

H.G. Infra Engineering Ltd.

BUY

Sector: Infrastructure

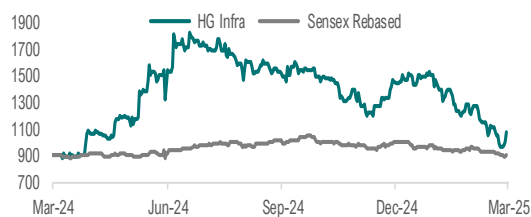
07th March 2025

Key Changes	Target ▼	Rating ●	Earnings ▼	Target	Rs.1,440		
Stock Type	Bloomberg Code	Sensex	NSE Code	BSE Code	Time Frame	CMP	Rs.1,072
Small Cap	HGINFRA:IN	74,340	HGINFRA	541019	12 Months	Return	+34%

Data as of: 06-03-2025

Company Data			
Market Cap (Cr)	6,988		
52 Week High — Low (Rs.)	1,880-855		
Enterprise Value (cr)	7,234		
Outstanding Shares (Rs cr)	6.5		
Free Float (%)	28		
Dividend Yield (%)	0.13		
6m average volume (cr)	0.02		
Beta	1.2		
Face value (Rs)	10		
Shareholding (%)	Q1FY25	Q2FY25	Q3FY25
Promoters	74.5	71.8	71.8
FII's	2.0	2.6	2.8
MFs/Insti	12.1	12.7	12.1
Public	11.3	12.9	13.3
Total	100.0	100.0	100.0
Promoter Pledge	Nil	Nil	Nil
Price Performance	3 Month	6 Month	1 Year
Absolute Return	-26%	-28%	18%
Absolute Sensex	-9%	-8%	0%
Relative Return*	-17%	-20%	17%

*over or under performance to benchmark index



Standalone (cr)	FY25E	FY26E	FY27E
Sales	5,999	6,947	8,105
Growth (%)	17.1	15.8	16.7
EBITDA	960	1,077	1,272
EBITDA Margin(%)	16.0	15.5	15.7
PAT Adj.	533	616	759
Growth (%)	21.5	15.6	23.2
Adj.EPS	81.8	94.5	116.4
Growth (%)	21.5	15.6	23.2
P/E	13.1	11.3	9.2
P/B	2.6	2.1	1.7
EV/EBITDA	7.6	6.7	5.7
ROE (%)	21.6	20.3	20.4
D/E	0.2	0.1	0.1

Author: Antu Eapan Thomas - Sr. Research Analyst

Strong order book and execution will aid growth...

HG Infra Engineering Ltd. (HG Infra) is one of the emerging EPC players in India, with over two decades of rich experience in road construction. It is primarily engaged in roads and allied sectors like flyovers, bridges, and irrigation.

- In Q3FY25, the order book grew by 57% YoY to Rs15,080cr, led by strong order inflow of Rs8,200cr in 9MFY25. The diversified order book (2.6x TTM revenue) provides a healthy revenue visibility for the coming years.
- During the quarter, the topline grew by 12% YoY driven by higher execution in road, solar and railway projects. With the progress in execution, we expect revenue to grow at a CAGR of 17% over FY24-FY27E.
- The company has guided for an order inflow target of Rs 10,000cr to Rs 12,000cr for FY26 with a revenue growth of 16-17%.
- EBITDA margin improved by 65bps YoY to 16.6% owing to strong execution and cost control measures. The management expects the margins to be in the range of 15-16% for FY25/FY26.
- The company is optimistic about the upcoming project pipeline, despite recent slowdown in awarding new contracts.

Outlook & Valuation

The increasing opportunities in road, railway and solar projects, along with a current order backlog at ~3x TTM revenue, ensure strong business visibility. The management is prioritizing the diversification of the order book and maintaining a healthy margin profile to drive future growth. **Therefore, we reiterate our BUY rating on the stock & value standalone businesses at a P/E of 12x FY27E EPS and HAM projects at 0.3x P/BV with a TP of Rs.1,440.**

Quarterly Financials Standalone.

Rs.cr	Q3FY25	Q3FY24	YoY (%)	Q2FY25	QoQ (%)	9MFY24	9MFY25	YoY (%)
Sales	1,509	1,347	12.0	1,064	41.7	3,487	4,079	17.0
EBITDA	250	214	16.6	174	43.4	558	668	19.8
Margin (%)	16.6	15.9	65bps	16.4	19bps	16.0	16.4	38bps
EBIT	214	178	20.3	139	54.3	454	561	23.4
PBT	186	264	-29.5	119	56.3	508	495	-2.5
Rep. PAT	137	206	-33.6	89	54.1	386	365	-5.4
Adj PAT	137	99	38.0	89	54.1	279	365	30.7
EPS (Rs)	21.0	15.2	38.0	13.6	54.1	43	56	30.7

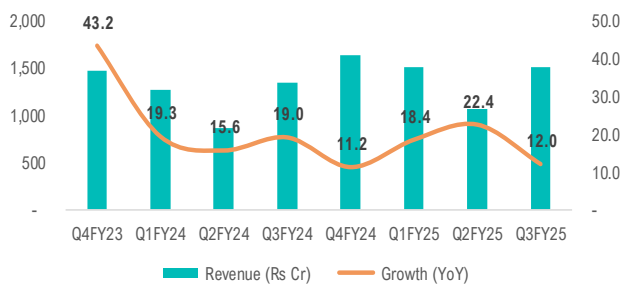
Key Highlights

- The company targets revenue growth of 17-18% in Q4FY25 and 15-16% for FY25, aided by strong opportunity in infra projects.
- The management maintains EBITDA margin guidance of 15-16% for FY26.
- The company has already bid for orders worth Rs 17,000cr (highway Rs9,000cr, railway Rs6,000cr, solar Rs1,100cr).
- The total project pipeline is worth Rs 72,000cr, (highway Rs 50,000cr, railway Rs 18,000cr, and solar Rs 7,000cr)

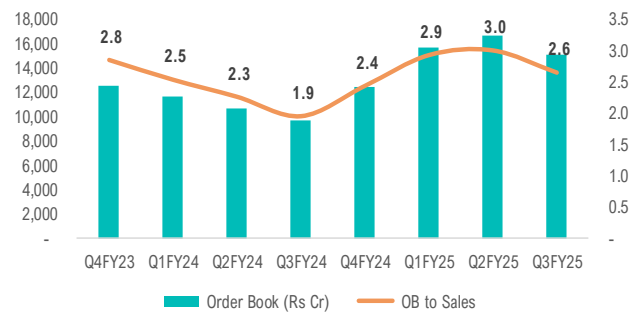
SOTP Valuation

Particulars	Invested Equity	Value per share	Rationale
Standalone FY27 EPS		1,397	P/E12x FY27E EPS
HAM Projects	930	43	0.3x P/BV
Total		1,440	

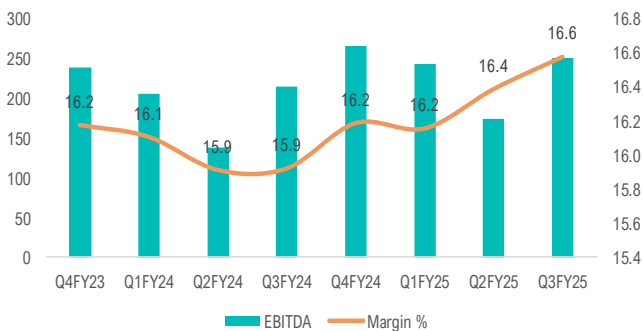
Revenue



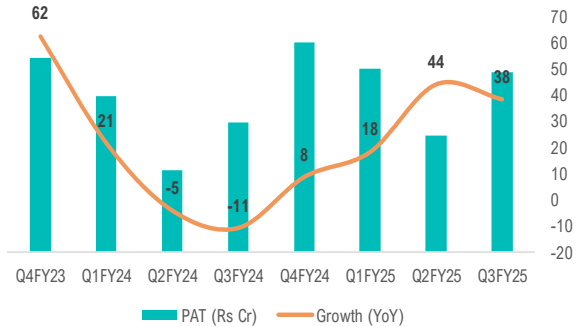
Order Book



EBITDA



PAT



Change in Estimates

Year / Rs cr	Old estimates			New estimates			Change (%)		
	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E
Revenue	6,093	7,189	8,315	5,999	6,947	8,105	-1.5	-3.4	-2.5
EBITDA	975	1,114	1,305	960	1,077	1,272	-1.6	-3.3	-2.5
Margins (%)	16.0	15.5	15.7	16.0	15.5	15.7	0bps	0bps	1bps
Adj. PAT	560	655	783	533	616	759	-4.8	-6.0	-3.1
EPS	85.9	100.5	120.1	81.8	94.5	116.4	-4.8	-6.0	-3.1



Standalone Financials

PROFIT & LOSS

Y.E March (Rs. cr)	FY23A	FY24A	FY25E	FY26E	FY27E
Revenue	4,419	5,122	5,999	6,947	8,105
% change	22.2	15.9	17.1	15.8	16.7
EBITDA	710	822	960	1,077	1,272
% change	9.2	15.7	16.8	12.2	18.2
Depreciation	96	141	149	155	162
EBIT	614	681	811	921	1,111
Interest	63	81	105	105	103
Other Income	18.1	12.6	14.0	16.0	18.0
PBT	569	719	720	832	1,025
% change	9.6	26.5	0.2	15.6	23.2
Tax	147	174	187	216	267
Tax Rate (%)	26	24	26	26	26
Reported PAT	421	545	533	616	759
Adj*	0	107	0	0	0
Adj PAT	421	439	533	616	759
% change	4.5	4.1	21.5	15.6	23.2
No. of shares (cr)	7	7	7	7	7
Adj EPS (Rs.)	65	67	82	95	116
% change	4.5	4.1	21.5	15.6	23.2
DPS (Rs.)	1.0	1.3	1.5	1.7	1.9

CASH FLOW

Y.E March (Rs. cr)	FY23A	FY24A	FY25E	FY26E	FY27E
Net inc. + Deprn.	665	860	869	988	1,187
Non-cash adj.	81	136	141	188	231
Changes in W.C	-244	-236	-326	-218	-223
C.F. Operation	475	709	655	883	1,076
Capital exp.	-251	-80	-50	-50	-50
Change in inv.	-182	-272	-327	-458	-641
Other invest.CF	-12	5	-2	-3	-3
C.F – Investment	-444	-348	-379	-510	-694
Issue of equity	0	0	0	0	0
Issue/repay debt	167	-121	-85	-115	-113
Dividends paid	-7	-8	-9	-11	-12
Other finance.CF	-7	-6	-8	-9	-10
C.F – Finance	27	-429	-288	-347	-398
Chg. in cash	57	-67	-12	26	-16
Closing cash	216	149	137	162	147

BALANCE SHEET

Y.E March (Rs. cr)	FY23A	FY24A	FY25E	FY26E	FY27E
Cash	216	149	137	162	147
Accounts Receivable	908	1,052	1,233	1,427	1,643
Inventories	223	248	324	377	427
Other Cur. Assets	605	716	937	1,085	1,243
Investments	545	817	1,144	1,601	2,242
Gross Fixed Assets	1,059	1,139	1,189	1,239	1,289
Net Fixed Assets	602	541	442	337	225
CWIP	3	3	3	3	3
Intangible Assets	2	2	2	2	2
Def. Tax (Net)	12	13	14	14	14
Other Assets	47	54	62	72	83
Total Assets	3,163	3,595	4,298	5,080	6,029
Current Liabilities	893	936	1,087	1,264	1,465
Provisions	53	50	59	68	79
Debt Funds	435	395	415	405	395
Other Liabilities	3	3	4	4	5
Equity Capital	65	65	65	65	65
Reserves & Surplus	1,714	2,145	2,668	3,273	4,020
Shareholder's Fund	1,779	2,210	2,733	3,339	4,085
Total Liabilities	3,163	3,595	4,298	5,080	6,029
BVPS (Rs.)	273	339	419	512	627

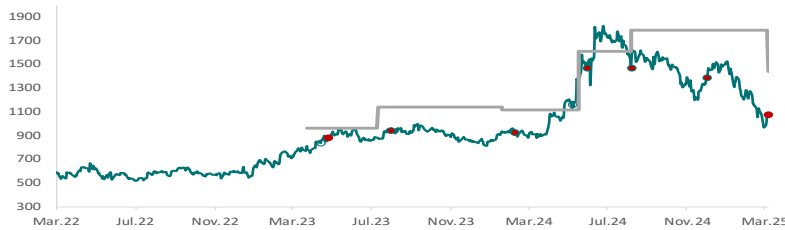
RATIOS

Y.E March	FY23A	FY24A	FY25E	FY26E	FY27E
Profitab. & Return					
EBITDA margin (%)	16.1	16.0	16.0	15.5	15.7
EBIT margin (%)	13.9	13.3	13.5	13.3	13.7
Net profit mgn.(%)	9.5	10.7	8.9	8.9	9.4
ROE (%)	26.8	27.3	21.6	20.3	20.4
ROCE (%)	25.3	26.0	22.2	20.9	21.0
W.C & Liquidity					
Receivables (days)	66.4	69.9	69.5	69.9	69.1
Inventory (days)	16.8	16.8	17.4	18.4	18.1
Payables (days)	92.7	97.4	93.1	93.0	93.1
Current ratio (x)	1.8	1.9	2.1	2.1	2.0
Quick ratio (x)	1.1	1.1	1.1	1.1	1.1
Turnover & Leverage					
Gross asset T.O (x)	4.7	4.7	5.2	5.7	6.4
Total asset T.O (x)	1.6	1.5	1.5	1.5	1.5
Int. coverage ratio (x)	9.7	8.4	7.8	8.8	10.8
Adj. debt/equity (x)	0.2	0.2	0.2	0.1	0.1
Valuation					
EV/Sales (x)	1.6	1.4	1.2	1.0	0.9
EV/EBITDA (x)	10.1	8.8	7.6	6.7	5.7
P/E (x)	16.6	15.9	13.1	11.3	9.2
P/BV (x)	3.9	3.2	2.6	2.1	1.7



Recommendation Summary (last 3 years)

Dates	Rating	Target
27-Apr-2023	HOLD	960
03-Aug-2023	BUY	1,137
14-Feb-2024	BUY	1,120
18-May-2024	Accumulate	1,611
08-Aug-2024	Accumulate	1,788
04-Dec-2024	BUY	1,791
07-Mar-2025	BUY	1,440



Source: Bloomberg, Geojit Research.

Investment Rating Criteria

Ratings	Large caps	Midcaps	Small Caps
Buy	Upside is above 10%	Upside is above 15%	Upside is above 20%
Accumulate	-	Upside is between 10%-15%	Upside is between 10%-20%
Hold	Upside is between 0% - 10%	Upside is between 0%-10%	Upside is between 0%-10%
Reduce/sell	Downside is more than 0%	Downside is more than 0%	Downside is more than 0%

Not rated/Neutral

Definition:

Buy: Acquire at Current Market Price (CMP), with the target mentioned in the research note; **Accumulate:** Partial buying or to accumulate as CMP dips in the future; **Hold:** Hold the stock with the expected target mentioned in the note.; **Reduce:** Reduce your exposure to the stock due to limited upside.; **Sell:** Exit from the stock; **Not rated/Neutral:** The analyst has no investment opinion on the stock.

Symbols definition:



Upgrade



No Change



Downgrade

To satisfy regulatory requirements, we attribute 'Accumulate' as Buy and 'Reduce' as Sell.

The recommendations are based on 12 month horizon, unless otherwise specified. The investment ratings are on absolute positive/negative return basis. It is possible that due to volatile price fluctuation in the near to medium term, there could be a temporary mismatch to rating. For reasons of valuations/ return/lack of clarity/event we may revisit rating at appropriate time. Please note that the stock always carries the risk of being upgraded to BUY or downgraded to a HOLD, REDUCE or SELL.

Not rated/Neutral- The analyst has no investment opinion on the stock under review.

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