have a significant impact on its growth given the capital requirements for infrastructure development.

The sudden revenue spike of 209.49% from FY23 to FY24 is attributed to the successful execution of large-scale infrastructure projects, an increase in project backlog conversion, and the acquisition of high-value government and private contracts. Expansion into new regions has also contributed to this growth.

Post-issue, the company's annualized P/E stands at 13.43, which appears to be fairly priced.

While the company shows strong growth potential, it operates in a fragmented and competitive market, and there are more unique opportunities available for investment in the fast-growing infrastructure sector.

For the above stated reasons, Investors should **AVOID** this IPO for the time being and monitor the company's performance post-listing.

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