

IPO REVIEW

The PE on an annualized and post-IPO basis is around 13.30 times which seems to be fairly priced by looking at the performance of the company and its peers. The company has been doing well and has a good order book. It has ongoing projects worth Rs. 601 cr. on hand. The company has a good order book which can improve the company's revenues in the future, but the company is operating only from Gujarat as of right now, if the company increases its geographical reach outside of Gujarat it will yield good growth.

Company Background

- Chavda Infra Limited was incorporated in the year 2012 and has its registered office in Gujarat.
- The Company is an integrated civil construction company offering a diversified range of construction and allied services across residential, commercial, and institutional projects.
- Since incorporation, the company has constructed well-known buildings and as of May 31, 2023, the company has 26 ongoing projects.
- As of 31st March 23, the Company has 217 employees on its payroll.

IPO Objective

Working Capital Requirements.
Public Issue Expenses.
General Corporate Purposes.

Pre-Issue Shareholding

Category	No. of Shares	% of Total Shares
Promoter & Promoter Group	1,79,99,500	100.00 %
Public	500	0.00 %

Promoter of the Company

1	Mahesh Gunvantlal Chavda
2	Dharmishtha Maheshkumar Chavda
3	Johil Maheshbhai Chavda

Competitive Strengths

1	Experienced Promoters and Management.
2	End-to-end execution capabilities.
3	Optimal Utilization of Resources.
4	Visible growth through a robust order book
5	Long-standing relationships with the customers.

Market Capitalization

(In Cr.)	
Pre-Issue	Post-Issue
₹117	₹160

Financial Summary

	(In Lacs) For the Period		
	Mar-21	Mar-22	Mar-23 Ended
Total Assets	8,668.11	10,880.79	15,424.40
Net Assets	1,314.28	1,835.74	3,040.36
Total Borrowings	3,125.60	4,290.75	5,845.21
Total Revenue	9,131.05	10,987.68	16,203.37
Profit After Tax	443.84	521.46	1,204.62

Tentative Timeline

Opening Date	Sept 12, 2023
Closing Date	Sept 14, 2023
Basis of Allotment	Sept 20, 2023
Initiation of Refunds	Sept 21, 2023
Credit of Shares to Demat	Sept 22, 2023
Listing Date	Sept 25, 2023

Company Background and Analysis

The Company was originally incorporated on October 08, 2012. The company is an integrated civil construction company offering a diversified range of construction and allied services across residential, commercial, and institutional projects in Gujarat, especially in Ahmedabad and Rajkot. The company provides services across the construction value chain, ranging from planning and design to construction and post-construction activities to clients. The company is ISO 9001:2015 certified for quality management systems by BCQ Assessment Private Limited. The quality certification is towards the construction of commercial, residential, and institutional buildings.

Since the incorporation of the company, the company has constructed well-known buildings in Ahmedabad namely Sraft Laxuria, Shivalik Parkview and Shivalik Sharda Harmony, being residential projects. AAA Corporate House, Sadbhav House, Solitaire Sky, Sandesh Press, Suyash Solitaire and Solitaire Connect, are commercial projects. AIS Toddler's Den, Nirma University (old Building) and Zydus School & Excellence, are institutional projects. The company has executed more than 100 projects worth Rs. 67,099.45 lakhs. As of May 31, 2023, the company has 26 ongoing projects worth approximately ₹60,139 lakhs. Out of those 26 ongoing projects 4 are commercial projects, 4 are institutional projects and 18 are residential projects.

The company services include –

1. Contracting Services
2. Development Services
3. Commercial Renting Services.

Revenue break-up for the fiscal year ended 2021, 2022, and 2023 are given below-

(Amount in Lakhs)

Particulars	Fiscal 2021		Fiscal 2022		Fiscal 2023	
	Amount	%	Amount	%	Amount	%
Construction Income	8,971.93	98.34	10,890.68	99.17	4,882.05	91.93
Developer Income	-	0.00	-	0.00	1,165.67	7.20
Rent Income	76.40	0.84	91.56	0.83	140.85	0.87
Ready-mixed concrete Sale	75.46	0.83	-	0.00	-	0.00
Total	9,123.79	100.00	10,982.24	100.00	16,188.57	100.00

To conclude, the company was originally incorporated in the year 2012. The company is an integrated civil construction company offering a diversified range of construction and allied services across residential, commercial, and institutional projects. The company operates only from one state which is Gujarat. The company currently has 26 ongoing projects. The company is raising total gross proceeds of Rs. 43.26 Cr.

Business Strategies

1. Continue to enhance the project execution capabilities.

The company intends to continue the focus on enhancing project execution capabilities to derive twin benefits of client satisfaction and improvements in operating margins. The company will constantly endeavour to leverage operating skills through equipment and project management tools to increase productivity and maximize asset utilization in ongoing projects. The company intends to continue the focus on performance and project execution ability to maximize the operating margins.

2. Leveraging the market skills and relationships.

The business of the Company is customer-oriented and always strives to maintain good relationships with the marketers. The company aims to do this by leveraging its operations expertise as well as marketing skills and industry relationships.

3. Maintaining an edge over competitors.

The company intends to continue to enhance & scale in existing execution capabilities to provide the best quality construction to their clients. To maintain its competitive edge, the company will continue to add the best construction equipment, skilled labourers, and good quality materials.

4. Expand the geographical footprint.

The company intends to expand its geographical footprint and grow its business by increasing orders from outside of Gujarat. The company believes that the geographical diversification of the projects will reduce the reliance on the home state of Gujarat and allow them to capitalise on different growth trends in different states across the country.

Competitive Scenario and Peer Mapping

Competition

The company operates in a highly competitive market and there are large numbers of players. The competition arises not only from small but also from big regional, national, and international players. The barrier to entry are low in the sector in which the company operates. The bargaining power of suppliers is high, and consumers are low in such sectors.

Peer Analysis

The comparison of the key performance indicators of the listed peers as of Mar-23 is given below-

Particulars	Chavda Infra Limited	PSP Projects Limited	Ahluwalia Contracts (India) Limited
	31st Mar 2023	31st Mar 2023	31st Mar 2023
Net Profit Margin	7.44%	6.90%	6.84%
EBITDA Margin	16.72%	11.83%	10.71%
Return on Capital Employed	36.65%	10.71%	10.63%
Return on Equity	39.62%	16.63%	15.80%
EPS (INR)	6.69	36.95	28.96

The comparison of the key performance indicators of the listed peers as of Mar-22 is given below-

Particulars	Chavda Infra Limited	PSP Projects Limited	Ahluwalia Contracts (India) Limited
	31st Mar 2022	31st Mar 2022	31st Mar 2022
Net Profit Margin	4.75%	9.26%	5.76%
EBITDA Margin	14.24%	14.69%	9.55%
Return on Capital Employed	24.56%	17.76%	10.90%
Return on Equity	28.41%	23.65%	14.98%
EPS (INR)	2.90	45.11	23.17

The comparison of the key performance indicators of the listed peers as of Mar-21 is given below-

Particulars	Chavda Infra Limited	PSP Projects Limited	Ahluwalia Contracts (India) Limited
	31st Mar 2021	31st Mar 2021	31st Mar 2021
Net Profit Margin	4.86%	6.53%	3.88%
EBITDA Margin	16.29%	10.88%	7.77%
Return on Capital Employed	30.76%	11.01%	6.02%
Return on Equity	33.77%	15.06%	8.77%
EPS (INR)	2.47	22.44	11.52

Exhibit 1: Growth in Infrastructure Related Activities in FY21 (%)

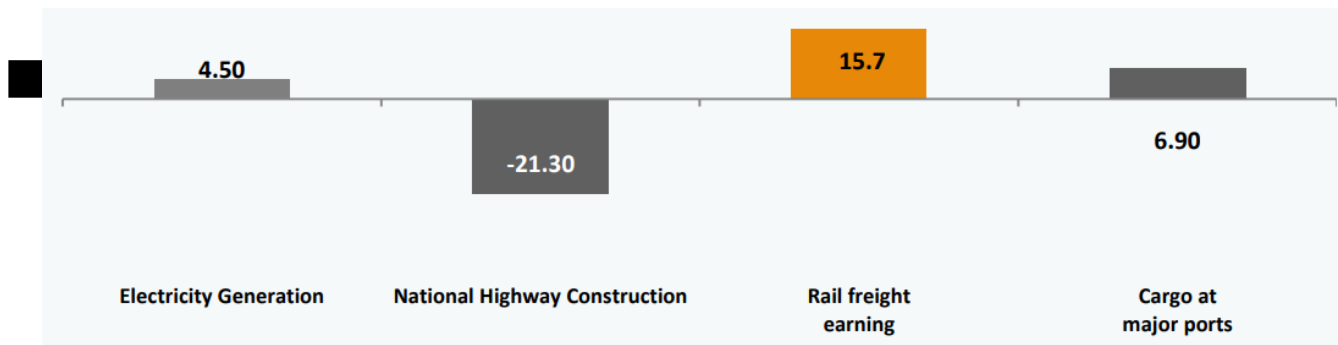
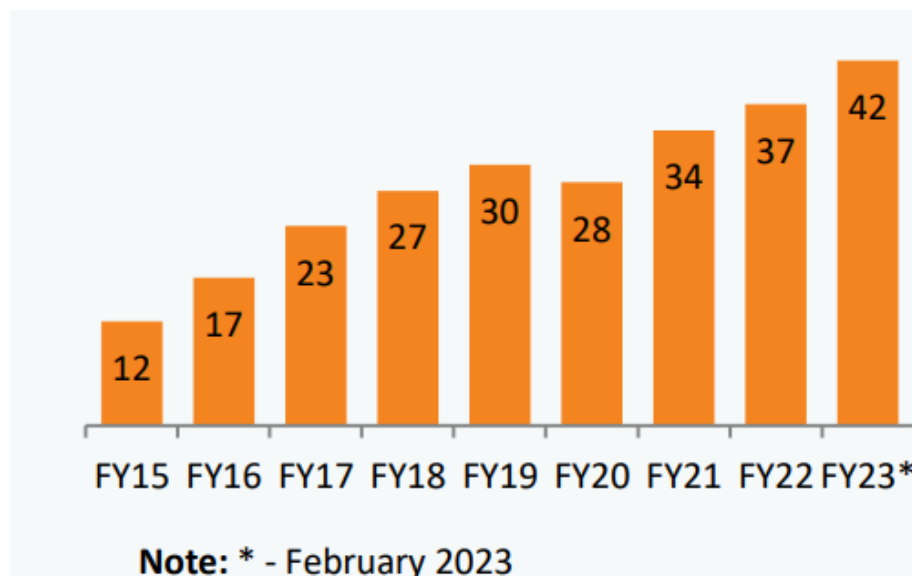


Exhibit 2: Road Construction Per Day (kms).



(Source: ibef.com)

Financial Snapshot

Profit and Loss Statement				(In Lacs)
Particulars	FY 21	FY 22		FY 23
Revenue from Operations	9,123.79	10,982.24		16,188.57
Other Income	7.26	5.44		14.80
Total Income	9,131.05	10,987.68		16,203.37
Expenses				
Cost of Material Consumed	5,481.85	5,104.61		9,855.29
Construction Expense	2,235.18	4,142.79		4,097.31
Changes in inventories of finished goods	-899.36	-1,155.68		-2,177.40
Employee benefits expense	675.79	893.68		1,038.15
Finance costs	361.34	326.52		478.89
Depreciation and Amortization expense	525.04	510.14		564.39
Other expenses	143.86	433.07		668.79
Total Expenses	8,523.70	10,255.13		14,525.42
Earnings Before Interest, Taxes, Depreciation & Amortization	1,486.47	1,563.77		2,706.43
EBITDA Margin	16%	14%		17%
Profit before exceptional and extraordinary items and tax	607.35	732.55		1,677.95
Exceptional items	0	0		0
Profit/(Loss) before tax	607.35	732.55		1,677.95
Tax Expense				
Current Tax	182.53	204.00		455.00
Excess Income tax provisions last year w/off	0.44	-		7.01
Deferred tax (net)	-19.46	7.09		11.32
Total Tax Expense	163.51	211.09		473.33
Profit/(Loss) for the year	443.84	521.46		1,204.62
Net Profit Margin	4.86%	4.75%		7.43%

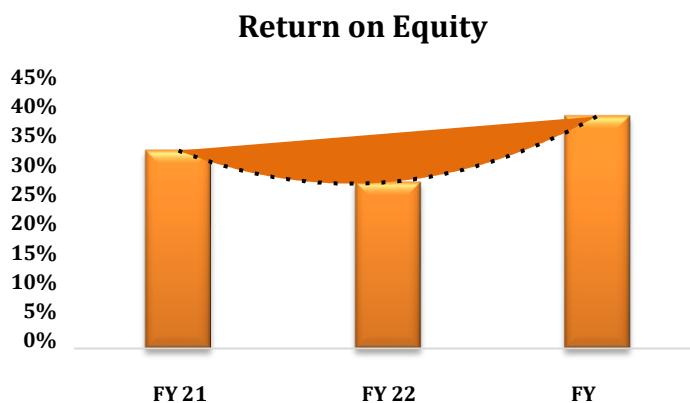
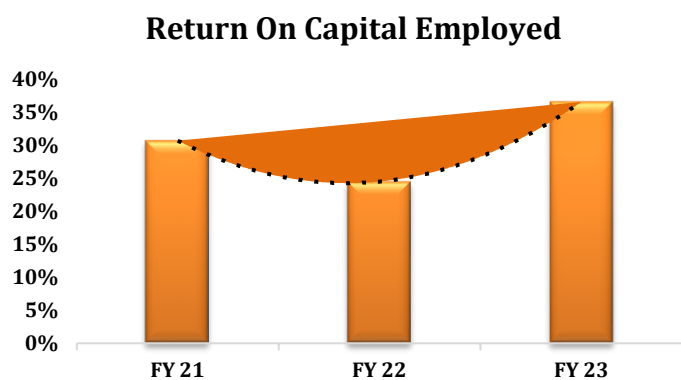
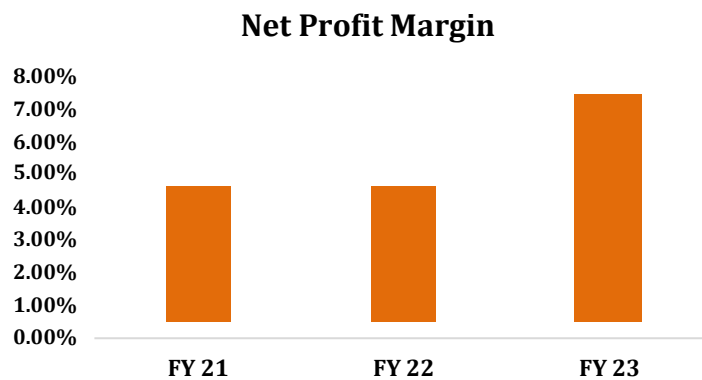
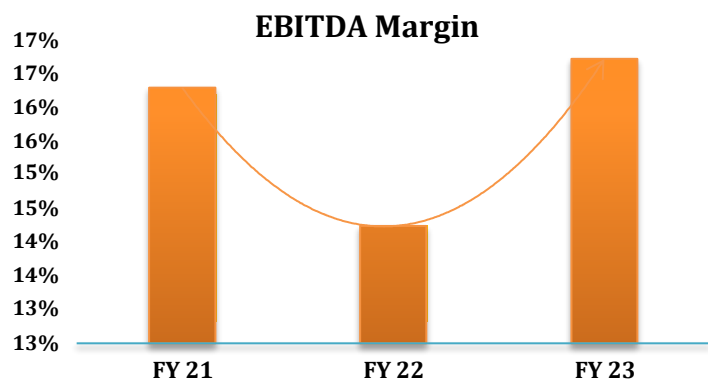
Balance Sheet				(In Lacs)
Particulars	FY 21	FY 22		FY 23
ASSETS				
Non-Current Assets				
Property, Plant and Equipment	3,375.09	2,943.75		3,432.95
Capital Work-in-progress	-	121.30		-
Deferred tax assets (Net)	49.35	42.26		30.94
Long-term loans and advances	28.33	16.96		4.47
Other Non-Current Assets	-	47.83		-
Non-Current Investments	2.00	-		-
Total Non-Current assets	3,454.77	3,172.10		3,468.36
Current Assets				
Inventories	2,453.12	3,608.80		5,786.20
Trade Receivables	2,014.42	2,672.03		4,141.05
Cash and Cash Equivalents	169.73	434.37		309.35
Short-Term Loans and Advances	569.65	676.81		1,587.51
Other current assets	6.42	316.68		131.93
Total Current assets	5,213.34	7,708.69		11,956.04
Total Assets	8,668.11	10,880.79		15,424.40
EQUITY AND LIABILITIES				
Equity				
Share Capital	150.00	150.00		1,800.00
Reserves and Surplus	1,164.28	1,685.74		1,240.36
Total Equity	1,314.28	1,835.74		3,040.36
Liabilities				
Non-current liabilities				

Balance Sheet			(In Lacs)
Borrowings	1,712.62	2,336.38	2,676.34
Other Long-Term Liabilities	65.00	78.86	78.86
Long term provisions	33.70	38.77	49.65
Total Non-current liabilities	1,811.32	2,454.01	2,804.85
Current liabilities			
(i) Short Term Borrowings	1,617.70	2,656.76	2,652.61
(ii) Trade Payables			
i) Due to micro and small enterprises	-	-	-
ii) Due to other than micro and small enterprises	3,394.30	2,986.95	5,949.88
Other Current Liabilities	437.69	907.73	695.71
Short-Term Provisions	92.82	38.60	280.99
Total Current liabilities	5,542.51	6,590.04	9,579.19
Total Liabilities	7,353.83	9,044.05	12,384.04
Total Equity and Liabilities	8,668.11	10,879.79	15,424.40

Cash Flow Statement			(In Lacs)
Particulars	FY 21	FY 22	FY 23
Net Cash Flow from Operating Activities	1,060.42	-918.22	868.05
Net Cash Flow from Investing Activities	-1,229.99	-258.01	-947.09
Net Cash Flow from Financing Activities	106.13	1,376.28	-75.58

Ratio Sheet			
Particulars	FY 21	FY 22	FY 23
Per Share Data			
Diluted EPS	2.47	2.9	6.69
BV per share	5.33	7.45	12.33
Operating Ratios (%)			
EBITDA Margins	16%	14%	17%
PAT Margins	5%	5%	7%
Inventory days	98.14	119.94	130.46
Debtor days	80.59	88.81	93.37
Creditor days	226.00	213.58	220.36
Return Ratios (%)			
RoCE	31%	25%	37%
RoE	34%	28%	40%
Valuation Ratios (x)			
EV/EBITDA	3.01	4.09	2.98
Market Cap / Sales	1.76	1.46	0.99
P/E	26.32	22.41	9.72
Price to Book Value	12.19	8.73	5.27
Solvency Ratios			
Debt /Equity	2.53	2.72	1.75
Current Ratio	0.94	1.17	1.25
Quick Ratio	0.50	0.62	0.64
Asset Turnover	1.05	1.01	1.05
Interest Coverage Ratio	2.66	3.23	4.47

Financial Charts



Key Managerial Personnel

Mahesh Gunvantlal Chavda, aged 66, is one of the Promoters, Chairman, and Managing Director of the company. He has completed his Diploma in Plastic Engineering. He has more than 18 years of experience in the field of Construction and Real Estate industries.

Johil Maheshbhai Chavda, aged 34, is one of the Promoters, and Whole-Time Director of the company. He holds a Diploma in Civil Engineering. He has more than 10 years of experience in the Construction and Real Estate Industries.

Dharmistha Maheshkumar Chavda, aged 57, is one of the Promoter, and Executive Director of the company. She has completed her Bachelor of Arts. She has more than 10 years of experience in the Construction and Real Estate Industry.

Drashti Laxmikant Solanki, aged 29, is the Independent Director of the Company. She holds the Degree of Company Secretary and Bachelor as well as a Master of Commerce and holds Degree of Bachelors in law. She has more than 7 years of experience in the field of corporate law and compliance in various companies.

Darshil Hemendrakumar Shah, aged 33, is the Independent Director of the Company. He has more than 4 years of experience in the field of Corporate Law as a Company Secretary He has completed his Degree as a Company Secretary and holds the Degree of Bachelor's and Master Commerce and has also completed his bachelor's in law.

To conclude, the company has 3 promoters, who have good experience in the industry in which the company operates. The remaining directors have decent experience in the fields which help in the growth of the business. The roles and responsibilities handled by the management are not provided accurately.

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