

## RETAIL EQUITY RESEARCH

# Ceigall India Ltd.

Construction &amp; engineering

SENSEX: 81,741

NIFTY: 24,951

**SUBSCRIBE**

Price Range Rs.380- Rs.401

## An emerging EPC Player..

Ceigall India Ltd. (CIL), founded in 2002, specializes in constructing state and national highways, elevated corridors, bridges, flyovers, and rail overbridges, along with highway maintenance. The company's operations are divided into Engineering, Procurement & Construction (EPC), Hybrid Annuity Model (HAM), and Operation & Maintenance (O&M) projects, covering ten states in India. CIL has completed over 34 projects, including 16 EPC, one HAM, five O&M, and 12 Item Rate projects. Currently, it is managing 18 ongoing projects, comprising 13 EPC and five HAM projects. CIL's clients include public sector entities like IRCON, MES, and BSRDCL.

- With the GoI maintaining a strong emphasis on infrastructure development and a substantial budget allocation for capital expenditure (3.4% of GDP), the company is well-positioned to capitalize on industry growth.
- The company has consistently grown in revenue and profitability, with revenue, EBITDA, and PAT achieving a CAGR of 63.5%, 66.9%, and 55.5%, respectively, from fiscal 2022 to 2024.
- In FY24, the EBITDA margin and PAT margin stood at 17% and 10%, respectively. Return ratios have remained strong, with RoE at 33.6% and RoCE at 31.9% for the same period.
- As of June 2024, CIL holds an order book valued at ₹9,471cr., which is 3.2 times its FY24 revenue, ensuring strong revenue visibility for the coming years. The order book comprises 61% EPC and 39% HAM projects.
- With NHAI projects constituting 80% of CIL's order book, which will lead to an unhindered execution of projects and thereby supporting the working capital cycle.
- CIL has a consolidated debt-to-equity ratio of 1.3x in FY24. By utilizing ₹413.4 cr. of IPO proceeds for debt payment, the company's debt/equity reduces to 0.5x.
- At the upper price band of ₹401, CIL is available at a P/E ratio of 23x (FY24), which is expensive compared to its peers. However, its strong order book (21% CAGR during FY22-24), favorable market cap to order book ratio (0.8x), and order book to sales ratio of 3.1x compared to industry average of 2.5x, all support premium valuation. Additionally, the Company is positioned to benefit from sector growth and has a proven track record of completing projects ahead of schedule. Thus, we assign a "Subscribe" rating for the long term.

### Purpose of IPO

The offering includes both a fresh issue of ₹684.25cr and an Offer-for-Sale (OFS) of ₹568.41cr. The objective of the offer is the repayment and/or prepayment of portion of certain outstanding borrowings availed by the company & its subsidiary, Ceigall Infra Projects Pvt. Ltd (₹413.4cr), funding purchase of equipment (₹99.8cr) and other general corporate purpose.

### Key Risks

- Delays in land acquisition and approvals may affect timely performance of contracts.
- Volatility in raw material costs can disrupt project cost and impact overall profitability.

### Peer Valuation

Company	MCap(₹ cr)	Sales (₹ cr)	EBITDA(%)	PAT (%)	EPS(₹)	RoE (%)	Mcap/O.B (x)	P/E(x)	Order Book (Rs.cr)	O.B/Sales(x)	D/E(x)	CMP
Ceigall India Ltd	6,985	3,029.0	17.1	10.0	17.5	33.6	0.8	23.0	9,225.7	3.1	1.2	401
KNR Constructions	11,280	4,090.9	17.6	12.1	17.5	15.0	2.1	22.2	5,304.8	1.3	0.0	389
J Kumar InfraProjects	6,583	4,879.2	15.0	6.7	43.4	12.0	0.3	19.4	21,011	4.3	0.2	841
PNC Infratech Ltd	13,095	7,273.0	16.6	11.7	33.1	18.0	0.8	15.6	15,490	2.1	1.6	515
H.G Infra Engineering	10,690	5,121.7	16.1	10.7	84.0	24.0	0.9	19.8	12,434	2.4	0.6	1,659

Source: Geojit Research, Bloomberg; Valuations of CIL is based on upper end of the price band (post issue).

Issue Details	
Date of opening	August 1, 2024
Date of closing	August 5, 2024
Total No. of shares offered (cr.)	3.12
Post Issue No. of shares (cr)	17.4
Price Band	₹380- ₹401
Face Value	₹5
Bid Lot	37 Shares
Minimum application for retail (upper price band for 1 lot)	₹ 14,837
Maximum application for retail (upper price band for 13 lot)	₹ 1,92,881
Listing	BSE,NSE
Lead Managers	ICICI Securities Ltd, IIFL Securities Ltd, JM Financial Ltd

Registrar	Link Intime India Pvt Ltd
Issue size (upper price)	Rs.cr
Fresh Issue	684.25
OFS	568.4
<b>Total Issue</b>	<b>1,252.7</b>

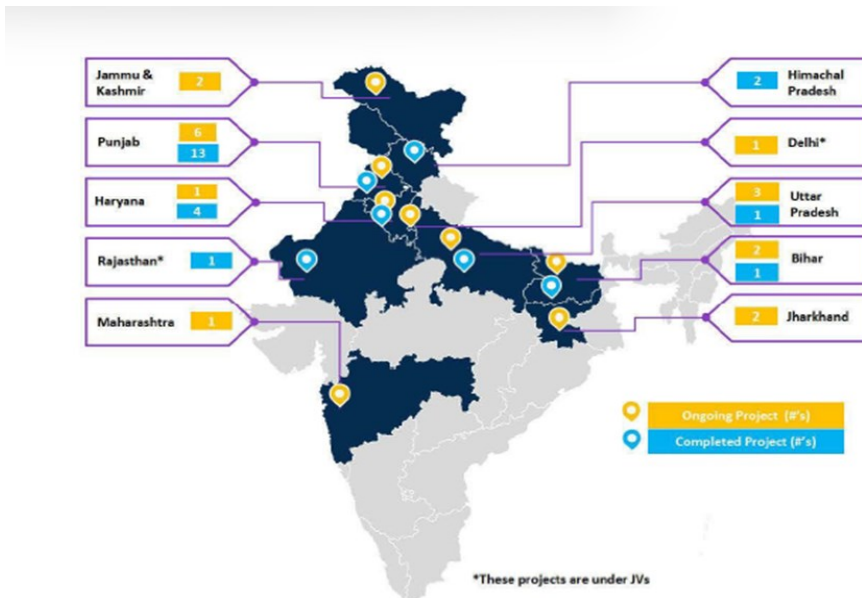
Shareholding (%)	Pre-Issue	Post Issue
Promoter & Promo. Group.	100.0	82.0
Public-Others	0.0	18.0
<b>Total</b>	<b>100.0</b>	<b>100.0</b>

Issue structure	Allocation (%)	Size Rs.cr
Retail	35	437.7
Non-Institutional	15	187.6
QIB	50	625.4
Employee	-	2.0
<b>Total</b>	<b>100</b>	<b>1,252.7</b>

Y.E March (Rs cr) Consol.	FY22	FY23	FY24
<b>Sales</b>	<b>1,133.8</b>	<b>2,068.2</b>	<b>3,029.4</b>
Growth (%)	-	82.4	46.5
<b>EBITDA</b>	<b>185.9</b>	<b>295.6</b>	<b>517.7</b>
Margin(%)	16.4	14.3	17.1
<b>PAT Adj.</b>	<b>125.9</b>	<b>167.3</b>	<b>304.3</b>
Growth (%)	-	32.9	81.9
<b>EPS</b>	<b>7.2</b>	<b>9.6</b>	<b>17.5</b>
<b>P/E(x)</b>	<b>55.5</b>	<b>41.8</b>	<b>23.0</b>
EV/EBITDA (x)	39.7	26.3	15.8
RoE (%)	29.2	28.2	33.6

## Project Portfolio

Over the last two decades, Company has transitioned from a small construction company to an established engineering, procurement and construction (EPC) player, demonstrating expertise in the design and construction of various road and highway projects including specialized structures (*Source: CARE Report*) with over 20 years of experience in the industry. Company has 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 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 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.



Particulars	FY22 % of Revenue	FY23 % of Revenue	FY24 % of Revenue
EPC	74.0%	78.9%	66.1%
HAM	23.0%	17.3%	26.3%
O&M	0.5%	0.4%	0.3%

State	% Revenue from Operations		
	FY22	FY23	FY24
Punjab	40.1%	50.3%	50.5%
J&K	1.6%	9.2%	13.7%
Haryana	53.5%	2.2%	9.5%
Himachal Pradesh	4.4%	4.0%	0.9%
Maharashtra	0.4%	1.0%	0.8%
Madhya Pradesh	-	-	0.4%
Bihar	-	-	1.3%
Uttar Pradesh	-	33.3%	23.0%
Total	100%	100%	100%

Source : RHP, Geojit Research

### Healthy Order Book giving long term revenue visibility

Order Book, as on June 30, 2024 and Fiscals 2024, 2023 and 2022, is as below

Particulars	FY22	FY23	FY24	As on June,30 2024
Order Book (Rs.Cr)	6346.0	10809.0	9225.8	9470.8
Book to Bill Ratio (in times)	5.6	5.2	3.1	-

Category	No.of Projects	Total project Value Rs.Cr	Order Book (%)
HAM Projects	5	3735.2	39%
EPC Projects	13	5735.7	61%
State	No.of Projects	Total project Value Rs.Cr	Order Book (%)
Punjab	7	2697.1	28.5%
J&K	2	728.2	7.7%
Haryana	1	194.7	2.1%
Maharashtra	1	9.946	0.1%
Jharkhand	2	2651	28.0%
Bihar	2	2461.4	26.0%
Uttar Pradesh	3	728.4	7.7%

Source : RHP, Geojit Research

## Key strategies

- Diversification by leveraging existing capabilities
- Selectively expand our geographical footprint
- Continue to explore hybrid annuity-based model to optimize our project portfolio
- Continue focusing on enhancing execution efficiency
- Continue to grow and benefit from the robust future growth of India's economy and infrastructure

## Industry outlook

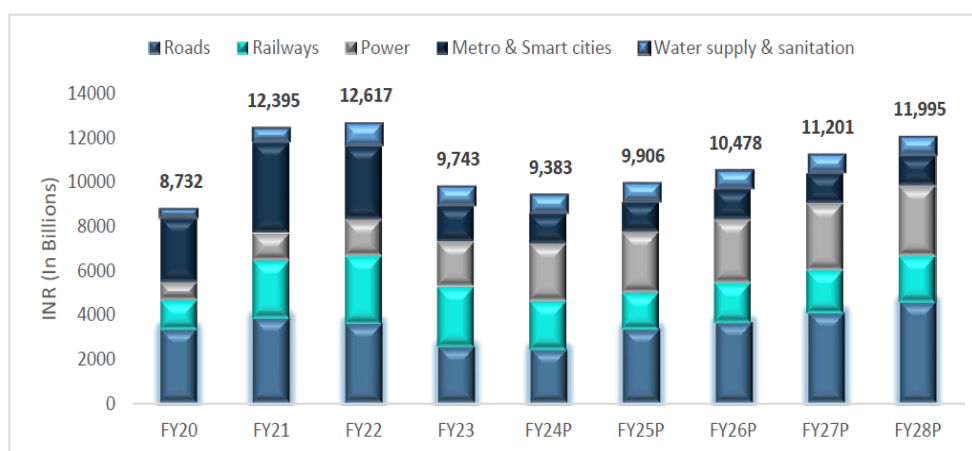
### Overview of Infrastructure Industry in India

The Indian infrastructure to play major role with around 3% contribution to GDP as on FY23. Care Edge estimates India's infrastructure industry investments of Rs. 52,962 billion between FY24-FY28. India's economic growth is fueled by a diverse range of sectors, of which infrastructure is a vital sector. With the growing population, the long-term need for robust infrastructure is necessary for economic development. This generates the need for massive investments in the development and modernization of infrastructure facilities which will not only cater to the growing demand but will also ensure competitiveness in the global market.

### Budgetary Outlay Toward Infrastructure and Governmental Infra-Projects

One of the key drivers for economic growth is the increased infrastructure investment thrust by the government. 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. 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

Continued High Investment Momentum in Indian Key Infrastructure Sectors



Source: CareEdge Research

Source: RHP, Geojit Research

## Promoter and promoter group

Ramneek Sehgal, Ramneek Sehgal and Sons HUF and RS Family Trust are the Promoters of the company.

## Brief Biographies of directors

- **Ramneek Sehgal** is the Managing Director and one of the Promoters of the company. He has been associated with the company since its incorporation.
- **Puneet Singh Narula** is the Whole-Time Director of the company. He has been associated with the company since May 2, 2023
- **Arun Goyal** is an Independent Director of the company. He has been associated with the company since March 1, 2021.
- **Vishal Anand** is an Independent Director of our Company. He has been associated with our Company since October 26, 2021.
- **Gurpreet Kaur** is an Independent Director of the company. She has been associated with the company since October 26, 2021
- **Anisha Motwani** is an Independent Director of the company. She has been associated with the company since February 10, 2024

## CONSOLIDATED FINANCIALS

### PROFIT & LOSS

Y.E March (Rs cr)	FY22	FY23	FY24
Sales	1,133.8	2,068.2	3,029.4
% change	-	82.4	46.5
<b>EBITDA</b>	<b>185.9</b>	<b>295.6</b>	<b>517.7</b>
% change	-	59	75
Depreciation	18.6	37.6	55.0
<b>EBIT</b>	<b>167.3</b>	<b>258.0</b>	<b>462.7</b>
Interest	10.5	51.7	94.2
Other Income	12.7	18.9	36.8
Exceptional items	-	-	-
<b>PBT</b>	<b>169.5</b>	<b>225.2</b>	<b>405.4</b>
% change	-	33	80
Tax	43.6	57.9	101.0
Tax Rate (%)	26	26	25
<b>Reported PAT</b>	<b>125.9</b>	<b>167.3</b>	<b>304.3</b>
Adj	-	-	-
<b>Adj. PAT</b>	<b>125.9</b>	<b>167.3</b>	<b>304.3</b>
% change	-	32.9	81.9
Post issue No. of shares (cr)	17.4	17.4	17.4
<b>Adj EPS (Rs)</b>	<b>7.2</b>	<b>9.6</b>	<b>17.5</b>
% change	-	32.9	81.9

### BALANCE SHEET

Y.E March (Rs cr)	FY22	FY23	FY24
Cash	192.1	360.7	368.1
Accounts Receivable	95.9	316.3	429.8
Inventories	38.6	106.9	118.3
Other Cur. Assets	246.6	176.2	251.2
Investments	124.0	322.6	445.0
Deff. Tax Assets	2.4	10.9	8.9
Net Fixed Assets	125.5	246.0	296.0
CWIP	3.9	1.8	2.0
Intangible Assets	0.1	2.8	5.0
Other Assets	129.9	283.4	667.9
<b>Total Assets</b>	<b>959</b>	<b>1,828</b>	<b>2,592</b>
Current Liabilities	130.7	419.4	436.7
Provisions	3.8	4.0	4.8
Debt Funds	387.7	791.2	1,214.2
Other Fin. Liabilities	5.7	17.2	30.1
Deferred Tax liability	-	2.9	-
<b>Equity Capital</b>	<b>39.3</b>	<b>39.3</b>	<b>78.6</b>
<b>Reserves &amp; Surplus</b>	<b>392.0</b>	<b>553.8</b>	<b>809.2</b>
Shareholder's Fund	431.3	593.1	906.4
<b>Total Liabilities</b>	<b>959</b>	<b>1,828</b>	<b>2,592</b>
<b>BVPS (Rs)</b>	<b>24.8</b>	<b>34.0</b>	<b>52.0</b>

### CASH FLOW

Y.E March (Rs cr)	FY22	FY23	FY24
PBT Adj.	169.5	225.2	405.4
Non-operating & non cash adj.	18.5	74.5	117.5
Changes in W.C	-322.5	-372.4	-733.7
<b>C.F. Operating</b>	<b>-135</b>	<b>-73</b>	<b>-211</b>
Capital expenditure	-77.4	-146.0	-107.9
Change in investment	-	-	-
Sale of investment	-86.2	12.2	69.7
Other invest.CF	-	-	-
<b>C.F - investing</b>	<b>-163.6</b>	<b>-133.8</b>	<b>-38.2</b>
Issue of equity	-0.5	-	20.2
Issue/repay debt	320.6	383.6	360.6
Dividends paid	-	-5.9	-11.8
Other finance.CF	-10.5	-51.7	-94.2
<b>C.F - Financing</b>	<b>309.6</b>	<b>326.0</b>	<b>274.9</b>
Change. in cash	11.4	119.4	25.9
Opening Cash	86.0	97.5	216.9
Closing cash	97.5	216.9	242.9

### RATIOS

Y.E March	FY22	FY23	FY24
<b>Profitab. &amp; Return</b>			
EBITDA margin (%)	16.4	14.3	17.1
EBIT margin (%)	14.8	12.5	15.3
Net profit mgn.(%)	11.1	8.1	10.0
ROE (%)	29.2	28.2	33.6
ROCE (%)	29.8	28.6	32.0
<b>W.C &amp; Liquidity</b>			
Receivables (days)	31	36	45
Inventory (days)	16	16	17
Payables (days)	18	63	41
Current ratio (x)	5.2	3.0	3.7
Quick ratio (x)	2.2	1.6	1.8
<b>Turnover &amp; Levq.</b>			
Net asset T.O (x)	9.0	11.1	11.2
Total asset T.O (x)	1.2	1.5	1.4
Int. covge. ratio (x)	15.9	5.0	4.9
Adj. debt/equity (x)	0.9	1.3	1.3
<b>Valuation ratios</b>			
EV/Sales (x)	6.5	3.8	2.7
EV/EBITDA (x)	39.7	26.3	15.8
P/E (x)	55.5	41.8	23.0
P/BV (x)	16.2	11.8	7.7

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