

Shubh Nivesh



September 16, 2024

Strong order book provides growth visibility ...

About the stock: HG Infra Engineering Ltd is a Jaipur (Rajasthan) based infrastructure company having primary focus on Roads and along with railways and solar sectors. Additionally, the company is actively looking to diversify itself by targeting into water infra segment.

- Reported 20.6% revenue CAGR over FY19-24 with sustained operating margin driving ~30.3% earnings CAGR over the same period

Investment Rationale:

- Strong Order Book and healthy order inflows trend...:** The orderbook as of Q1 stood ₹15,642 crore (2.9x TTM book to bill). The order book is diversified with Road forming ~73% of the order book, while Railway/Metro and Solar form 16% and 11% of the order book, respectively. The company expects order inflows of ~₹ 11000-12000 crore in FY25, with 60% inflows likely from Road and remaining being non road segments. We highlight that during Q1, the company has won orders worth ~₹ 4905 crore in the road segment including two EPC package from MSRDC and added further orders worth ₹1600+ crore in Q2, in the road segment.
- ...To translate into robust revenues and earnings growth:** The company has guided for a 18-20% revenue growth in FY25 with stable margins of 15-16%. We have baked in ~18% CAGR in topline over FY24-26E to ₹ 7135 crore. Furthermore, sustained margins at 15.6-16% would ensure, ~22% CAGR in earnings over FY24-26E.
- Well-placed to fund HAM and Solar projects:** As of June 2024, ₹ 728 crore has already been infused in HAM projects with remaining equity requirement of ₹ 733 crore. Out of the same, ₹ 425 crore is to be infused in the 9MFY25 and balance is to be infused in FY26 and FY27. The total equity requirement for the solar project is estimated to be ₹692 crore, of which ₹ 350 crore is expected to be infused in FY25. The equity requirement is likely to be met through internal accruals, and remaining receipt from asset sale.

Rating and Target Price

- Considering its executable order book position and robust execution, we expect healthy topline and earnings growth over FY24-26. Additionally, strong balance sheet, return ratios and healthy working capital cycle remain key positives ahead.
- We value HG at ₹ 1885 on SoTP basis and maintain our BUY rating



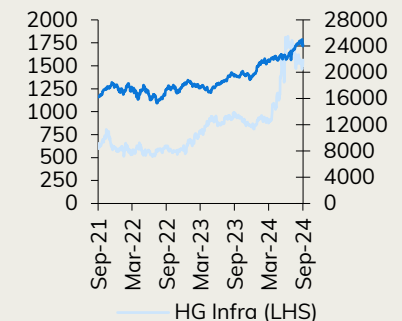
Particulars

Particular	Amount
Market Cap	10,180
Total Debt (₹ crore)	451
Cash (₹ crore)	199
EV (₹ crore)	10,432
52 week H/L (₹)	1880 / 805
Equity capital (₹ crore)	65.2
Face value	10.0

Shareholding pattern

	Sep-23	Dec-23	Mar-24	Jun-24
Promoters	74.5	74.5	74.5	74.5
DII	13.0	12.4	12.5	12.1
FII	1.7	1.6	1.7	2.0
Other	10.8	11.5	11.3	11.3

Price Chart



Key risks

- Lower margins in new segment orders
- Delay in any major projects' execution

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Key Financial Summary

(₹ Crore)	FY21	FY22	FY23	FY24	5 yr CAGR (FY19-24)	FY25E	FY26E	2 yr CAGR (FY24-26E)
Net Sales	2,535.0	3,615.2	4,418.5	5,121.7	20.6%	6,096.1	7,135.2	18.0%
EBITDA	418.1	584.8	710.3	822.0	22.1%	951.7	1,138.9	17.7%
EBITDA Margin (%)	16.5	16.2	16.1	16.0		15.6	16.0	
Reported Net Profit	211.0	338.8	421.4	545.5		561.0	691.9	
Adj Net Profit	211.0	338.8	421.4	464.5	30.3%	561.0	691.9	22.0%
EPS (₹)	32.4	52.0	64.7	83.7		86.1	106.2	
P/E (x)	48.3	30.0	24.2	18.7		18.1	14.7	
EV/EBITDA (x)	24.4	17.8	15.0	12.9		11.4	9.6	
RoCE (%)	25.9	28.7	26.4	24.0		22.9	23.1	
RoE (%)	20.4	24.8	23.7	20.0		19.5	19.4	

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Buy: >15%

Hold: -5% to 15%;

Reduce: -15% to -5%;

Sell: <-15%



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