

CEIGALL INDIA LTD

01-08-2024 TO 05-08-2024

Industry: Civil Construction

Price Band: ₹380 - 401

Recommendation: Subscribe for Long Term

Post Implied Market Cap: – ₹6,655- ₹6,985 Cr

Key Data

Issue Size (₹ Cr)	1,223 - 1,253
Fresh (₹)	684
OFS (₹)	568.41
No. of shares offered	17,063,591
Face Value (₹ /share)	5
Bid Lot	37

About the Company

Ceigall India Ltd (Ceigall) is an infrastructure construction company specializing in projects such as elevated roads, flyovers, bridges, tunnels, highways, expressways and runways. The company is one of the fastest-growing EPC firms among those with a turnover exceeding ₹ 1,000 cr in Fiscal 2024. Over the past two decades, Ceigall has evolved from a small construction company into an established EPC player, showcasing expertise in designing and constructing various road and highway projects across 10 Indian states.

Investment Rationales

- One of the fastest growing EPC company with an experience in executing specialised structures:** Ceigall has achieved significant growth, with a YoY revenue increase of approx 43.10% in FY2024 and a CAGR of 50.13% from FY2021 to FY2024. With over 20 years of experience, the company has expertise in constructing major road and highway projects, including expressways and specialized structures like elevated roads and tunnels across various Indian states. The company's consistent order book growth is attributed to its focus on road projects, strong technical capabilities, quality performance and financial strength, enabling them to win new projects successfully.
- Healthy order book giving long term revenue visibility:** Ceigall has diversified its skills and order book across different business and geographical regions, allowing the company to pursue a wider range of project tenders and enhance business volume and profit margins. The company's consistent order book growth stems from its experience, quality construction standards and strong project execution skills. Currently, the total project cost for ongoing NHAI EPC projects stands at ₹ 3,871.06 cr, while completed projects amount to ₹ 3,947.66 cr. Ceigall is also empanelled with Delhi Metro Rail Corporation Ltd for future railway, bridge and tunnel projects in India and abroad, and with a public sector undertaking for similar projects in north eastern India. This growth has significantly bolstered their financial strength over the last three fiscal years.
- Demonstrated project development, execution and operational capabilities:** Company has completed over 34 projects, including various types like EPC, HAM, O&M and Item Rate Projects, in the roads and highways sector. They currently have 18 ongoing projects, including elevated corridors, bridges, tunnels, expressways and more. As of March 31, 2024, they have constructed over 1,739.88 lane kilometres, including specialized structures. The recent acquisition of a 50% stake in M/s R.K. Infra is expected to enhance their project execution capabilities. With multiple ongoing projects, having ready access to equipment is crucial for efficient project execution, timely completion, and bidding on additional complex projects.
- Efficient business model:** Ceigall growth is driven by an efficient business model that emphasizes careful project selection and cost optimization. This approach has maximized efficiency and profit margins. They adopt a strategic approach in the pre-bidding stage, including technical surveys and feasibility studies, to assess project feasibility and costs. Additionally, their integrated inventory management system helps manage inventory efficiently, ensuring timely and cost-effective resource mobilization.

Indicative Timetable

Activity	On or about
Finalisation of Basis of Allotment	06-08-2024
Refunds/Unblocking ASBA Fund	07-08-2024
Credit of equity shares to DP A/c	07-08-2024
Trading commences	08-08-2024

Shareholding (No. of shares)

Pre-Issue	157,136,000
Post Issue (Lower price band)	175,148,480
Post Issue (Higher price band)	174,204,862

Shareholding Pattern

Promoter:	
Pre Issue	85.37%
Post Issue	70.24%

Promoter Group:	
Pre Issue	14.62%
Post Issue	11.82%

Public - Investor Selling S/h:	
Pre Issue	0.01%
Post issue	0.01%

Public - Others:	
Pre Issue	-
Post Issue	17.94%

Issue Breakup

QIB	50%
NIB	15%
Retail	35%

Other Details

BRLMs: ICICI Securities, IIFL Securities, JM Financial

Registrar: Link Intime India Pvt. Ltd.

Listing: BSE & NSE

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Risk

- Higher dependency on governmental authority's contracts.
- High capital intensive business.

MView

We believe Ceigall India Ltd IPO gives Investors an opportunity to invest in a leading infrastructure construction company known for its expertise in executing complex structural projects. The company specializes in constructing elevated roads, flyovers, bridges, railway overpasses, tunnels, highways, expressways and runways. We think company's impressive revenue growth, driven by a strategic focus on specialized structures and road projects, underscores its technical expertise and market demand for its services. With a diverse order book spanning various regions and project types, Ceigall is well-positioned for sustained revenue visibility and profitability.

By looking at the financials, the company has shown a substantial growth in revenue from operations/net profit from 82.41%/32.9% in FY 2023 to 46.5%/81.90% in FY 2024. On valuation parse at the upper band of ₹ 401/-, the issue is asking for a market cap of ₹ 6985cr. Based on FY 2024 earnings and fully diluted post-IPO paid-up capital, the company is asking for PE of 22.96x, which appears fully priced compared to its listed industry peers. While company's Book to bill, which offers revenue visibility stands at over 3 years which is at the higher end compared to industry peers.

Given its efficient business model, emphasizing careful project selection and cost optimization, has consistently maximized profit margins and operational efficiency. Hence, we recommend investors to "SUBSCRIBE" the Ceigall India Ltd IPO for long term perspective.



CONSOLIDATED FINANCIAL TABLES

BASIC FINANCIAL DETAILS

Particulars ₹ (in Cr)	As at March' 31		
	2024	2023	2022
Equity Share Capital	78.57	39.28	39.28
Net Worth	906.41	593.06	431.25
Borrowings - Current	413.76	332.50	145.91
Borrowings - Non Current	647.36	367.60	170.40
Revenue from Operations	3,029.35	2,068.17	1,133.79
Revenue Growth (%) as stated	46.47%	82.41%	-
EBITDA	517.66	295.63	185.92
EBITDA Margin (%)	17.09%	14.29%	16.40%
Net Profit for the Year	304.31	167.27	125.86
Net Profit Margin (%)	10.05%	8.09%	11.10%
EPS - Basic & Diluted (₹)	19.37	10.65	8.01
RoCE (%)	31.98%	28.67%	29.84%
Debt Equity ratio	1.17	1.18	0.73
NAV (₹)	57.68	75.48	54.89
ROE (%)	33.57%	28.20%	29.19%

Source: Company RHP

COMPARISON WITH INDUSTRY LISTED PEERS ₹ (in Cr)

Companies	Mcap (in Cr)	FV	Operating Revenue FY 2024 (in Cr)	EPS	NAV	P/E	P/B	RoNW (%)
Ceigall India Ltd	6,985	5	3,029.35	17.47	52.03	23.0	7.7	33.6%
PNC Infratech Ltd	13,089	2	8,649.87	35.45	202.11	14.4	2.5	17.54%
GR Infraprojects Ltd	17,244	5	8,980.15	136.90	786.27	15.8	2.2	17.40%
H G Infra Engineering Ltd	10,696	10	5,378.48	82.64	376.71	20.4	4.4	21.94%
KNR Constructions Ltd	11,328	2	4,429.49	27.64	124.37	15.0	3.2	21.51%
ITD Cementation Ltd	8,934	1	7,717.87	15.93	87.21	32.6	6.0	18.30%
J Kumar Infraprojects Ltd	6,607	5	4,879.21	43.71	349.44	20.2	2.5	12.51%

Date as on 31st March 2024, Cline Mcap,PE, calculated as on 31-07-2024

Ceigall India Ltd, Revenue EPS/PE, P/B, NAV calculated on annualised basis post money



MSEARCH

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Msearch's Recommendation (Absolute Performance)

Buy: > 20% within the next 12 Months

Accumulate: 5% to 20% within the next 12 Months

Sell : < -20% within the next 12 Months

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