

July 09, 2024

## Ceigall Infra Projects Private Limited: [ICRA]A-(Stable)/[ICRA]A2+ assigned

### Summary of rating action

| Instrument*                                      | Current Rated Amount<br>(Rs. crore) | Rating Action                         |
|--|-------------------------------------|---------------------------------------|
| Long-term – Fund-based – Cash credit             | 20.0                                | [ICRA]A-(Stable); assigned            |
| Long-term/short-term – Fund-based/Non-fund based | 30.0                                | [ICRA]A-(Stable)/ [ICRA]A2+; assigned |
| <b>Total</b>                                     | <b>50.0</b>                         |                                       |

\*Instrument details are provided in Annexure-I

### Rationale

The ratings assigned to the bank facilities of Ceigall Infra Projects Private Limited (CIPPL) favourably factor in its strong parentage by virtue of being a wholly-owned subsidiary of Ceigall India Limited (CIL). CIPPL derives strength from the operational, financial and managerial support from its parent entity, i.e., CIL. While CIPPL has been recently established with limited track record in executing civil construction projects, CIL has an extensive experience with strong execution capabilities and demonstrated track record of constructing road projects. CIPPL is also strategically important for CIL, owing to its status as one of the holding companies for undertaking developmental projects viz. hybrid annuity model (HAM) road projects of the Ceigall Group. Further, the order book related to HAM projects of the Group provides healthy medium-term revenue visibility, as CIPPL is undertaking the related engineering, procurement and construction (EPC) works.

CIL witnessed a healthy growth in operating income at a CAGR of 30.1% over the last five years to Rs. 2,954.8 crore in FY2024, with a comfortable order book position of ~Rs. 9,204 crore as on January 31, 2024 (~3 times of its OI in FY2024) providing medium-term revenue visibility. CIL's order book comprises primarily road construction works from the National Highways Authority of India (NHAI, rated as [ICRA]AAA(Stable)), which is a strong counterparty. The Group has four active HAM projects that are jointly held by CIL and CIPPL under concession with the NHAI. While CIL is undertaking EPC works for one of the initial HAM projects, the EPC work related to the subsequent HAM projects is being undertaken by CIPPL. CIL has made sizeable long-term investments in HAM projects, which also has incremental equity commitments. ICRA notes that, CIL is planning to raise funds through issuance of fresh equity via initial public offering (IPO). This should help in deleveraging its balance sheet and provide much needed long-term capital to support growth. In the interim, CIL has relied on project-specific term loan, which has helped it in maintaining adequate liquidity cushion and tide over the asset liability mismatch.

The ratings are, however, constrained by CIPPL's sizeable equity commitments for HAM projects in the near term, which will necessitate dependency on CIL to fund the same. ICRA expects that CIPPL will continue to receive financial and operational support from CIL for execution of these projects. CIPPL's share of equity commitment towards the HAM projects till date have been funded by CIL in the form of equity infusion and interest-free unsecured loan, which is expected to continue in the near term as well. The cash flows to be generated from CIL's core construction business, along with available liquidity, are likely to be sufficient to meet the balance requirement. At present, CIPPL has an outstanding order book of ~Rs. 300 crore, pertaining to one of CIL's HAM projects. Going forward, the EPC work for Group's HAM projects will be executed by CIPPL. The company is exposed to high segment concentration risk, with its entire order book concentrated in road sector and the heightened competition in the road sector could exert pressure on the profitability.

The Stable outlook on the long-term rating reflects ICRA's opinion that CIPPL will continue to derive strength from being a 100% subsidiary of CIL and strong operational and financial linkages with CIL. Consequently, ICRA expects that the company would be able to sustain its debt protection metrics commensurate with the rating level, along with a comfortable liquidity.

## Key rating drivers and their description

### Credit strengths

**Strong sponsor profile** – CIPPL is a 100% subsidiary of Ceigall India Limited, having strong operational and financial support from the sponsor. CIL has an established track record of over two decades, majorly in the road construction activities, which supports CIPPL's operational risk profile. The company has successfully completed multiple EPC projects and one HAM project in the past. CIPPL continues to get operational as well as financial support from CIL in terms of new orders, qualified personnel, and meeting any of CIPPL's financial obligations. CIPPL's entire equity commitments for the HAM projects have been funded by CIL by way of equity infusion and interest-free unsecured loans. Such support is expected to continue in the near term as well.

**Order book provides adequate revenue visibility** – The company along with its parent, CIL are undertaking the EPC works for the HAM projects with a total cost of more than Rs. 4,000 crore, which are jointly held by the two. The current order book provides healthy medium-term revenue visibility for CIPPL as well as CIL.

### Credit challenges

**Large equity commitments for HAM projects will necessitate dependency on sponsor to provide funding** – CIL has 4 under-construction HAM projects, jointly held by CIL and CIPPL. The Group has a total equity commitment of ~Rs. 658 crore for these projects, of which ~Rs. 129 crore has already been infused as on date, and the balance equity is likely to be infused over the near-to-medium term. The entire equity, including CIPPL's share has been infused by CIL in the form of equity and unsecured loans, and such support is likely to continue in the near future as well.

**Sectoral concentration risks; exposure to project execution related risks/delays** – At present, CIPPL is executing one of the HAM projects, and has an outstanding order book of only ~Rs. 300 crore. The underlying project is for road construction. Going forward, CIPPL will continue to execute road construction projects resulting in sectoral concentration. Additionally, the company's projects are prone to statutory delays by clients, viz. approvals, site availability, etc. CIPPL is yet to receive the appointed date for two of the HAM projects at present. However, if the deferment is not on the part of CIL, such delays are not expected to materially impact its credit risk profile.

**Stiff competition in sector limits pricing flexibility** – CIPPL is exposed to the cyclical nature inherent in the construction industry and intense competition in the tender-based contract award system, resulting in risk of volatility in order inflows and revenues. The ratings also factor in the stiff competition in the road sector for both EPC and HAM projects, which could exert pressure on its profitability.

### Liquidity position: Adequate

CIPPL's liquidity is expected to remain adequate with steady cash accruals, supported by a healthy working capital cycle. The company's working capital limits has been recently sanctioned, which is majorly utilised. Further, it has repayment obligations of around Rs. 18.1 crore and Rs. 16.0 crore in FY2025 and FY2026 respectively. It has pending equity commitments of ~Rs. 282 crore towards the under-construction HAM projects during FY2025-FY2026, which would be funded by CIL in the form of equity infusion and unsecured loans. CIPPL's estimated cash flows from operations and expected funding support from CIL is likely to be sufficient for meeting its financial obligations.

### Rating sensitivities

**Positive factors** – The rating could be upgraded in case of a significant ramp up in CIPPL's scale of operations, along with healthy profitability and substantial improvement in the debt protection metrics and liquidity position on a sustained basis.

**Negative factors** – The rating could face pressure if there is any deterioration in the credit profile of CIPPL's parent, CIL, or if there is any weakening of support from CIL as reflected by a delay in adequate and timely financial support to meet CIPPL's funding requirements. The ratings could be downgraded in case of significant delay in ramp up of CIPPL's operations, resulting

in lower-than-expected profits. Also, any large debt-funded capex/additional commitment for HAM projects, which would impact the debt protection metrics will also be a credit negative.

## Analytical approach

| Analytical Approach             | Comments  |
|---------------------------------|---|
| Applicable rating methodologies | <a href="#">Corporate Credit Rating Methodology Construction</a>  |
| Parent/Group support            | Ceigall India Limited<br>The ratings assigned to CIPPL factor in the high likelihood of its parent, CIL, extending financial support, given the high strategic importance that CIPPL holds for it. ICRA also expect CIL to be willing to extend financial support to CIPPL out of its need to protect its reputation from the consequences of a Group entity's distress. There is also a track record of CIL extending timely financial support to CIPPL, whenever a need has arisen. |
| Consolidation/Standalone        | Standalone  |

## About the company

Ceigall Infra Projects Private Limited (incorporated on March 31, 2021) is a wholly-owned subsidiary of Ceigall India Limited (CIL), which provides engineering, procurement and construction (EPC) services.

CIL is an infrastructure construction company with experience in undertaking specialised structural work such as elevated roads, flyovers, bridges, railway over bridges, tunnels, highways, expressways and runways. As on January 31, 2024, the company has completed over 34 projects including 16 EPC and 1 HAM project, in the roads and highways sector. Currently, it has 15 ongoing projects, including 11 EPC and 4 HAM projects, which includes elevated corridors, bridges, flyovers, rail over-bridges, tunnels, expressway, runway and multi-lane highways.

## Key financial indicators (audited)

| CIPPL  | FY2023  | FY2024 |
|--|---------|--------|
| Operating income                                     | 4.3     | 227.7  |
| PAT  | 0.4     | 9.5    |
| OPBDIT/OI  | -14.6%  | 9.3%   |
| PAT/OI   | 9.1%    | 4.2%   |
| Total outside liabilities/Tangible net worth (times) | 0.8     | 0.9    |
| Total debt/OPBDIT (times)                            | -68.7   | 3.0    |
| Interest coverage (times)                            | -1548.5 | 13.9   |

Source: Company, ICRA Research; All ratios as per ICRA's calculations; Amount in Rs. crore; PAT: Profit after tax; OPBDIT: Operating profit before depreciation, interest, taxes and amortisation;

## Status of non-cooperation with previous CRA: Not applicable

## Any other information: None

## Rating history for past three years

| Instrument                  | Type                     | Current rating (FY2025)  |                                   | Chronology of rating history for the past 3 years |                         |                         |  |
|-----------------------------|--------------------------|--------------------------|-----------------------------------|---|-------------------------|-------------------------|--|
|                             |                          | Amount rated (Rs. crore) | Date & rating in FY2025           | Date & rating in FY2024                           | Date & rating in FY2023 | Date & rating in FY2022 |  |
| 1 Cash credit               | Long term                | 20.0                     | [ICRA]A-(Stable)<br>July 09, 2024 | -   | -                       | -                       |  |
| 2 Fund-based/Non-fund based | Long term and short term | 30.0                     | [ICRA]A-(Stable)/<br>[ICRA]A2+    | -   | -                       | -                       |  |

## Complexity level of the rated instruments

| Instrument                                       | Complexity Indicator |
|--|----------------------|
| Long-term – Fund-based – Cash credit             | Simple               |
| Long-term/Short-term – Fund-based/Non-fund based | Simple               |

The Complexity Indicator refers to the ease with which the returns associated with the rated instrument could be estimated. It does not indicate the risk related to the timely payments on the instrument, which is rather indicated by the instrument's credit rating. It also does not indicate the complexity associated with analysing an entity's financial, business, industry risks or complexity related to the structural, transactional or legal aspects. Details on the complexity levels of the instruments are available on ICRA's website: [Click Here](#)

**Annexure I: Instrument details**

| ISIN | Instrument Name           | Date of Issuance | Coupon Rate | Maturity | Amount Rated (Rs. crore) | Current Rating and Outlook  |
|------|---------------------------|------------------|-------------|----------|--------------------------|-----------------------------|
| NA   | Cash credit               | NA               | NA          | NA       | 20.0                     | [ICRA]A-(Stable)            |
| NA   | Fund-based/Non-fund based | NA               | NA          | NA       | 30.0                     | [ICRA]A-(Stable)/ [ICRA]A2+ |

Source: Company

[Please click here to view details of lender-wise facilities rated by ICRA](#)

**Annexure II: List of entities considered for consolidated analysis: Not applicable**

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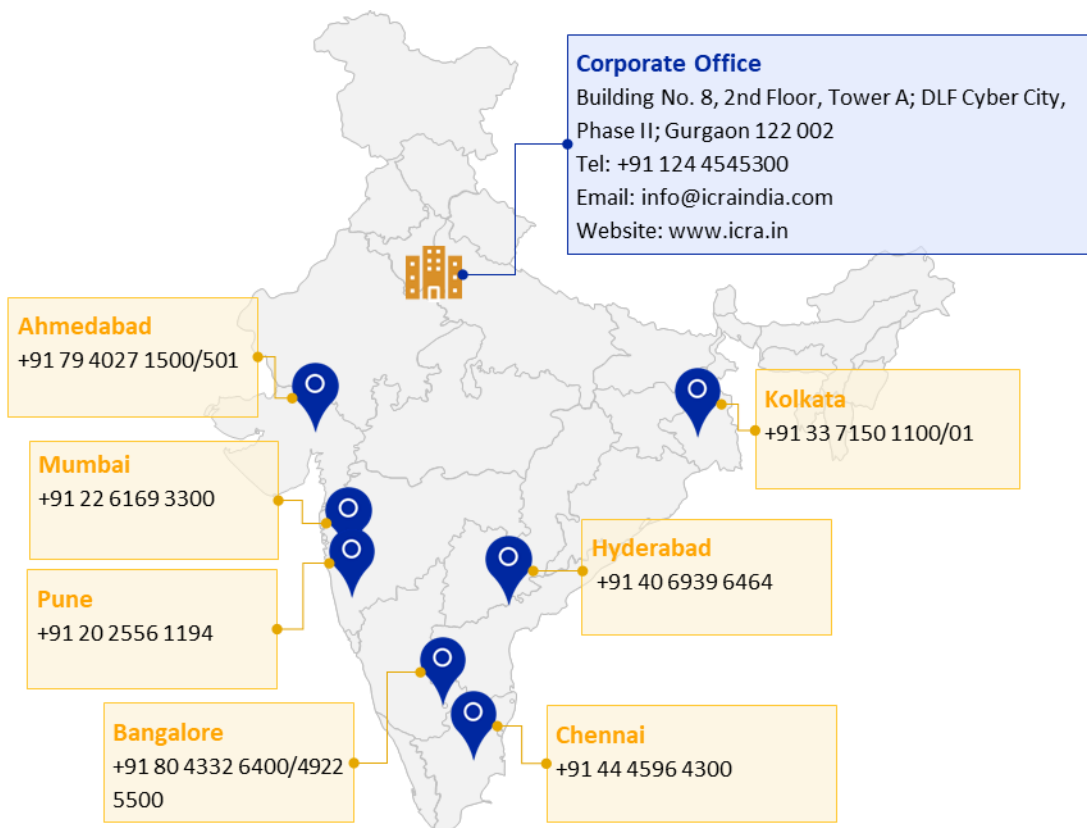
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