

H.G. Infra Engineering

BUY

Diversifying order book

Summary

HG Infra (HGIEL) Q4FY24 operational result (Revenue, EBITDA) came in line to our and consensus estimate. Revenue increased by +11% YoY and EBITDA margin was stable at ~16.2% v/s 16.2% YoY. Though order win for FY24 at Rs43bn was less than guided due to slow ordering amid election period. But inflow is expected to improve in FY25E and company guides Rs110-120bn order inflow in roads, railway, water segments. Till there is pick up in ordering, FY24 order book provides revenue visibility at 2.4x FY24 revenue. We maintain BUY rating on the stock with revised TP at Rs1,358 (earlier Rs1,236 as we value HGIEL at 14x FY26E EPS vs 12x earlier). Stock catalyst remains order win, for this HGIEL has bid for orders Rs160bn and is venturing into new sectors like solar renewable sector, water supply, tunnelling for inflow.

Key Highlights and Investment Rationale

- Q4FY24 snapshot:** In Q4FY24, HGIEL reported revenue which is up by 11% YoY at Rs16.3bn; Absolute EBITDA in Q4 is higher at +11% YoY, EBITDA margin flat at 16.2% vs. 16.2% YoY, 15.9% QoQ. Board of Directors has recommended a Dividend of Rs1.5 per equity share for FY24.
- Status on asset monetization:** The Monetization of 3 road assets sold last year has been completed in Nov'23, with 100% transfer of shares from HGINFRA to Highway infrastructure trust. Company has received Rs3.15bn till now & balance 0.6bn will be released on the receipt of approval from NHA1 & is expected to receive by June'24.
- Guidance:** After reporting 16% revenue increase in FY24, revenue increase for FY25 is expected at 15-20% & at around similar run-rate in FY26E, Company is expecting EBITDA margins in the range of 15-16% for FY25E.

TP	Rs1,358
CMP	Rs1,178
Potential upside/downside	15%
Previous Rating	BUY

Price Performance (%)			
	-1m	-3m	-12m
Absolute	9.7	27.1	24.0
Rel to Sensex	12.9	25.6	6.7

V/s Consensus		
EPS (Rs)	FY25E	FY26E
IDBI Capital	80	90
Consensus	85	96
% difference	(6.2)	(5.8)

Key Stock Data	
Bloomberg/Reuters	HGINFRA IN/HGIN.BO
Sector	Infrastructure
Shares o/s (mn)	65
Market cap. (Rs mn)	76,830
3-m daily avg Trd value(Rs mn)	23.1
52-week high / low	Rs1,229 / 806
Sensex / Nifty	72,664 / 22,055

Shareholding Pattern (%)	
Promoters	74.5
FII	1.7
DII	10.7
Public	13.1

Financial snapshot

Year	FY22	FY23	FY24	FY25E	FY26E
Revenue	36,152	44,185	51,217	59,683	68,736
Change (yoy, %)	43	22	16	17	15
EBITDA	5,847	7,103	8,219	9,253	10,461
Change (yoy, %)	40	21	16	13	13
EBITDA Margin(%)	16.2	16.1	16.0	15.5	15.2
Adj.PAT	3,388	4,214	4,387	5,187	5,874
EPS (Rs)	52	65	67	80	90
Change (yoy, %)	60.6	24.4	4	18	13
PE(x)	22.7	18.2	17	15	13
Dividend Yield (%)	0.0	0.1	0	0	0
EV/EBITDA (x)	13.1	10.9	9.3	8.6	7.5
RoE (%)	28.3	26.8	21	20	19
RoCE (%)	36.4	34	30	26	24

Source: IDBI Capital Research, Company

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Conference call takeaways

- In FY24 HGINFRA order inflow stood at Rs43bn & company secured 4 non- road projects which include projects in Railway Sector & Solar Power plants sector, apart from this company secured 2 road order in Q4FY24, and the order books stood at Rs124bn at end of FY24
- During the year HGINFRA entered into JV with Stockwell Solar services Pvt Ltd & has secured new orders in Solar power with capacity of 543Mwh amounting to Rs23.4bn. (EPC value of Rs13.07bn excl. GST) under Jodhpur Vidhyut vitaran Ltd. In addition company has also won 2 small solar projects of 12mwh worth Rs6.4bn. Company targets IRR of 14-15% & also targets to complete this by Dec-25. Company is expecting to receive a tariff of Rs3.27/kwh on monthly basis along with subsidy of Rs2.7mn per Mwh under the PLI scheme which is to be provided during the commissioning of the project. HGINFRA expects EBITDA margins of 15% from these projects.
- The Monetisation of 3 road assets sold last year has been completed in Nov'23, with 100% transfer of shares from HGINFRA to Highway infrastructure trust. Company has received Rs3.15bn till now & balance 0.6bn will be released on the receipt of approval from NHAI & is expected to receive by June'24.
- In terms of guidance, HGINFRA is expecting order inflows of around Rs110-120bn, post-election company is expecting new orders from NHAI BOT as well as HAM Segments, also expecting orders worth Rs500bn+ from MSRDC to be bid, HGINFRA expects around Rs80bn worth inflows from roads, around Rs20bn+ from Railways & around Rs100bn from Water Supply & Solar segments. Also Company is expecting topline growth of around 15-20% for FY25 & around similar run rate in FY26, & expecting EBITDA margins in the range of 15-16%.
- The 50% of solar EPC module have been already booked with two prominent suppliers, and at pretty low price which is around as of now, company booked at around Rs13 per mwh. Apart from Solar modules rest of the materials like Inverters, electrical transformers, company doesn't expect price escalation as they have taken provision for price escalation.
- The Equity requirement for HAM projects was Rs14.5bn, of which company had already infused Rs6.9bn in FY24, Balance equity in roads is Rs7.6bn of which Rs5bn is expected to infuse in FY25 & Rs1.3bn will be infused in FY26 & FY27 resp.

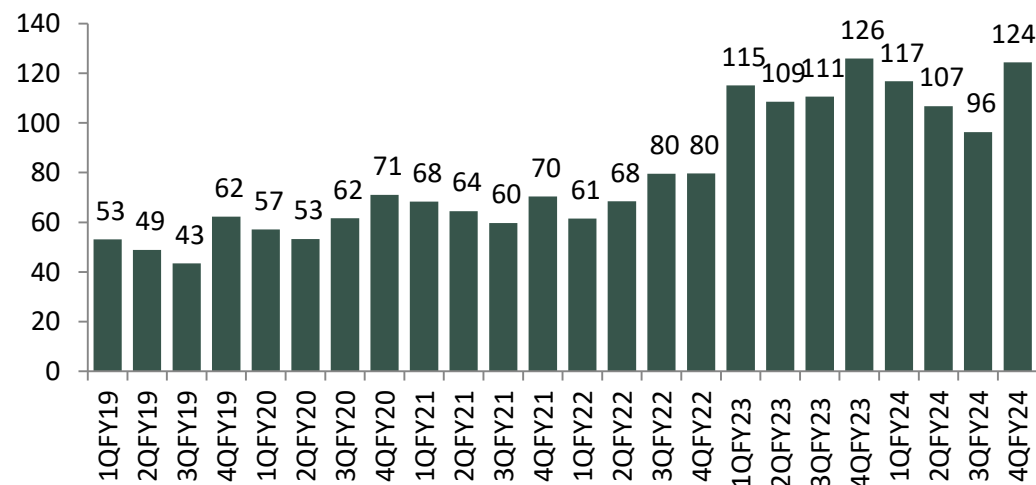
Exhibit 1: Financial snapshot: Quarterly

(Rs mn)

Particulars	Q4FY24	Q4FY23	YoY Chg (%)	Q3FY24	QoQ Chg (%)
Revenue	16,345	14,696	11	13,464	21
Cost of Construction Material Consumed	7,124	6,853	4	6,334	12
Construction Expenses	5,652	4,509	25	3,990	42
Employee benefits expense	743	628	18	776	(4)
Other Expenses	180	329	(45)	222	(19)
Expenditure	13,699	12,319	11	11,322	21
EBITDA	2,646	2,377	11	2,142	24
EBITDA Margin (%)	16.2	16.2		15.9	
Other income	46	77	(41)	25	80
Interest	195	190	3	226	(14)
Depreciation	380	261	46	367	3
PBT	2,117	2,004	6	2,642	(20)
Provision for taxation	518	528	(2)	587	(12)
Net income	1,600	1,477	8	2,055	(22)

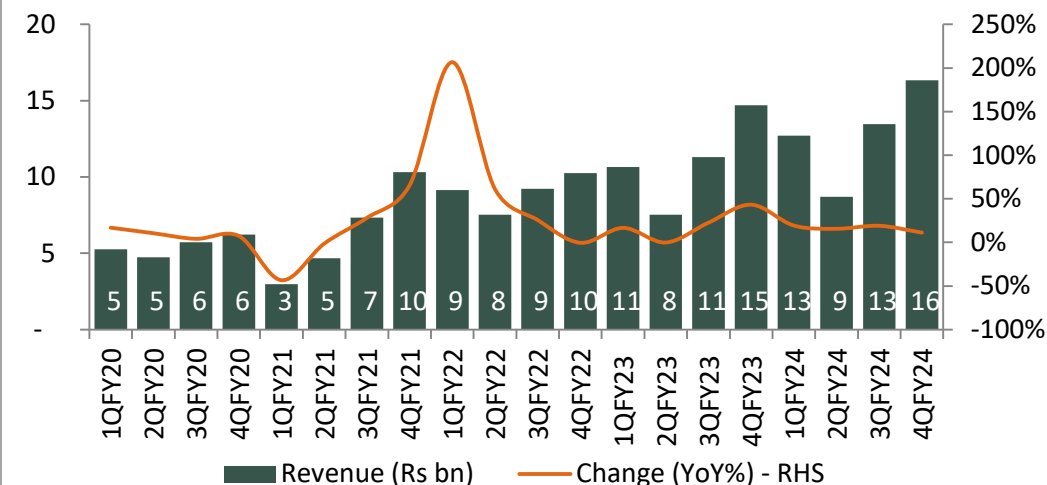
Source: Company; IDBI Capital Research

Exhibit 2: Order book of Rs124bn for Q4FY24, visibility for ~2.4 years



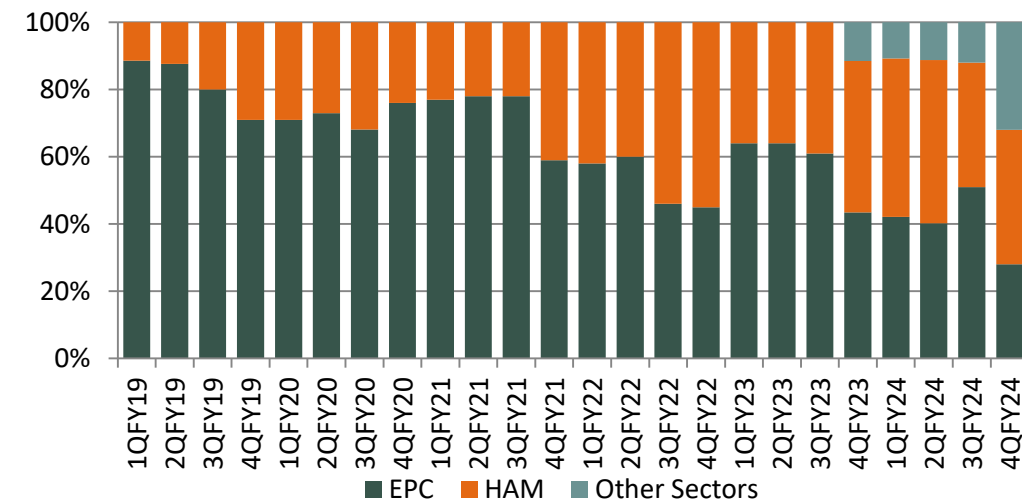
Source : Company

Exhibit 3: Execution up by 11% in Q4FY24



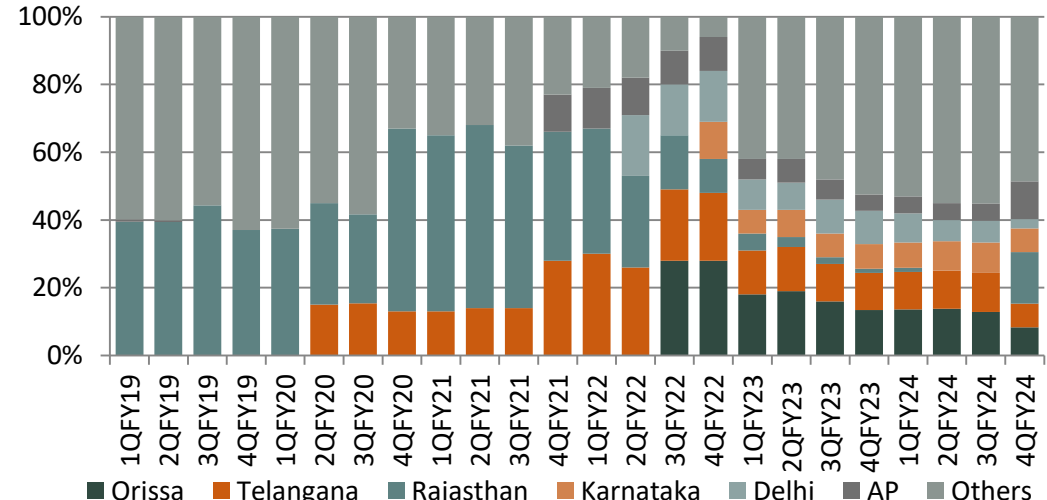
Source : Company

Exhibit 4: Q4FY24 Order book Breakup



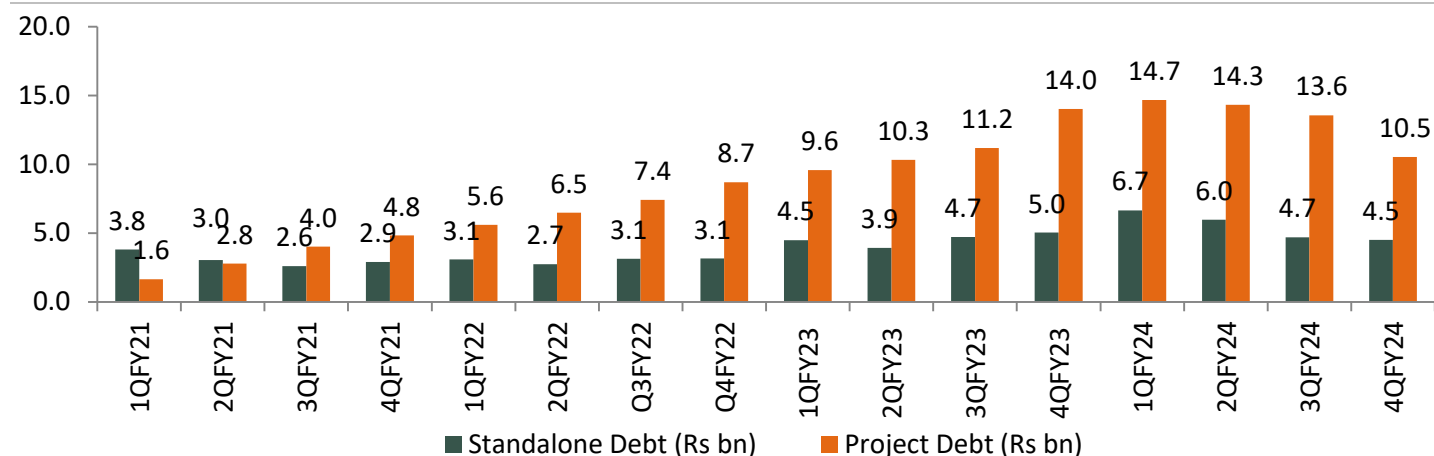
Source : Company

Exhibit 5: Top states by Order book



Source : Company

Exhibit 6: Consolidated debt at Rs18bn as on Q3FY24



Source: Company

Exhibit 7: HG Infra PER SOTP TP

	Year	Valuation		Rs/sh	(%)
		Method	Multiple		
Standalone business	FY26E	PER	14	1,262	93
HAM projects	FY24E	PBV	1	96	7
Total				1,358	100
CMP				1,178	
Upside (%)					15

Source: IDBI Capital Research, Bloomberg, Company

Financial Summary

Profit & Loss Account

(Rs mn)

Year-end: March	FY21	FY22	FY23	FY24	FY25E	FY26E
Net sales	25,350	36,152	44,185	51,217	59,683	68,736
<i>Change (yoy, %)</i>	15	43	22	16	17	15
Operating expenses	(21,168)	(30,305)	(37,082)	(42,998)	(50,430)	(58,275)
EBITDA	4,181	5,847	7,103	8,219	9,253	10,461
<i>Change (yoy, %)</i>	22	40	21	16	13	13
<i>Margin (%)</i>	16.5	16.2	16.1	16.0	15.5	15.2
Depreciation	(844)	(851)	(963)	(1,412)	(1,518)	(1,601)
EBIT	3,337	4,997	6,140	6,808	7,734	8,860
Interest paid	(596)	(528)	(633)	(810)	(915)	(1,140)
Other income	80	78	181	126	180	208
Pre-tax profit	2,821	4,546	5,687	7,191	7,000	7,928
Tax	(712)	(1,159)	(1,474)	(1,737)	(1,813)	(2,053)
<i>Effective tax rate (%)</i>	25.2	25.5	25.9	24.2	25.9	25.9
Minority Interest	-	-	-	-	-	-
Net profit	2,110	3,388	4,214	5,454	5,187	5,874
Exceptional items	-	-	-	1,067	-	-
Adjusted net profit	2,110	3,388	4,214	4,701	5,187	5,874
<i>Change (yoy, %)</i>	27	61	24	12	10	13
EPS	32.4	52.0	64.7	67.3	79.6	90.1
Dividend per sh	-	0.0	1.3	1.5	1.5	1.7
<i>Dividend Payout %</i>	-	0.0	2	2	2	2

Balance Sheet

(Rs mn)

Year-end: March	FY21	FY22	FY23	FY24	FY25E	FY26E
Shareholders' funds	10,322	13,643	17,784	23,185	28,271	34,032
Share capital	652	652	652	652	652	652
Reserves & surplus	9,670	12,992	17,133	22,533	27,620	33,380
Total Debt	946	1,601	2,377	1,547	4,547	4,547
Other liabilities	863	92	339	897	1,031	1,173
Curr Liab & prov	9,675	8,466	14,592	15,384	17,434	19,631
Current liabilities	9,675	8,466	14,592	15,384	17,434	19,631
Provisions	-	-	-	-	-	-
Total liabilities	11,485	10,159	17,308	17,828	23,012	25,351
Total equity & liabilities	21,807	23,802	35,093	41,013	51,283	59,383
Net fixed assets	4,849	4,611	7,066	7,464	6,696	5,845
Investments	2,612	3,545	7,447	6,276	13,776	17,376
Other non-curr assets	304	472	709	1,496	1,769	1,974
Current assets	14,042	15,174	19,870	25,777	29,043	34,189
Inventories	1,680	1,836	2,353	2,967	3,480	4,021
Sundry Debtors	6,534	6,953	8,712	9,138	10,648	12,263
Cash and Bank	2,584	1,585	1,794	1,993	1,611	2,545
Loans and advances	3,243	4,800	7,011	11,680	13,304	15,359
Total assets	21,807	23,802	35,092	41,013	51,283	59,383

Cash Flow Statement

(Rs mn)

Year-end: March	FY21	FY22	FY23	FY24	FY25E	FY26E
Pre-tax profit	2,821	4,546	5,687	7,191	7,000	7,928
Depreciation	844	851	963	1,412	1,518	1,601
Tax paid	(685)	(1,104)	(1,571)	(1,931)	(1,813)	(2,053)
Chg in working capital	911	(467)	(2,316)	(1,091)	(2,023)	(2,156)
Other operating activities	1,382	(2,686)	3,107	(1,803)	1,001	991
Cash flow from operations (a)	5,273	1,140	5,871	2,711	5,683	6,310
Capital expenditure	(866)	(573)	(3,177)	(2,051)	(750)	(750)
Chg in investments	(1,704)	(933)	(3,902)	886	(7,500)	(3,600)
Other investing activities	(132)	(222)	253	295	180	208
Cash flow from investing (b)	(2,701)	(1,728)	(6,827)	(870)	(8,070)	(4,142)
Equity raised/(repaid)	-	-	-	1	-	-
Debt raised/(repaid)	(325)	257	1,888	(525)	3,000	-
Dividend (incl. tax)	-	(52)	(65)	(81)	(100)	(114)
Chg in minorities	-	-	-	-	-	-
Other financing activities	(1,088)	(543)	(648)	(851)	(915)	(1,140)
Cash flow from financing (c)	(1,412)	(338)	1,174	(1,456)	1,985	(1,253)
Net chg in cash (a+b+c)	1,160	(926)	219	385	(402)	914

Financial Ratios

Year-end: March	FY21	FY22	FY23	FY24	FY25E	FY26E
Book Value (Rs)	158	209	273	356	434	522
Adj EPS (Rs)	32.4	52.0	64.7	67.3	79.6	90.1
Adj EPS growth (%)	27	61	24	4	18	13
EBITDA margin (%)	16.5	16.2	16.1	16.0	15.5	15.2
Pre-tax margin (%)	11.1	12.6	12.9	14.0	11.7	11.5
Net Debt/Equity (x)	-0.2	0.0	0.0	0.0	0.1	0.1
ROCE (%)	31	36	34	30	26	24
ROE (%)	23	28	27	21	20	19

DuPont Analysis

Asset turnover (x)	1.2	1.6	1.5	1.3	1.3	1.2
Leverage factor (x)	2.3	1.9	1.9	1.9	1.8	1.8
Net margin (%)	8.3	9.4	9.5	8.6	8.7	8.5

Working Capital & Liquidity ratio

Inventory days	24	19	19	21	21	21
Receivable days	94	70	72	65	65	65
Payable days	71	52	71	71	71	71

Valuations

Year-end: March	FY21	FY22	FY23	FY24	FY25E	FY26E
PER (x)	36.4	22.7	18.2	17.5	14.8	13.1
Price/Book value (x)	7.4	5.6	4.3	3.3	2.7	2.3
EV/Net sales (x)	3.0	2.1	1.8	1.5	1.3	1.1
EV/EBITDA (x)	18.0	13.1	10.9	9.3	8.6	7.5
Dividend Yield (%)	0.0	0.0	0.1	0.1	0.1	0.1

Source: Company; IDBI Capital Research



Notes

Dealing

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Key to Ratings Stocks:**BUY:** 15%+; **HOLD:** -5% to 15%; **SELL:** -5% and below.**IDBI Capital Markets & Securities Ltd.****Equity Research Desk**

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