

H.G. Infra Engineering Ltd.

BUY

Sector: Infrastructure

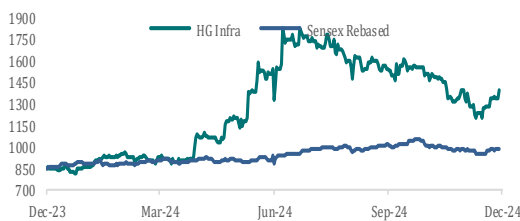
04th December 2024

Key Changes	Target	Rating	Earnings	Target	Rs.1,791		
Stock Type	Bloomberg Code	Sensex	NSE Code	BSE Code	Time Frame	CMP	Rs.1,421
Small Cap	HGINFRA:IN	80,846	HGINFRA	541019	12 Months	Return	+26%

Data as of: 03-12 2024

Company Data			
Market Cap (Cr)	9,293		
52 Week High — Low (Rs.)	1880-806		
Enterprise Value (cr)	9,540		
Outstanding Shares (Rs cr)	6.5		
Free Float (%)	28		
Dividend Yield (%)	0.1		
6m average volume (cr)	0.02		
Beta	1.2		
Face value (Rs)	10		
Shareholding (%)	Q4FY24	Q1FY25	Q2FY25
Promoters	74.5	74.5	71.8
FII's	1.7	2.0	2.6
MFs/Insti	12.5	12.1	12.7
Public	11.3	11.3	12.9
Total	100.0	100.0	100.0
Promoter Pledge	Nil	Nil	Nil
Price Performance	3 Month	6 Month	1 Year
Absolute Return	-7%	-1%	68%
Absolute Sensex	-2%	9%	17%
Relative Return*	-5%	-9%	51%

*over or under performance to benchmark index



Standalone (cr)	FY25E	FY26E	FY27E
Sales	6,093	7,189	8,315
Growth (%)	19.0	18.0	15.7
EBITDA	975	1,114	1,305
EBITDA Margin(%)	16.0	15.5	15.7
PAT Adj.	560	655	783
Growth (%)	27.6	17.0	19.5
Adj.EPS	85.9	100.5	120.1
Growth (%)	27.6	17.0	19.5
P/E	16.6	14.2	11.9
P/B	3.4	2.7	2.2
EV/EBITDA	9.8	8.5	7.3
ROE (%)	22.5	21.2	20.7
D/E	0.1	0.1	0.1

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Strong execution to cement H2 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 Q2FY25, HG Infra registered a better-than-estimated revenue growth of 22% YoY, led by superior execution of projects.
- In H1FY25 the company received an order inflow of Rs 6,280cr (214% YoY), and the led order book grew by 56% YoY to Rs 16,985cr (~3x TTM revenue), providing revenue visibility for the next 2 to 3 years.
- EBITDA margin improved by 50bps YoY to 16.4% owing to strong execution and cost control measures.
- The company maintains an order inflow of Rs 11,000cr to Rs 12,000cr in FY25, and we expect the order book to grow at a CAGR of 31% over FY24-FY27E.
- The order inflow pipeline remains healthy, and HG Infra expects traction in highways, railways, water, and solar orders in FY25.

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 revise our rating to BUY & value standalone businesses at a P/E of 14x FY27E EPS and HAM projects at 0.9x P/BV with a TP of Rs.1,791.**

Quarterly Financials Standalone.

Rs. cr	Q2FY25	Q2FY24	YoY (%)	Q1FY25	QoQ (%)	H1FY24	H1FY25	YoY (%)
Sales	1,064	869	22.4	1,506	-29.3	2,141	2,570	20.1
EBITDA	174	138	26.1	243	-28.3	343	418	21.7
Margin (%)	16.4	15.9	47bps	16.2	23bps	16.0	16.3	22bps
EBIT	139	103	34.5	209	-33.6	277	347	25.4
PBT	119	83	43.5	190	-37.2	243	309	26.9
Rep. PAT	89	62	43.7	140	-36.5	180	228	26.7
Adj PAT	89	62	43.7	140	-36.5	180	228	26.7
EPS (Rs)	13.6	9.5	43.7	21.4	-36.5	28	35	26.7



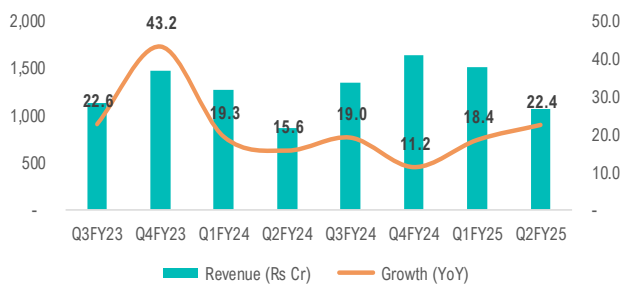
Key Highlights

- The company targets revenue growth of 17-18% in H2FY25 and 15% for FY26, aided by strong opportunity in infra projects.
- The management maintains EBITDA margin guidance of 15-16% for FY25.
- The current standalone D/E is 0.3x, while consolidated D/E is at 0.85x.
- The company has already bid for orders worth Rs 30,000cr in railway, solar, and road projects.

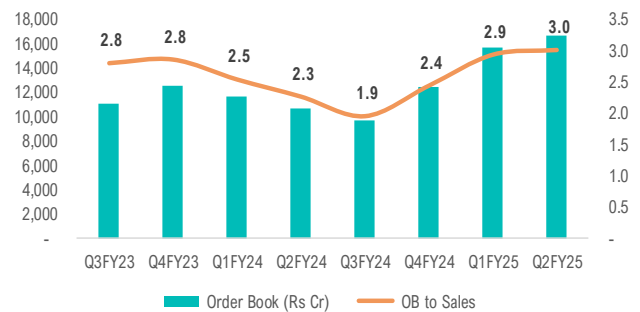
SOTP Valuation

Particulars	Invested Equity	Value per share	Rationale
Standalone FY25 EPS		1682	P/E14x FY27E EPS
HAM Projects	790	109	0.9x P/BV
Total		1791	

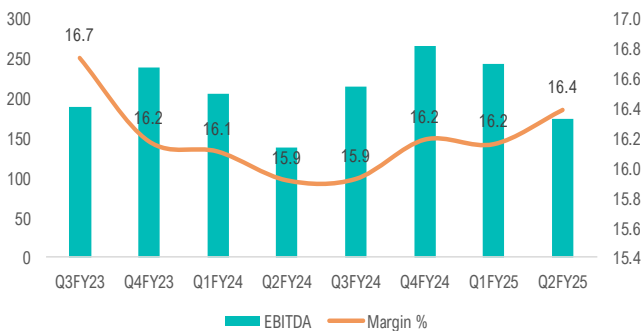
Revenue



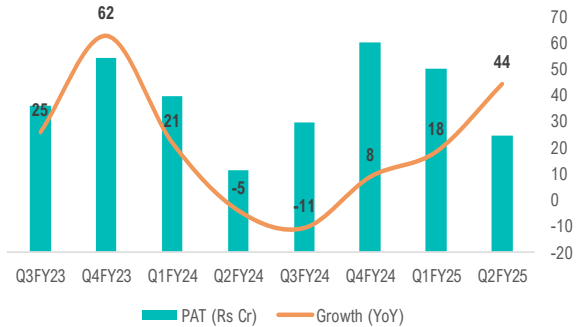
Order Book



EBITDA



PAT



Change in Estimates

Year / Rs cr	Old estimates		New estimates			Changes	
	FY25E	FY26E	FY25E	FY26E	FY27E	FY25E	FY26E
Revenue	6,093	7,189	6,093	7,189	8,315	0.0	0.0
EBITDA	963	1,114	975	1,114	1,305	1.2	0.0
Margins (%)	15.8	15.5	16.0	15.5	15.7	19bps	0bps
Adj. PAT	549	655	560	655	783	2.0	0.0
EPS	84.2	100.3	85.9	100.5	120.1	2.0	0.2



Standalone Financials

PROFIT & LOSS

Y.E March (Rs. cr)	FY23A	FY24A	FY25E	FY26E	FY27E
Revenue	4,419	5,122	6,093	7,189	8,315
% change	22.2	15.9	19.0	18.0	15.7
EBITDA	710	822	975	1,114	1,305
% change	9.2	15.7	18.6	14.3	17.2
Depreciation	96	141	149	155	162
EBIT	614	681	826	959	1,144
Interest	63	81	89	98	106
Other Income	18.1	12.6	15.0	18.0	20.0
PBT	569	719	751	879	1,058
% change	9.6	26.5	4.5	17.0	20.3
Tax	147	174	192	224	275
Tax Rate (%)	26	24	26	26	26
Reported PAT	421	545	560	655	783
Adj*	0	107	0	0	0
Adj PAT	421	439	560	655	783
% change	4.5	4.1	27.6	17.0	19.5
No. of shares (cr)	7	7	7	7	7
Adj EPS (Rs.)	65	67	86	101	120
% change	4.5	4.1	27.6	17.0	19.5
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	900	1,035	1,220
Non-cash adj.	81	136	125	180	233
Changes in W.C	-244	-236	-304	-229	-255
C.F. Operation	475	709	697	912	1,080
Capital exp.	-251	-80	-50	-50	-50
Change in inv.	-182	-272	-327	-458	-641
Other invest.CF	-12	5	-3	-4	-3
C.F – Investment	-444	-348	-380	-511	-694
Issue of equity	0	0	0	0	0
Issue/repay debt	167	-121	-99	-108	-116
Dividends paid	-7	-8	-9	-11	-12
Other finance.CF	-7	-6	-9	-10	-10
C.F – Finance	27	-429	-306	-347	-409
Chg. in cash	57	-67	10	54	-22
Closing cash	216	149	159	213	191

BALANCE SHEET

Y.E March (Rs. cr)	FY23A	FY24A	FY25E	FY26E	FY27E
Cash	216	149	159	213	191
Accounts Receivable	908	1,052	1,252	1,477	1,709
Inventories	223	248	348	418	483
Other Cur. Assets	605	716	951	1,123	1,299
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	63	74	85
Total Assets	3,163	3,595	4,378	5,263	6,252
Current Liabilities	893	936	1,167	1,404	1,620
Provisions	53	50	62	75	86
Debt Funds	435	395	385	375	365
Other Liabilities	3	3	4	5	5
Equity Capital	65	65	65	65	65
Reserves & Surplus	1,714	2,145	2,695	3,339	4,110
Shareholder's Fund	1,779	2,210	2,760	3,404	4,175
Total Liabilities	3,163	3,595	4,378	5,263	6,252
BVPS (Rs.)	273	339	424	522	641

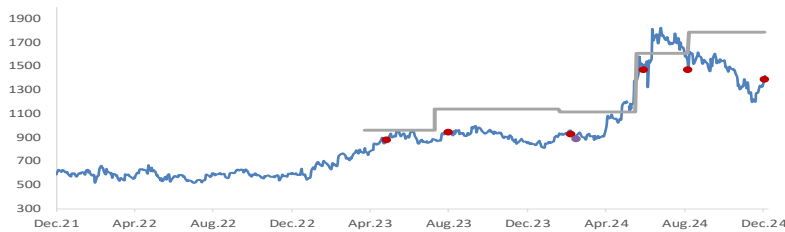
RATIOS

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	13.6	13.3	13.8
Net profit mgn.(%)	9.5	10.7	9.2	9.1	9.4
ROE (%)	26.8	27.3	22.5	21.2	20.7
ROCE (%)	25.3	26.0	22.6	21.7	21.4
W.C & Liquidity					
Receivables (days)	66.4	69.9	69.0	69.3	69.9
Inventory (days)	16.8	16.8	17.8	19.4	19.8
Payables (days)	92.7	97.4	90.1	91.6	93.3
Current ratio (x)	1.8	1.9	2.0	2.0	2.0
Quick ratio (x)	1.1	1.1	1.0	1.0	1.0
Turnover & Leverage					
Gross asset T.O (x)	4.7	4.7	5.2	5.9	6.6
Total asset T.O (x)	1.6	1.5	1.5	1.5	1.4
Int. coverage ratio (x)	9.7	8.4	9.2	9.8	10.8
Adj. debt/equity (x)	0.2	0.2	0.1	0.1	0.1
Valuation					
EV/Sales (x)	2.2	1.9	1.6	1.3	1.1
EV/EBITDA (x)	13.4	11.6	9.8	8.5	7.3
P/E (x)	22.1	21.2	16.6	14.2	11.9
P/BV (x)	5.2	4.2	3.4	2.7	2.2



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



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.

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

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