

# HG Infra Engineering | BUY

Growth to remain intact; to churn assets in medium term

We met the management of HG Infra led by Chairman and Managing Director Mr. Harendra Singh. HG expects 17–18% YoY revenue growth and 15–16% EBITDA margins for FY26E, with order inflows of INR 110bn. HG has strong highways bid pipeline of INR 600bn. Additionally, it has submitted bids for projects worth c. INR 150bn where results are awaited. Increase in working capital during FY25 was mainly led by inventory in solar projects and delayed payments which is expected to normalize by 2Q26E. HG expects LoA for MSRDC projects in the near future and AD for major HAM projects by Dec-25. Monetization of solar/BESS assets is being considered through either InvIT mode or outright sale of assets. HG remains open to subcontracting work from major developers.

- **FY26E guidance:** Revenue: 17-18% YoY growth (appears optimistic); EBITDA margins: 15-16%; Order inflows: INR 110bn (FY25: INR 78bn); Capex: c.INR 250mn.
- **Highways bid pipeline robust** at INR 600bn. HG has also submitted bids of c.INR 150bn where results are awaited. HG is also exploring opportunities in airports, Metro and Power T&D verticals as well.
- **NWC rise in FY25** was led by increase in solar inventory and delayed payments. The company expects it to come down by 1Q26E and normalise by 2Q26E.
- **MSRDC projects:** HG expects LOA by 2Q26 and delay is due to land acquisition issues. There is no risk of cancellation of projects. HG does not expect any major execution expected in FY26E from these projects.
- **Appointed date update:** HG expects to receive AD for VRK Pkg 10 & 13 in 2Q26E, Narol HAM by Sept-25 and Bahuvan HAM by Dec-25.
- **EBITDA Margins:** HG expects segment-wise EBITDA margins to remain between 11–18%, with highway projects likely to deliver margins upwards of 15%.
- **Monetization update:** HG is considering monetization of its solar and BESS assets in the medium term, either through the InvIT mode or outright sale.
- HG remains open to subcontracting opportunities, having previously worked with IRB Infrastructure and Adani group.
- **Ganga Expressway project update:** HG expects to complete the Ganga Expressway project within the next two months. It does not anticipate any early completion bonus.
- **Reaping benefits of diversification; Maintain BUY:** We like HG for its robust execution track record, strong growth and lean balance sheet. Monetization proceeds from 4 HAM assets have strengthened the balance sheet. We expect 14% EPS CAGR over FY25-27E. HG trades at an attractive valuation of 12x/10x FY26/27E EPS. We value HG's EPC business at 14x Mar-27 EPS and HAM/Solar/BESS assets at INR 287/share (0.7-1x P/B) to arrive at SOTP-based revised price target of INR 1,740. Maintain BUY.

Financial Summary					(INR mn)
Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
Net Sales	51,217	60,519	66,571	78,522	86,352
Sales Growth (%)	15.9	18.2	10.0	18.0	10.0
EBITDA	8,220	9,507	10,480	11,935	12,953
EBITDA Margin (%)	16.0	15.7	15.7	15.2	15.0
Adjusted Net Profit	4,387	5,197	5,683	6,765	7,474
Diluted EPS (INR)	67.3	79.8	87.2	103.8	114.7
Diluted EPS Growth (%)	4.1	18.5	9.3	19.0	10.5
ROIC (%)	18.3	17.0	15.2	15.4	14.8
ROE (%)	21.4	20.0	18.0	18.0	16.7
P/E (x)	13.4	17.5	12.0	10.1	9.2
P/B (x)	2.5	3.1	2.0	1.7	1.4
EV/EBITDA (x)	7.5	10.5	7.4	6.5	5.9
Dividend Yield (%)	0.2	0.1	0.2	0.2	0.3

Source: Company data, JM Financial. Note: Valuations as of 23/May/2025



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## Recommendation and Price Target

Current Reco.	BUY
Previous Reco.	BUY
Current Price Target (12M)	1,740
Upside/(Downside)	65.7%
Previous Price Target	1,740
Change	0.0%

## Key Data – HGINFRA IN

Current Market Price	INR1,050
Market cap (bn)	INR74.2/US\$0.9
Free Float	28%
Shares in issue (mn)	65.2
Diluted share (mn)	65.2
3-mon avg daily val (mn)	INR122.5/US\$1.4
52-week range	1,880/921
Sensex/Nifty	81,721/24,853
INR/US\$	85.2

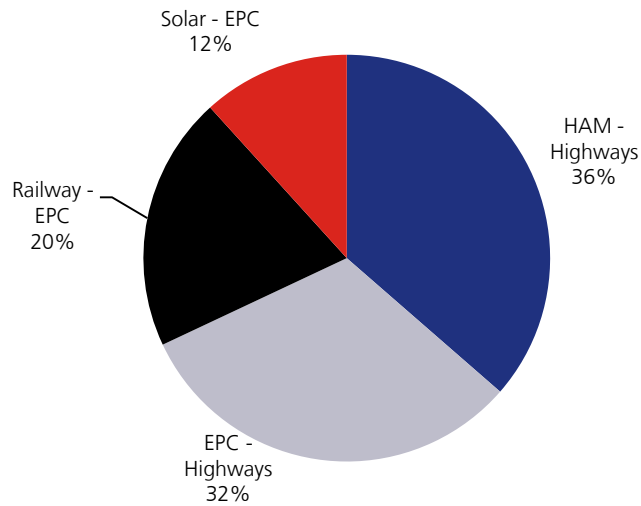
## Price Performance

%	1M	6M	12M
Absolute	1.2	-11.1	-24.7
Relative*	-1.9	-12.9	-30.5

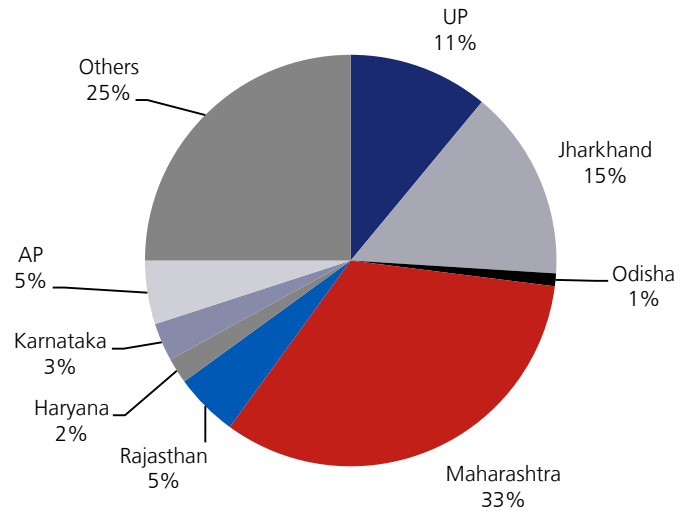
\* To the BSE Sensex

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**Exhibit 1. Well diversified order backlog of INR 153bn (Mar-25)**

Source: Company, JM Financial

**Exhibit 2. Maharashtra accounts for 33% of Mar-25 backlog**

Source: Company, JM Financial

**Exhibit 3. Key assumptions**

INR mn	FY24	FY25	FY26E	FY27E	FY28E
EBITDA Margins (%)	16.0	15.7	15.7	15.2	15.0
Net WC days	83	110	95	90	90
Capex	2,010	884	500	700	1,000
Investments (net)*	1,577	7,352	7,505	5,828	1,787

Source: Company, JM Financial; \*: includes incremental equity investments in HAM and Solar projects

**Exhibit 4. Portfolio of HAM projects (as on Mar-25)**

INR mn	Awarding Authority	State	Kms	BPC	Grant	Total Sanctioned Debt	Invested Equity till 31 <sup>st</sup> Mar'25	Debt as on 31 <sup>st</sup> Mar'25
Khammam Devarapalle Pkg-1	NHAI	Telangana	34	7,721	3,088	3,100	1,04	2,100
Khammam Devarapalle Pkg-2	NHAI	Telangana	30	6,371	2,548	2,560	876	1,950
Raipur Visakhapatnam AP-1	NHAI	Andhra Pradesh	32	10,601	4,240	4,520	1,397	3,448
Raipur Visakhapatnam OD-5	NHAI	Odisha	44	14,921	5,968	6,670	2,083	5,550
Raipur Visakhapatnam OD-6	NHAI	Odisha	46	11,231	4,492	5,150	1,411	4,500
Karnal Ringroad	NHAI	Haryana	35	9,971	3,988	4,650	1,071	2,300
Varanasi Kolkata Pkg-10	NHAI	Jharkhand	36	13,031	5,212	6,200	259	-
Varanasi Kolkata Pkg-13	NHAI	Jharkhand	29	9,251	3,700	4,470	321	-
Chennai Tirupati II	NHAI	Andhra Pradesh	37	8,621	3,448	4,350	686	-
Narol – Sarkhej Junction	MoRTH	Gujarat	11	7,811	3,124	4,050	2	-
Kosi Parikrama Pkg 6	MoRTH	UP	64	7,631	3,052	TBD	2	-
<b>TOTAL</b>				<b>107,161</b>	<b>42,860</b>	<b>45,720</b>	<b>9,153</b>	<b>19,848</b>

Source: Company, JM Financial

**Exhibit 5. SoTP based price target of INR 1,740**

INR mn	Valuation Methodology	Value driver	Multiple (x)	Valuation	INR/share
EPC business	PEX Mar-27 PAT	6,765	14.0	94,716	1,453
HAM assets*	P/Bx Mar-26E	12,872	1.0	12,872	198
Solar assets	P/Bx Mar-26E	8,320	0.7	5,824	89
<b>Total</b>				<b>1,13,412</b>	<b>1,740</b>

Source: Company, JM Financial

Exhibit 6. 1 year forward P/E chart



Source: Bloomberg

## Financial Tables (Standalone)

Income Statement					(INR mn)
Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
Net Sales	51,217	60,519	66,571	78,522	86,352
Sales Growth	15.9%	18.2%	10.0%	18.0%	10.0%
Other Operating Income	0	0	0	0	0
<b>Total Revenue</b>	<b>51,217</b>	<b>60,519</b>	<b>66,571</b>	<b>78,522</b>	<b>86,352</b>
Cost of Goods Sold/Op. Exp	39,189	46,912	51,306	61,169	67,355
Personnel Cost	2,882	3,293	3,786	4,241	4,750
Other Expenses	927	807	999	1,178	1,295
<b>EBITDA</b>	<b>8,220</b>	<b>9,507</b>	<b>10,480</b>	<b>11,935</b>	<b>12,953</b>
EBITDA Margin	16.0%	15.7%	15.7%	15.2%	15.0%
EBITDA Growth	15.7%	15.7%	10.2%	13.9%	8.5%
Depn. & Amort.	1,412	1,440	1,594	1,714	1,840
EBIT	6,808	8,068	8,886	10,221	11,112
Other Income	126	152	141	202	240
Finance Cost	810	1,159	1,431	1,382	1,365
PBT before Excep. & Forex	6,124	7,060	7,595	9,041	9,988
Excep. & Forex Inc./Loss(-)	0	0	0	0	0
PBT	6,124	7,060	7,595	9,041	9,988
Taxes	1,737	1,863	1,912	2,276	2,514
Extraordinary Inc./Loss(-)	1,067	574	0	0	0
Assoc. Profit/Min. Int.(-)	0	0	0	0	0
Reported Net Profit	5,455	5,771	5,683	6,765	7,474
<b>Adjusted Net Profit</b>	<b>4,387</b>	<b>5,197</b>	<b>5,683</b>	<b>6,765</b>	<b>7,474</b>
Net Margin	8.6%	8.6%	8.5%	8.6%	8.7%
Diluted Share Cap. (mn)	65.2	65.2	65.2	65.2	65.2
<b>Diluted EPS (INR)</b>	<b>67.3</b>	<b>79.8</b>	<b>87.2</b>	<b>103.8</b>	<b>114.7</b>
Diluted EPS Growth	4.1%	18.5%	9.3%	19.0%	10.5%
Total Dividend + Tax	98	130	143	170	187
Dividend Per Share (INR)	1.5	2.0	2.2	2.6	2.9

Source: Company, JM Financial

Cash Flow Statement					(INR mn)
Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
Profit before Tax	7,192	7,634	7,595	9,041	9,988
Depn. & Amort.	1,412	1,440	1,594	1,714	1,840
Net Interest Exp. / Inc. (-)	684	1,007	1,291	1,179	1,124
Inc (-) / Dec in WCap.	-3,938	-6,462	998	-1,734	-1,777
Others	0	0	0	0	0
Taxes Paid	-1,912	-1,891	-1,912	-2,276	-2,514
<b>Operating Cash Flow</b>	<b>3,438</b>	<b>1,727</b>	<b>9,566</b>	<b>7,925</b>	<b>8,661</b>
Capex	-1,809	-871	-500	-700	-1,000
Free Cash Flow	1,628	856	9,066	7,225	7,661
Inc (-) / Dec in Investments	315	-6,554	-7,505	-5,828	-4,622
Others	0	0	0	0	0
<b>Investing Cash Flow</b>	<b>-1,495</b>	<b>-7,425</b>	<b>-8,005</b>	<b>-6,528</b>	<b>-5,622</b>
Inc / Dec (-) in Capital	0	0	0	0	0
Dividend + Tax thereon	-98	-130	-143	-170	-187
Inc / Dec (-) in Loans	-525	6,167	821	500	-1,500
Others	-1,121	-989	-1,291	-1,179	-1,124
<b>Financing Cash Flow</b>	<b>-1,743</b>	<b>5,048</b>	<b>-613</b>	<b>-849</b>	<b>-2,812</b>
<b>Inc / Dec (-) in Cash</b>	<b>200</b>	<b>-650</b>	<b>948</b>	<b>548</b>	<b>228</b>
Opening Cash Balance	1,794	1,993	1,343	2,291	2,839
Closing Cash Balance	1,993	1,343	2,291	2,839	3,067

Source: Company, JM Financial

Balance Sheet					(INR mn)
Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
Shareholders' Fund	23,185	28,848	34,388	40,984	48,271
Share Capital	652	652	652	652	652
Reserves & Surplus	22,533	28,196	33,737	40,333	47,619
Preference Share Capital	0	0	0	0	0
Minority Interest	0	0	0	0	0
Total Loans	4,512	10,679	11,500	12,000	10,500
Def. Tax Liab. / Assets (-)	-375	-408	-408	-408	-408
<b>Total - Equity &amp; Liab.</b>	<b>27,322</b>	<b>39,119</b>	<b>45,481</b>	<b>52,577</b>	<b>58,363</b>
Net Fixed Assets	7,464	6,895	5,801	4,787	3,947
Gross Fixed Assets	12,523	13,407	13,907	14,607	15,607
Intangible Assets	0	0	0	0	0
Less: Depn. & Amort.	5,101	6,541	8,135	9,849	11,690
Capital WIP	42	29	29	29	29
Investments	6,276	13,687	21,192	27,020	31,642
Current Assets	26,898	37,267	30,427	35,641	39,145
Inventories	2,967	5,428	3,514	4,190	4,613
Sundry Debtors	9,177	13,766	13,679	15,704	16,561
Cash & Bank Balances	1,993	1,343	2,291	2,839	3,067
Loans & Advances	15	46	0	0	0
Other Current Assets	12,747	16,685	10,943	12,908	14,905
Current Liab. & Prov.	13,316	18,730	11,940	14,872	16,371
Current Liabilities	9,133	13,516	7,872	10,055	11,072
Provisions & Others	4,183	5,214	4,068	4,817	5,299
Net Current Assets	13,582	18,537	18,487	20,769	22,774
<b>Total - Assets</b>	<b>27,321</b>	<b>39,119</b>	<b>45,481</b>	<b>52,577</b>	<b>58,363</b>

Source: Company, JM Financial

Dupont Analysis					
Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
Net Margin	8.6%	8.6%	8.5%	8.6%	8.7%
Asset Turnover (x)	2.0	1.8	1.6	1.6	1.6
Leverage Factor (x)	1.2	1.3	1.3	1.3	1.2
RoE	21.4%	20.0%	18.0%	18.0%	16.7%

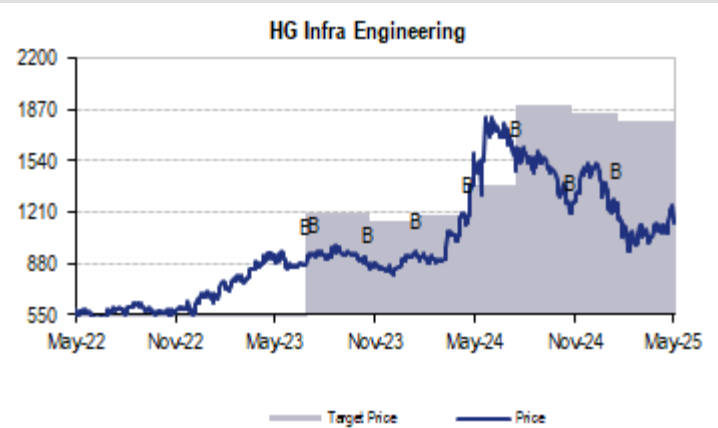
Key Ratios					
Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
BV/Share (INR)	355.8	442.6	527.7	628.9	740.7
ROIC	18.3%	17.0%	15.2%	15.4%	14.8%
ROE	21.4%	20.0%	18.0%	18.0%	16.7%
Net Debt/Equity (x)	0.1	0.3	0.3	0.2	0.2
P/E (x)	13.4	17.5	12.0	10.1	9.2
P/B (x)	2.5	3.1	2.0	1.7	1.4
EV/EBITDA (x)	7.5	10.5	7.4	6.5	5.9
EV/Sales (x)	1.2	1.7	1.2	1.0	0.9
Debtor days	65	83	75	73	70
Inventory days	21	33	19	19	20
Creditor days	78	97	51	55	55

Source: Company, JM Financial

History of Recommendation and Target Price

Date	Recommendation	Target Price	% Chg.
20-Jul-23	Buy	1,200	
1-Aug-23	Buy	1,200	0.0
10-Nov-23	Buy	1,150	-4.1
5-Feb-24	Buy	1,190	3.5
12-May-24	Buy	1,380	16.0
7-Aug-24	Buy	1,900	37.6
13-Nov-24	Buy	1,850	-2.6
7-Feb-25	Buy	1,790	-3.2

Recommendation History



## APPENDIX I

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Rating	Meaning
Buy	Total expected returns of more than 10% for stocks with market capitalisation in excess of INR 200 billion and REITs* and more than 15% for all other stocks, over the next twelve months. Total expected return includes dividend yields.
Hold	Price expected to move in the range of 10% downside to 10% upside from the current market price for stocks with market capitalisation in excess of INR 200 billion and REITs* and in the range of 10% downside to 15% upside from the current market price for all other stocks, over the next twelve months.
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\* REITs refers to Real Estate Investment Trusts.

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