

Performance on track; positive outlook

16 February 2025

With 9M performance of 17% revenue growth, HG infra Engineering (HGINFRA IN) is among a few companies with superior execution along with healthy margin profile despite diversification. We expect momentum in execution to continue with appointed dates (AD) for new projects already in place (received AD worth INR 19bn project during Q2-Q3) and land availability issues resolved for projects (Maharashtra state road development corporation [MSRDC] Letter of appointment (LoA) by FY25 with settlement agreed for Neelmangala-Tumkur). Leverage is also likely to reduce as talks are underway with investors to monetize five projects with an equity investment of INR 7bn by end-FY26. We reiterate **Buy** with a lower TP of INR 1,760 on 15x FY27E P/E.

Full-year execution on track: HGINFRA witnessed a minor miss in execution in Q3 with growth of 12% YoY vs our estimates of 18% YoY on account of slower execution in new railway projects due to land availability issues and changes in project design. EBITDA margin was up 70bp YoY to stood at 16.6% vs our estimates of 15.9%. Margin was higher on improved contribution from solar projects which posted a better margin at 18%. PAT was in line with our estimates of INR 1.5bn at INR 1.4bn.

On the balance sheet front, the company saw interim elevation in debt by INR 5bn during Q3, due to delay in disbursement from DISCOM on pending approvals for land procurement and solar modules. Management expects debt to cool off to INR 7bn by FY25 as sanctions received from DISCOM in December and disbursements are likely to commence in February. Also, receipts of INR 1.3bn from Rewari bypass monetization in Q4 would aid in further reduction of debt.

Sustains guidance: Management has retained its targets and believes the slowdown in Q3 execution as a temporary blip. It expects a pickup in Q4, sustaining full-year revenue growth of 17-18% and FY26 growth of 15%+ with most growth likely from solar and railway projects. It expects MSRDC orders to contribute the most in FY27 with limited execution of INR 2.5bn in FY26. Margin is set to be sustained at 15-16%.

Inflows on track with aim to further diversify: The company has received inflows of INR 82bn as on YTD vs FY25 guidance of INR 110-120bn. With total bidded pipeline of INR 170bn and upcoming pipeline of INR 720bn (INR 550bn for highways, INR 180bn for railways, and the rest for solar & battery projects), management is confident of achieving targeted inflows. It is also looking to diversify by foraying into water and transmission projects to avoid increased competition into road projects.

Retain Buy with a lower TP of INR 1,760: Despite a slight miss in Q3 execution, full-year execution is on track and is likely to continue momentum, given the contribution from solar and railway projects in FY26 and MSRDC orders in FY27 with stable margin. We slightly cut our PAT estimates by 4% for FY26E and by 9% for FY27E, leading to a lower TP of INR 1,760 from INR 1,892 based on 15x (unchanged) FY27E P/E and investments in HAM assets at book value. We expect a revenue CAGR of 16%, an EBITDA CAGR of 14% and an adjusted earnings CAGR of 17% during FY24-27E.

Key financials

YE March	FY23	FY24	FY25E	FY26E	FY27E
Revenue (INR mn)	44,185	51,217	58,831	68,900	79,068
YoY (%)	22.2	15.9	14.9	17.1	14.8
EBITDA (INR mn)	7,103	8,220	9,589	10,872	12,097
EBITDA margin (%)	16.1	16.0	16.3	15.8	15.3
Adj PAT (INR mn)	4,214	4,387	5,455	6,261	7,025
YoY (%)	24.4	4.1	24.3	14.8	12.2
Fully DEPS (INR)	64.7	67.3	83.7	96.1	107.8
RoE (%)	26.8	21.4	21.1	19.8	18.4
RoCE (%)	31.9	27.0	25.8	24.5	23.1
P/E (x)	17.8	13.8	13.8	12.0	10.7
EV/EBITDA (x)	11.0	9.5	8.2	7.2	6.4

Note: Pricing as on 14 February 2025; Source: Company, Elara Securities Estimate

Rating: **Buy**

Target Price: **INR 1,760**

Upside: **53%**

CMP: **INR 1,154**

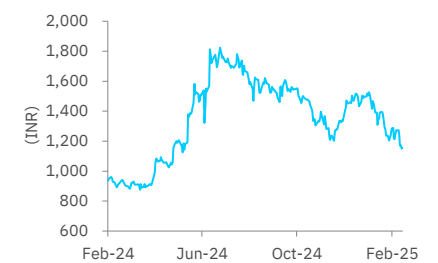
As on 14 February 2025

Key data

	HGINFRA IN
Bloomberg	HGINFRA IN
Reuters Code	HGIN.BO
Shares outstanding (mn)	65
Market cap (INR bn/USD mn)	75/867
Enterprise Value (INR bn/USD mn)	99/1135
Avg daily volume 3M (INR mn/USD mn)	170/2
52 week high/low	1880/855
Free float (%)	-

Note: as on 14 February 2025; Source: Bloomberg

Price chart



Source: Bloomberg

Shareholding (%)	Q4	Q1	Q2	Q3
	FY24	FY25	FY25	FY25
Promoter	74.5	74.5	71.8	71.8
% Pledged	0.0	0.0	-	-
FII	1.7	2.0	2.6	2.8
DII	12.6	12.2	12.7	12.1
Others	11.2	11.3	12.9	13.3

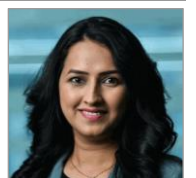
Source: BSE

Price performance (%)	3M	6M	12M
Nifty	(2.6)	(5.0)	5.0
HG Infra Engineering	(5.9)	(24.1)	26.2
NSE Midcap	(8.1)	(12.2)	2.7
NSE Smallcap	(12.5)	(14.8)	(3.1)

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Financials (YE March)

Income Statement (INR mn)	FY23	FY24	FY25E	FY26E	FY27E
Net Revenues	44,185	51,217	58,831	68,900	79,068
EBITDA	7,103	8,220	9,589	10,872	12,097
Add:- Non operating Income	181	126	101	101	91
OPBIDTA	7,284	8,346	9,690	10,973	12,188
Less :- Depreciation & Amortization	963	1,412	1,431	1,487	1,650
EBIT	6,320	6,934	8,259	9,486	10,538
Less:- Interest Expenses	633	810	986	1,138	1,171
Less:- Exceptional item	0	1,067	0	0	0
PBT	5,687	5,057	7,274	8,348	9,367
Less :- Taxes	1,474	1,737	1,818	2,087	2,342
Reported PAT	4,214	5,455	5,455	6,261	7,025
Adjusted PAT	4,214	4,387	5,455	6,261	7,025
Balance Sheet (INR mn)	FY23	FY24	FY25E	FY26E	FY27E
Share Capital	652	652	652	652	652
Reserves	17,133	22,533	27,907	34,086	41,014
Net worth	17,784	23,185	28,559	34,738	41,665
Borrowings	4,552	4,511	5,864	6,117	5,972
Other non-current liabilities	355	942	1,066	1,227	1,390
Total Liabilities	22,691	28,639	35,488	42,082	49,028
Net Block	6,267	7,364	6,833	6,364	5,757
Add:- Capital work in progress	719	42	42	42	42
Investments	7,447	6,276	10,776	13,776	16,776
Cash & bank balances	1,794	1,993	2,135	2,608	3,313
Net Working Capital	5,675	11,411	14,108	17,634	21,417
Other Assets	789	1,553	1,594	1,658	1,722
Total Assets	22,691	28,639	35,488	42,082	49,028
Cash Flow Statement (INR mn)	FY23	FY24	FY25E	FY26E	FY27E
Cash profit adjusted for non-cash items	5,533	7,385	7,771	8,786	9,756
Add/Less:- Working Capital changes	976	(6,356)	(2,729)	(3,579)	(3,839)
Operating Cash Flow	6,510	1,028	5,042	5,206	5,917
Less:- Capex	3,426	1,831	900	1,019	1,043
Free Cash Flow	3,084	(803)	4,142	4,188	4,874
Financing Cash Flow	859	(324)	401	(814)	(1,260)
Investing Cash Flow	(3,735)	1,325	(4,400)	(2,900)	(2,909)
Net change in Cash	209	199	142	473	705
Ratio Analysis	FY23	FY24	FY25E	FY26E	FY27E
Income Statement Ratios(%)					
Revenue Growth	22.2	15.9	14.9	17.1	14.8
EBITDA Growth	21.5	15.7	16.7	13.4	11.3
PAT Growth	24.4	29.5	0.0	14.8	12.2
EBITDA Margin	16.1	16.0	16.3	15.8	15.3
Net Margin	9.5	10.7	9.3	9.1	8.9
Return & Liquidity Ratios (%)					
Net Debt/Equity (x)	0.16	0.11	0.13	0.10	0.06
ROE (%)	26.8	21.4	21.1	19.8	18.4
ROCE (%)	31.9	27.0	25.8	24.5	23.1
Per Share data & Valuation Ratios					
Reported EPS (INR)	64.7	83.7	83.7	96.1	107.8
Adjusted EPS (INR)	64.7	67.3	83.7	96.1	107.8
EPS growth (%)	24.4	29.5	0.0	14.8	12.2
DPS (INR)	1.0	1.2	1.2	1.2	1.5
Core P/E (x)	17.8	13.8	13.8	12.0	10.7
EV/EBITDA (x)	11.0	9.5	8.2	7.2	6.4
EV/Sales (x)	1.8	1.5	1.3	1.1	1.0
Core Price/Book (x)	4.2	3.2	2.6	2.2	1.8
Dividend Yield (%)	0.1	0.1	0.1	0.1	0.1

Revenue CAGR of 16%, an EBITDA CAGR of 14% and a PAT CAGR of 17% during FY24-27E

Margin is likely to sustain at 15-16%

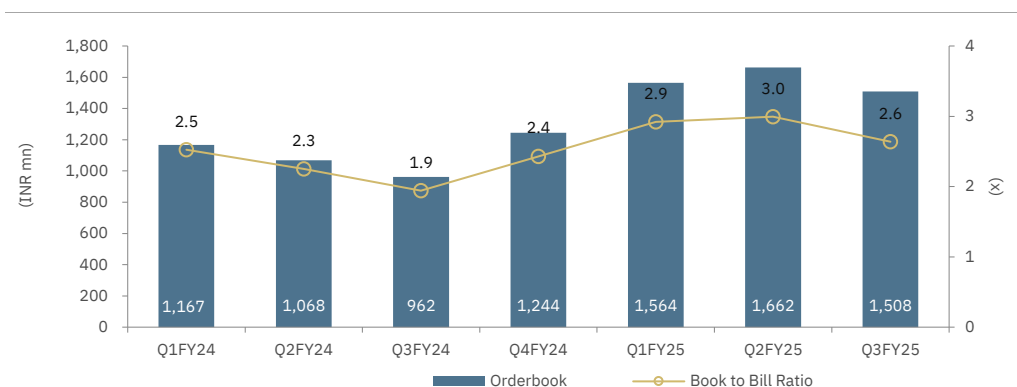
Note: Pricing as on 14 February 2025; Source: Company, Elara Securities Estimate

Quarterly financials

YE March (INR mn)	Q3FY25	Q3FY24	YoY (%)	Q2FY25	QoQ (%)	Q3FY25E	Variance (%)
Net sales	15,085	13,464	12.0	10,644	41.7	16,132	(6.5)
EBITDA	2,501	2,142	16.7	1,745	43.3	2,557	(2.2)
EBITDA Margin (%)	16.6	15.9		16.4		15.9	
Other income	24	25	(6.1)	33	(26.6)	31	(23.9)
Interest	298	226	31.8	226	32.0	235	26.9
Depreciation	362	367	(1.3)	359	1.0	406	(10.8)
PBT	1,864	1,574	18.4	1,192	56.3	1,947	(4.3)
Tax	498	587	(15.1)	306	62.9	491	1.5
Effective Tax Rate (%)	26.7	37.3		25.6		25.2	
PAT	1,366	2,055	(33.5)	887	54.0	1,457	(6.2)
Reported NPM (%)	9.1	15.3		8.3		9.0	
EPS (INR)	21.0	31.6	(33.6)	13.6	54.0	22.4	(6.2)

Source: Company, Elara Securities Estimate

Exhibit 1: Healthy book-to-bill visibility at 2.6x



Source: Company, Elara Securities Research

Exhibit 2: Valuation

(INR mn)	FY27E
PAT	7,025
P/E (x)	15.0
Construction business	105,377
Asset Value	9,304
Shares (mn)	65
Value per share (INR)	1,760
CMP (INR)	1,106
Upside (%)	52

Note: Pricing as on 14 February 2025; Source: Elara Securities Estimate

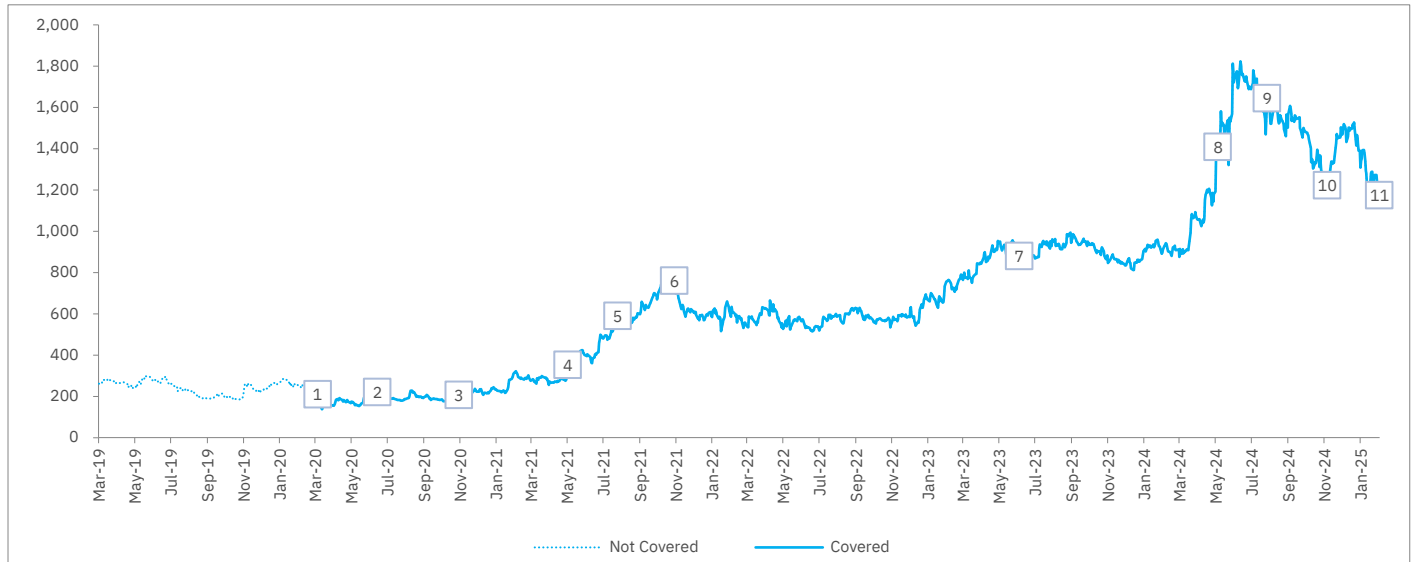
Exhibit 3: Change in estimates

(INR mn)	Earlier			Revised			% Change		
	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E
Revenue	60,148	70,437	80,582	58,831	68,900	79,068	(2.2)	(2.2)	(1.9)
EBITDA	9,491	11,115	12,990	9,589	10,872	12,097	1.0	(2.2)	(6.9)
PAT	5,476	6,486	7,694	5,455	6,261	7,025	(0.4)	(3.5)	(8.7)
TP (INR)			1,892			1,760			(7)

Source: Elara Securities Estimate

YTD FY25 Inflows stood at INR 82bn. HGINFRA may receive INR 30-40bn by Q4

Coverage History



	Date	Rating	Target Price	Closing Price
7	16-Jun-2023	Buy	INR 1,190	INR 861
8	17-May-2024	Accumulate	INR 1,596	INR 1,389
9	8-Aug-2024	Accumulate	INR 1,892	INR 1,625
10	18-Nov-2024	Buy	INR 1,892	INR 1,202
11	14-Feb-2025	Buy	INR 1,760	INR 1,154

Guide to Research Rating

BUY	Absolute Return >+20%
ACCUMULATE	Absolute Return +5% to +20%
REDUCE	Absolute Return -5% to +5%
SELL	Absolute Return < -5%

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