

**Diversified Orderbook & Robust Execution to Drive Growth**
**Est. Vs. Actual for Q3FY25: Revenue – MISS; EBITDA Margin – INLINE; PAT – MISS**
**Change in Estimates post Q3FY25 (Abs.)**
**FY25E/FY26E: Revenue: -1%/-1%; EBITDA: 0%/-1%; PAT: -2%/-3%**
**Recommendation Rationale**

- Healthy Order Book:** As of December 31, 2024, the company's total order book stood at Rs 15,080 Cr, equivalent to 3x FY24 revenue. A significant portion, 94%, of these projects is attributed to the Government of India, with the remaining 6% from the private sector, ensuring strong revenue visibility for the next 2-3 years. The company is anticipated to achieve a 15% CAGR revenue growth over FY24-26E.
- Diversified Revenue Streams:** Traditionally focused on Roads and Highways, the company has successfully expanded into the Railways and Solar sectors, securing multiple orders in these segments. These now contribute 25% of the total order book, reducing dependence on a single sector. Management is also exploring opportunities in the transmission sector, particularly in Tariff-Based Competitive Bidding (TBCB) projects, which share similarities with EPC projects. This diversification and an expanding sectoral presence are expected to support 15% CAGR revenue growth over FY24-26E.
- Order Inflow & Segment Diversification:** The company anticipates an order inflow of Rs 11,000-12,000 Cr in FY25, with projects worth around Rs 8,200 Cr already secured in 9MFY25. Management expects 35-40% of the order book to come from non-road projects over the next 2-3 years. Additionally, the company aims to secure Rs 10,000-12,000 Cr in new orders in FY26.

**Sector Outlook: Positive**

**Company Outlook & Guidance:** The company has guided for an order inflow in the range of Rs 11,000-12,000 Cr and expects revenue growth of 17-18% and an EBITDA margin of 15-16% in FY25. For FY26, the guidance for revenue stands at ~Rs 7000 Cr, EBITDA margins of 15%-16% and inflow of Rs 10000 Cr.

**Current Valuation: 14x FY26 EPS (Earlier Valuation: 15x FY26 EPS) and HAM/Solar assets/Battery storage 1.2x/1x/1x book value respectively**

**Current TP: Rs 1,720/share (Earlier TP: Rs 1,800/share)**

**Recommendation:** We maintain our **BUY** recommendation on the stock.

**Financial Performance**

HG Infra Engineering Ltd. (HGIEL) reported mixed numbers in Q3FY25. It reported revenue of Rs 1,509 Cr (up 12% YoY). The company posted EBITDA of Rs 250 Cr (up 17% YoY) and PAT of Rs 137 Cr (down 34% YoY). It registered EBITDA margins of 16.6% in Q3FY25 (our estimate: 15.9%) compared to 15.9% in Q3FY24.

**Key Financials (Standalone)**

(Rs Cr)	Q3FY25	QoQ (%)	YoY (%)	Axis Est.	Variance
Net Sales	1509	42%	12%	1,562	-3%
EBITDA	250	43%	17%	249	1%
EBITDA Margin	16.6%	19bps	67bps	15.9%	66bps
Net Profit	137	54%	-34%	146	-6%
EPS (Rs)	21	54%	-34%	22	-6%

Source: Company, Axis Securities Research

 (CMP as of 7<sup>th</sup> February 2025)

CMP (Rs)	1273
Upside /Downside (%)	35%
High/Low (Rs)	1880 / 855
Market cap (Cr)	8297
Avg. daily vol. (6m) Shrs.	2,47,322
No. of shares (Cr)	65.2

**Shareholding (%)**

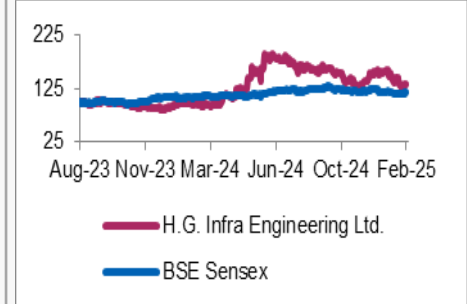
	Jun-24	Sep-24	Dec-24
Promoter	74.5	71.8	71.8
FII	2.0	2.6	2.8
MFs / UTI	9.9	10.5	10.3
Banks / FI	0.0	0.0	0.0
Others	13.5	15.1	15.1

**Financial & Valuations**

Y/E Mar (Rs Cr)	FY24	FY25E	FY26E
Net Sales	5,122	5,921	6,809
EBITDA	822	970	1,069
Net Profit	546	548	618
EPS (Rs)	84	84	95
PER (x)	19	15	13
P/BV (x)	4.4	2.9	2.4
EV/EBITDA (x)	13	9	8
ROE (%)	27%	21%	19%

**Change in Estimates (%)**

Y/E Mar	FY25E	FY26E
Sales	-1%	-1%
EBITDA	0%	-1%
PAT	-2%	-3%

**Relative Performance**


Source: ACE Equity,

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## Outlook

- We anticipate HGIEL posting healthy Revenue/EBITDA/APAT growth of 15%/14%/6% CAGR, respectively, over FY24-26E. This growth will be driven by the company's strong order book position, improved order intake, diversification into related sectors, and the government's focus on developing the country's infrastructure, especially in roads, highways, and renewable energy.

## Valuation & Recommendation

- The stock is currently trading at an implied PE of 12x and 10x of its FY25E/FY26E earnings. **We maintain our BUY rating on HGIEL** and value its EPC business at 14x FY26E EPS and HAM/Solar/Battery portfolio at 1.2x/1x/1x book value to arrive at a target price of Rs 1,720/share. The TP implies an upside of 35% from the CMP.

## Key Concall Highlights

- **Order book stands healthy at Rs 15,080 Cr as of Q3FY25:** 67% of the company's total order book comes from the EPC sector, which includes roads, railway, and solar projects, while 33% is from HAM road and solar projects. Highways, railways, and solar projects constitute 75%, 15%, and 10% of the total order book. 94% of the total projects are from the Government of India, with the remaining 6% from the private sector. During Q3FY25, the company received 1 road project from MoRTH, 1 BESS project from NVVNL, and the AD for the HAM project from NHAI, 1 contract agreement signed, and 2 PCOD received.
- **Solar project:** The company has successfully secured 183 solar power plants. They plan to capture opportunities within the rapidly expanding solar sector by actively pursuing solar power projects under the government's Kusum C scheme. Project funding for the solar project is on track, and approximately 70% of the project has received the sanction. The company plans to bid on one of ONGC's EPC projects in the future.
- **Order inflow:** The company has guided for an order intake of Rs 11,000-12,000 Cr in FY25, out of which projects worth approximately Rs 8,000 Cr have already been secured. The company has already bid Rs 9,000 Cr for road projects, Rs 6,000 Cr for railway projects, and Rs 1,100 Cr for battery projects. The company plans to bid for a further Rs 72,000 Cr of the project in the highway (more than Rs 55,000 Cr), railway (around Rs 18,000 Cr), and solar or battery (around Rs 8,000 Cr).
- **Equity investments in subsidiaries:** The company's total equity investment in 11 HAM projects as of 31<sup>st</sup> Dec'24 stands at Rs 930 Cr. The total equity requirement for these 11 HAM projects is Rs 1,733 Cr. The remaining equity investment required is Rs 123 Cr in Q4FY25, Rs 300 Cr in FY26, and Rs 300 Cr in FY27. Additionally, the equity requirement for solar projects is Rs 721 Cr, of which Rs 130 Cr has been invested till 31<sup>st</sup> Dec'24, with Rs 220 Cr to be invested in Q4FY25 and Rs 371 Cr in FY26.
- **Asset monetisation:** The company achieved a milestone by completing the first tranche of 3 Special Purpose Vehicles (SPVs). On November 21, 2023, a 100% stake was transferred from the company to Highway Infrastructure Trust, with the consideration for the same received. For the 4th SPV, the company has received a Letter of Credit (LOC) from NHAI, and Rs 133 Cr is expected to be received by Q4FY25.
- **Capex:** The management has incurred a Capex of Rs 92 Cr in 9MFY25 and has guided for Rs 100-120 Cr capex in FY26.
- **Debt:** As of 31<sup>st</sup> Dec'24, gross debt stood at Rs 1329 Cr. The increase in the total debt by Rs 566 Cr is attributed to the significant delay in the sanction of SPB's approval of all solar plants from DISCOM, which resulted in the sanctions and disbursement, which have now been resolved and are on track.
- **As of 31<sup>st</sup> Dec'24:** The company's mobilisation advance stood at Rs 305 Cr, unbilled revenue at Rs 1297 Cr, retention money at Rs 122 Cr, inventory stood at Rs 405 Cr, Trade receivables at Rs 1545 Cr and Trade Payables at Rs 1035 Cr.

### Key Risks to Our Estimates and TP

- Lower order inflow and execution may hamper revenue growth.
- An increase in input cost may impact margins.

### Change in Estimates

	New		Old		% Change	
	FY25E	FY26E	FY25E	FY26E	FY25E	FY26E
Sales	5921	6809	5974	6870	-1%	-1%
EBITDA	970	1069	968	1079	0%	-1%
PAT	548	618	557	635	-2%	-3%

Source: Company, Axis Securities Research

### Result Review Q3FY25

(Rs Cr)	Quarterly Performance				
	Q3FY25	Q2FY25	Q3FY24	% Change (QoQ)	% Change (YoY)
<b>Sales</b>	1509	1064	1346	42%	12%
Other Op. Inc	0	0	0		
<b>Total Revenue</b>	<b>1,509</b>	<b>1,064</b>	<b>1,346</b>	42%	12%
<b>Expenditure</b>					
Cost of material consumed	584	527	633	11%	-8%
Contract and site expenses	569	278	399	105%	43%
Employee Cost	87	75	78	16%	13%
Other Expenses	18	10	22	88%	-19%
<b>Total Expenditure</b>	<b>1258</b>	<b>890</b>	<b>1132</b>	41%	11%
<b>EBITDA</b>	<b>250</b>	<b>174</b>	<b>214</b>	43%	17%
<b>EBITDA Margin</b>	16.6%	16.4%	15.9%	19bps	67bps
Oth. Inc.	2	3	3	-27%	-6%
Interest	30	23	23	32%	32%
Depreciation	36	36	37	1%	-1%
Exceptional Items	0	0	107		
<b>PBT</b>	<b>186</b>	<b>119</b>	<b>264</b>	56%	-29%
Tax	50	31	59	63%	-15%
<b>PAT</b>	<b>137</b>	<b>89</b>	<b>206</b>	54%	-34%
EPS (Rs)	20.9	13.6	31.5	54%	-34%

Source: Company, Axis Securities Research

**Financials (Standalone)**
**Profit & Loss**

(Rs Cr)

Y/E March	FY23	FY24	FY25E	FY26E
<b>Net sales</b>	<b>4,419</b>	<b>5,122</b>	<b>5,921</b>	<b>6,809</b>
Other operating income	0	0	0	0
<b>Total income</b>	<b>4,419</b>	<b>5,122</b>	<b>5,921</b>	<b>6,809</b>
Cost of materials consumed	2,144	2,263	2,610	3,084
Civil construction cost	1,304	1,656	1,925	2,179
Contribution (%)	22.0%	23.5%	23.4%	22.7%
Other Expenses	261	381	416	477
<b>Operating Profit</b>	<b>710</b>	<b>822</b>	<b>970</b>	<b>1,069</b>
Other income	18	13	13	17
<b>PBIDT</b>	<b>728</b>	<b>835</b>	<b>982</b>	<b>1,086</b>
Depreciation	96	141	143	156
Interest & Fin Chg.	63	81	97	95
<b>Pre-tax profit</b>	<b>569</b>	<b>719</b>	<b>743</b>	<b>835</b>
Tax provision	147	174	195	217
<b>PAT</b>	<b>421</b>	<b>546</b>	<b>548</b>	<b>618</b>

Source: Company, Axis Securities Research

**Balance Sheet**

(Rs Cr)

Y/E March	FY23	FY24	FY25E	FY26E
<b>Total assets</b>	<b>3,508</b>	<b>4,016</b>	<b>4,874</b>	<b>5,677</b>
Net Block	623	728	685	609
CWIP	72	4	4	4
Investments	745	628	1328	1728
Wkg. cap. (excl cash)	615	1055	1115	1253
Cash / Bank balance	179	199	116	273
Other assets	1275	1401	1626	1811
<b>Capital employed</b>	<b>3,508</b>	<b>4,016</b>	<b>4,874</b>	<b>5,677</b>
Equity capital	65	65	65	65
Reserves	1713	2253	2801	3420
Minority Interests	0	0	0	0
Borrowings	504	451	451	451
Other Liabilities	1226	1246	1557	1741

Source: Company, Axis Securities Research

**Cash Flow**
**(Rs Cr)**

Y/E March	FY23	FY24	FY25E	FY26E
PBT	569	612	743	835
Depreciation	96	141	143	156
Interest Expense	63	81	97	95
Changes in Working Capital	6	-394	-60	-138
Others	10	23	73	-17
Tax Paid	-157	-193	-195	-217
<b>Net Cash from Operations</b>	<b>587</b>	<b>271</b>	<b>801</b>	<b>714</b>
Capex	-318	-224	-100	-80
Investment	-390	89	-700	-400
Others	25	48	13	17
<b>Net Cash from Investing</b>	<b>(683)</b>	<b>(87)</b>	<b>(787)</b>	<b>(463)</b>
Borrowings	189	-4	0	0
Interest Expense	-62	-81	-97	-95
Others	213	-12	0	0
<b>Net Cash from Financing</b>	<b>339</b>	<b>(97)</b>	<b>(97)</b>	<b>(95)</b>
<b>Net Change in Cash</b>	<b>243</b>	<b>87</b>	<b>(83)</b>	<b>156</b>
Opening cash	47	69	107	24
<b>Closing cash</b>	<b>291</b>	<b>156</b>	<b>24</b>	<b>181</b>

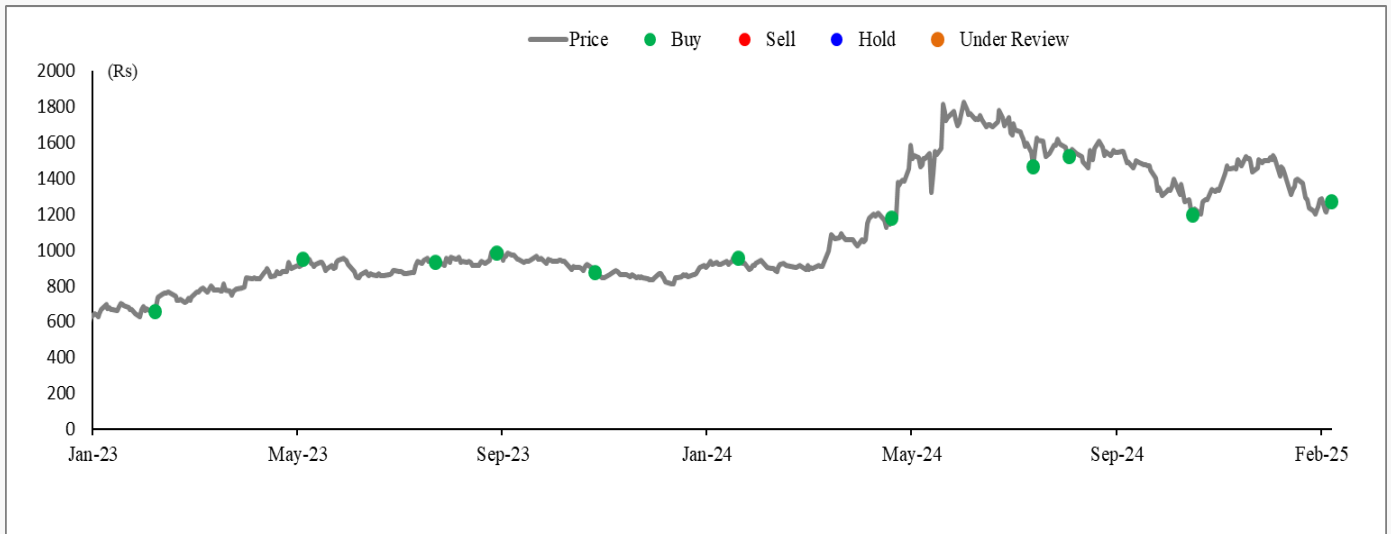
Source: Company, Axis Securities Research

**Ratio Analysis**
**(%)**

Y/E March	FY23	FY24	FY25E	FY26E
<b>Growth Indicator</b>				
Sales Growth	22%	16%	16%	15%
EBITDA Growth	21%	16%	18%	10%
PAT Growth	24%	29%	0%	13%
<b>Profitability Ratio</b>				
EBITDA Margin	16.1%	16.0%	16.4%	15.7%
Adjusted Net Margin	9.5%	10.7%	9.3%	9.1%
<b>Efficiency Ratio</b>				
Capital Turnover	2.5	2.2	2.1	2.0
Total Asset Turnover	2.2	2.0	1.9	1.8
Fixed Asset Turnover	6.4	7.0	8.6	11.1
Debtor days	72	65	65	65
Inventory days	23	25	25	25
Creditor days	71	71	71	71
Cash Conversion Cycle (days)	24	19	19	19
<b>Leverage Ratios</b>				
Debt to equity	0.28	0.19	0.16	0.00
Net debt to equity	0.18	0.11	0.12	0.05
Interest coverage	11	10	10	11
<b>Per Share Data</b>				
Diluted EPS (Rs)	65	84	84	95
Book value per share (Rs)	273	356	440	535
DPS (Rs)	-1.0	1.5	0.0	0.0
<b>Return Ratios</b>				
Return on equity	27%	27%	21%	19%
Return on capital employed	35%	30%	30%	27%
<b>Valuation Ratio</b>				
P/E	18	18	15.1	13
P/BV	4.3	4.1	2.9	2.4
EV/EBITDA	11.2	11.8	8.7	7.9

Source: Company, Axis Securities Research

## HG Infra Engineering Price Chart and Recommendation History



Date	Reco	TP	Research
09-Feb-23	BUY	855	Result Update
12-May-23	BUY	1,105	Result Update
02-Aug-23	BUY	1,140	Result Update
11-Sep-23	BUY	1,140	AAA
09-Nov-23	BUY	1,090	Result Update
06-Feb-24	BUY	1,080	Result Update
13-May-24	BUY	1,320	Result Update
08-Aug-24	BUY	1,720	Result Update
29-Aug-24	BUY	1,800	AAA
14-Nov-24	BUY	1,800	Result Update
10-Feb-25	BUY	1,720	Result Update

Source: Axis Securities Research

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