

## Robust Order Book; Appointed Date For New Projects Remains Crucial

**Est. Vs. Actual for Q4FY25:** Revenue – **BEAT**; EBITDA Margin – **MISS**; PAT – **BEAT**

**Change in Estimates post Q4FY25 (Abs.)**

**FY26E/FY27E:** Revenue: 2%/0%; EBITDA: 0%/0%; PAT: -4%/0%

### Recommendation Rationale

- **Healthy Order Book:** As of 31<sup>st</sup> Mar'25, the company's total order book stood at Rs 15,281 Cr, ensuring strong revenue visibility for the next 2-3 years. 64% of the company's total order book comes from the EPC sector, while 36% is from HAM road and solar projects. The company is anticipated to achieve a revenue growth of 15% CAGR over FY25-27E.
- **Order Inflow & Segment Diversification:** 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 32% of the total order book, reducing dependence on a single sector. The company anticipates an order inflow of Rs 11,000 Cr in FY26, in which management expects 30% of the order book to come from non-road projects. Project bidding pipeline remains strong from NHAI and State Governments like Maharashtra and UP.
- **Contraction in EBITDA margin:** In Q4FY25, margins declined to 14.6% due to certain provisions and a few projects impacted by changes in law, where clarity was initially lacking. However, the management remains confident of margin improvement in FY26, supported by strong execution and increased segment diversification. We expect the company to deliver EBITDA and PAT growth of 12% and 10% CAGR over FY25-27E.

### Sector Outlook: Positive

**Company Outlook & Guidance:** The company has guided for an order inflow in the range of Rs 11,000 Cr and expects revenue growth of 17-18% and an EBITDA margin of 15-16% in FY26.

**Current Valuation:** 10x FY27 EPS (Earlier Valuation: 14x FY26 EPS) and HAM/Solar assets/Battery storage 1.2x/1x/1x book value respectively

**Current TP:** Rs 1,530/share (Earlier TP: Rs 1,800/share)

**Recommendation:** We maintain our **BUY** recommendation on the stock and roll over our estimates to FY27.

### Financial Performance

HG Infra Engineering Ltd. (HGIEL) reported mixed performance in Q4FY25. Revenue stood at Rs 1,973 Cr, up 21% YoY. EBITDA came in at Rs 288 Cr, registering a 9% YoY growth, while PAT stood at Rs 213 Cr, up 33% YoY. EBITDA margin contracted to 14.6% in Q4FY25 (our estimate: 16.4%) compared to 16.2% in Q4FY24.

### Key Financials (Standalone)

(Rs Cr)	Q4FY25	QoQ (%)	YoY (%)	Axis Est.	Variance
Net Sales	1,973	31%	21%	1,842	7%
EBITDA	288	15%	9%	302	-5%
EBITDA Margin	14.6%	-197bps	-159bps	16.4%	-178bps
Net Profit	213	56%	33%	179	19%
EPS (Rs)	33	56%	33%	27	18%

Source: Company, Axis Securities Research

(CMP as of 23<sup>rd</sup> May 2025)

CMP (Rs)	1,140
Upside /Downside (%)	34%
High/Low (Rs)	1880 / 921
Market cap (Cr)	7430
Avg. daily vol. (6m) Shrs.	185237
No. of shares (Cr)	65.2

### Shareholding (%)

	Sep-24	Dec-24	Mar-25
Promoter	71.8	71.8	71.8
FII's	2.6	2.8	2.9
MFs / UTI	10.5	10.3	10.1
Banks / FI's	0.0	0.0	0.0
Others	15.1	15.1	15.2

### Financial & Valuations

Y/E Mar (Rs Cr)	FY25	FY26E	FY27E
Net Sales	6,052	6,960	8,004
EBITDA	957	1,065	1,209
Net Profit	577	595	695
EPS (Rs)	89	91	107
PER (x)	13	12	11
P/BV (x)	3	2	2
EV/EBITDA (x)	8	7	6
ROE (%)	22%	19%	18%

### Change in Estimates (%)

Y/E Mar	FY26E	FY27E
Sales	2%	0%
EBITDA	0%	0%
PAT	-4%	0%

### Relative Performance



Source: ACE Equity,

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## Outlook

We project HG Infra Engineering Ltd. (HGIEL) to deliver robust financial performance over FY25–27E, with Revenue, EBITDA, and APAT expected to grow at a CAGR of 15%, 12%, and 10%, respectively. This outlook is supported by the company's solid order book, improving order intake trends, strategic diversification into adjacent sectors, and continued government focus on infrastructure development, particularly in roads, highways, and renewable energy. Execution risks remain, as projects worth over Rs 7,200 Cr are currently awaiting appointed dates. Timely resolution of these delays is critical to achieving management's revenue guidance and will be a key monitorable in the near term.

## Valuation & Recommendation

The stock is currently trading at an implied PE of 9x and 7x of its FY26E/FY27E earnings. We maintain our BUY rating on HGIEL and value its EPC business at 10x FY27E EPS and HAM/Solar/Battery portfolio at 1.2x/1x/1x book value to arrive at a target price of Rs 1,530/share. The TP implies an upside of 34% from the CMP.

## Key Concall Highlights

- **Order Book and Order Inflow:** The order book remains healthy at Rs 15,281 Cr as of Q4FY25. Of this, 64% comes from the EPC sector, while 36% is from HAM road and solar projects. The order book composition includes Highways (68%), Railways (20%), Solar (5%), and Battery projects (6%). The company has guided for an order intake of Rs 11,000 Cr in FY26.
- **Equity Investments in Subsidiaries:** The company's total equity investment in 11 HAM projects as of 31st Mar'25 stands at Rs 915 Cr. The total equity requirement for these projects is Rs 1,657 Cr. The remaining equity investment required is Rs 359 Cr in FY26, Rs 197 Cr in FY27, and Rs 186 Cr in FY28. Additionally, the equity requirement for solar projects is Rs 721 Cr, of which Rs 445 Cr has been invested till 31st Mar'25, with the balance to be invested in FY26.
- **Asset Monetisation:** Out of 4 HAM projects, the first tranche of 3 SPVs has successfully completed monetisation, and the second tranche was completed on 20th Feb'25. All SPV shares have been transferred to Highway Infrastructure Trust, resulting in total proceeds of Rs 503 Cr. The management has initiated discussions with prospective investors for monetising 6 HAM assets and is confident of concluding the entire process and realising the proceeds by the end of FY26.
- **Solar Project:** The company has successfully secured 183 solar power plants. The total equity investment required for the solar project stands at Rs 721 Cr, with Rs 445 Cr infused as of 31st Mar'25. The remaining balance is set to be deployed in FY26. Upon completion and commissioning, these projects are expected to generate annual revenue of Rs 300 Cr.
- **Battery Energy Storage System (BESS) Projects:** The company has executed binding agreements with GUNL and NVN for 435MW, with commissioning scheduled for December 2026. The core project cost for these two projects is approximately Rs 970 Cr plus GST, with an equity commitment of Rs 295 Cr. The equity requirement for the current financial year is likely to be Rs 120 Cr, with the balance incurred in the subsequent year. Once commissioned, these projects are expected to generate annual revenue of Rs 225 Cr.
- **Debt:** As of 31<sup>st</sup> Mar'25, gross debt stood at Rs 1,068 Cr. The increase in debt from the previous year is due to significant funds deployed for procuring and blocking solar modules to secure competitive prices and ensure timely project completion. The debt is expected to moderate by Q2FY26 and reduce further by the end of the financial year.
- **Capex:** The management has guided for Rs 235 Cr capex in FY26.
- **As of 31st Mar'25,** the company's mobilisation advance stood at Rs 410 Cr, with unbilled revenue at Rs 1,300 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	
	FY26E	FY27E	FY26E	FY27E	FY26E	FY27E
Sales	6960	0	6809	0	2%	0
EBITDA	1065	0	1069	0	0%	0
PAT	595	0	618	0	-4%	0

Source: Company, Axis Securities Research

## Result Review Q4FY25

(Rs Cr)	Quarterly Performance				
	Q4FY25	Q3FY25	Q4FY24	% Change (QoQ)	% Change (YoY)
<b>Sales</b>	1973	1509	1635	31%	21%
Other Op. Inc	0	0	0		
<b>Total Revenue</b>	<b>1,973</b>	<b>1,509</b>	<b>1,635</b>	31%	21%
<b>Expenditure</b>					
Cost of material consumed	895	584	712	53%	26%
Contract and site expenses	671	569	565	18%	19%
Employee Cost	88	87	74	1%	18%
Other Expenses	31	18	18	73%	72%
<b>Total Expenditure</b>	<b>1685</b>	<b>1258</b>	<b>1370</b>	34%	23%
<b>EBITDA</b>	<b>288</b>	<b>250</b>	<b>265</b>	15%	9%
<b>EBITDA Margin</b>	14.6%	16.6%	16.2%	-197bps	-159bps
Oth. Inc.	6	2	5	169%	40%
Interest	41	30	19	39%	113%
Depreciation	42	36	38	16%	11%
Exceptional Items	57	0	0		
<b>PBT</b>	<b>268</b>	<b>186</b>	<b>212</b>	44%	27%
Tax	56	50	52	12%	7%
<b>PAT</b>	<b>213</b>	<b>137</b>	<b>160</b>	56%	33%
EPS (Rs)	32.5	20.9	24.5	56%	33%

Source: Company, Axis Securities Research

## Financials (Standalone)

### Profit & Loss

(Rs Cr)

Y/E March	FY24	FY25	FY26E	FY27E
<b>Net sales</b>	<b>5,122</b>	<b>6,052</b>	<b>6,960</b>	<b>8,004</b>
Other operating income	0	0	0	0
<b>Total income</b>	<b>5,122</b>	<b>6,052</b>	<b>6,960</b>	<b>8,004</b>
Cost of materials consumed	2,263	2,681	3,104	3,602
Civil construction cost	1,656	2,010	2,304	2,681
Contribution (%)	23.5%	22.5%	22.3%	21.5%
Other Expenses	381	404	487	512
<b>Operating Profit</b>	<b>822</b>	<b>957</b>	<b>1,065</b>	<b>1,209</b>
Other income	13	15	17	18
<b>PBIDT</b>	<b>835</b>	<b>972</b>	<b>1,082</b>	<b>1,227</b>
Depreciation	141	150	156	164
Interest & Fin Chg.	81	116	123	123
<b>Pre-tax profit</b>	<b>612</b>	<b>706</b>	<b>804</b>	<b>940</b>
Tax provision	174	186	209	244
<b>PAT</b>	<b>107</b>	<b>57</b>	<b>0</b>	<b>0</b>

Source: Company, Axis Securities Research

### Balance Sheet

(Rs Cr)

Y/E March	FY24	FY25	FY26E	FY27E
<b>Total assets</b>	<b>4,016</b>	<b>5,825</b>	<b>6,416</b>	<b>7,322</b>
Net Block	728	675	600	515
CWIP	4	3	3	3
Investments	628	1369	2069	2669
Wkg. cap. (excl cash)	1055	1744	1602	1778
Cash / Bank balance	199	134	238	232
Other assets	1401	1900	1905	2125
<b>Capital employed</b>	<b>4,016</b>	<b>5,825</b>	<b>6,416</b>	<b>7,322</b>
Equity capital	65	65	65	65
Reserves	2253	2820	3405	4090
Minority Interests	0	0	0	0
Borrowings	451	1068	1068	1068
Other Liabilities	1246	1872	1878	2098

Source: Company, Axis Securities Research

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

Y/E March	FY24	FY25	FY26E	FY27E
PBT	612	706	804	940
Depreciation	141	144	156	164
Interest Expense	81	116	123	123
Changes in Working Capital	-394	-629	142	-176
Others	23	-3	-17	-18
Tax Paid	-193	-215	-209	-244
<b>Net Cash from Operations</b>	<b>271</b>	<b>120</b>	<b>998</b>	<b>788</b>
Capex	-224	-92	-80	-80
Investment	89	-608	-700	-600
Others	48	4	17	18
<b>Net Cash from Investing</b>	<b>(87)</b>	<b>(696)</b>	<b>(763)</b>	<b>(662)</b>
Borrowings	18	337	0	0
Interest Expense	-81	-107	-123	-123
Others	-82	265	-10	-10
<b>Net Cash from Financing</b>	<b>(146)</b>	<b>495</b>	<b>(133)</b>	<b>(133)</b>
<b>Net Change in Cash</b>	<b>38</b>	<b>(81)</b>	<b>103</b>	<b>(6)</b>
Opening cash	70	108	26	129
<b>Closing cash</b>	<b>108</b>	<b>26</b>	<b>129</b>	<b>123</b>

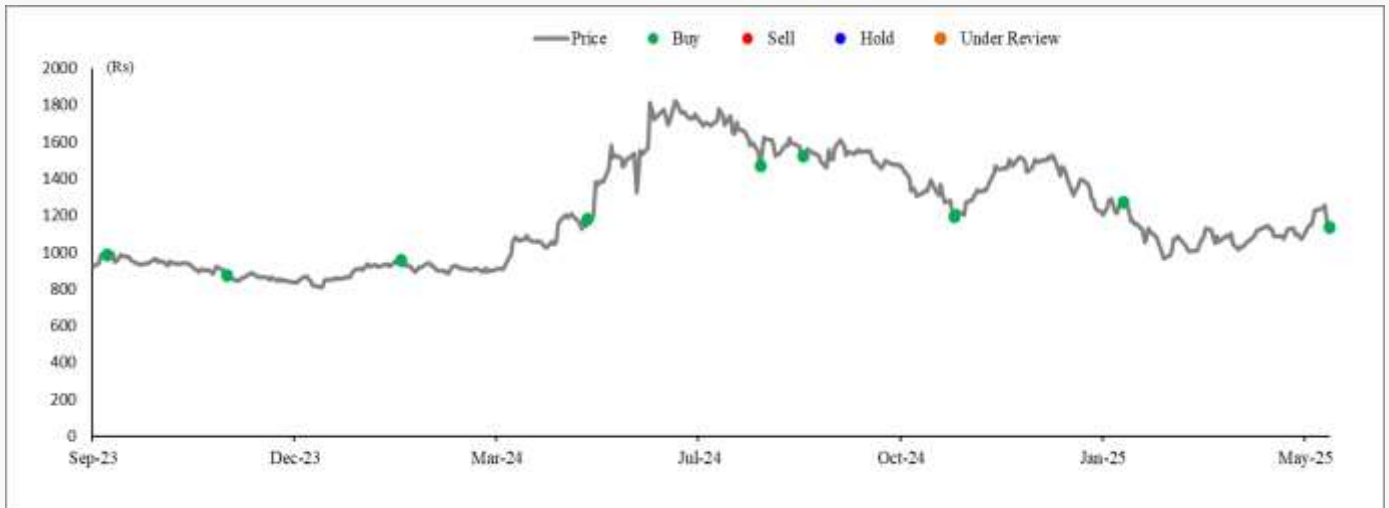
Source: Company, Axis Securities Research

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

Y/E March	FY24	FY25	FY26E	FY27E
<b>Growth Indicator</b>				
Sales Growth	16%	18%	15%	15%
EBITDA Growth	16%	16%	11%	13%
PAT Growth	29%	6%	3%	17%
<b>Profitability Ratio</b>				
EBITDA Margin	16.0%	15.8%	15.3%	15.1%
Adjusted Net Margin	10.7%	9.5%	8.5%	8.7%
<b>Efficiency Ratio</b>				
Capital Turnover	2.2	2.1	2.0	1.9
Total Asset Turnover	2.0	1.9	1.8	1.8
Fixed Asset Turnover	7.0	8.9	11.5	15.4
Debtor days	65	65	65	65
Inventory days	25	25	25	25
Creditor days	71	71	71	71
Cash Conversion Cycle (days)	19	19	19	19
<b>Leverage Ratios</b>				
Debt to equity	0.19	0.37	0.00	0.00
Net debt to equity	0.11	0.32	0.24	0.20
Interest coverage	10	8	9	10
<b>Per Share Data</b>				
Diluted EPS (Rs)	84	89	91	107
Book value per share (Rs)	356	443	532	638
DPS (Rs)	1.5	1.5	1.5	1.5
<b>Return Ratios</b>				
Return on equity	27%	22%	19%	18%
Return on capital employed	30%	28%	26%	26%
<b>Valuation Ratio</b>				
P/E	10.9	12.9	12	11
P/BV	2.6	2.6	2.1	1.8
EV/EBITDA	7.4	8.0	7.2	6.3

Source: Company, Axis Securities Research

## HG Infra Engineering Price Chart and Recommendation History



Source: Axis Securities Research

Date	Reco	TP	Research
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
09-Feb-25	BUY	1,800	Result Update
26-May-25	BUY	1,530	Result Update

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