

# HG Infra

## Weak Performance

HG Infra (HG) reported its quarterly revenue/EBITDA/APAT of INR 10.6bn/1.7bn/886mn, a miss by 21/17.5/17.4%. The OB as of Sep'24 stood at INR 166.2bn (~3.2x FY24 revenue). The company has maintained its FY25 revenue guidance at INR 60bn (~17% YoY) with an EBITDA margin of ~15-16%. On the order inflow front, the company expects INR 110-120bn. It has already secured orders worth INR 62.8bn (INR 55bn from highways and INR 7.8bn from Solar) and is on track to achieve FY25 guidance. HG recently made a pivotal shift in its OB inflows from road to railways indicating its robust diversification strategy, and it further expects to diversify in the water segment by securing new orders. Equity infusion guidance for H2FY25/26/27 stands at INR 3.7/ 1.7/ 1.31b. The standalone gross/net debt as of Sep'24 stood at INR 8.8/7.7bn vs. INR 6.2/5.1bn, as of Jun'24. Given robust OB, likely pick-up in project execution and a healthy balance sheet, we maintain BUY on HG, with TP of INR 1,904 (16x 1-yr forward).

- Q2FY25 financial highlights:** Revenue of INR 10.6bn (+22.4/-29.3% YoY/QoQ, a miss by 21.5%). EBITDA: INR 1.7bn (+26.1/-28.3% YoY/QoQ, a miss by 17.8%). EBITDA margin came in at 16.4% (47.3/23.1bps YoY/QoQ, vs. our estimate of 15.7%). RPAT: INR 886mn (+43.7/-36.5% YoY/QoQ, a miss by 17.4%). Its FY25 revenue growth guidance stands at ~18% YoY growth with an EBITDA margin of 15-16%.
- Well-diversified OB:** The OB as of Sep'24 stood at INR 166.2bn (~3.2x FY24 revenue). It is well-diversified at the client level, with government/private orders contributing toward 92/8%. 75% of the OB consisted of Road orders, 14% belonged to railways and 11% from Solar project orders. Geography-wise, 31% of orders were from Maharashtra, followed by Uttar Pradesh, Jharkhand, Rajasthan, Andhra Pradesh, Haryana, Karnataka and Telangana at 15/14/13/5/4/4%. Regarding the order inflow, the company expects that they should get orders worth INR 110-120bn. Of this, they have already won orders worth INR 62.8bn (INR 55bn from highways and INR 7.8bn from Solar). HG had recently diversified into Solar and is looking at opportunities in the water segment for further segmental diversification.
- Slight increase in debt levels on the back of better parent level interest cost:** The standalone gross/net debt as of Sep'24 stood at INR 8.8/7.7bn vs. INR 6.2/5.1bn, as of Jun'24. The increase in debt was attributed to delayed collections and lower drawing of interest-bearing mobilization advances as HG gets better rate borrowing on its own balance sheet. The Total equity requirement of 10 HAM projects stands at INR 14.7bn. Out of this, INR 7.9bn has already been invested till Sep'24 and INR 3.7/ 1.7/ 1.31bn to be invested in H2FY25/ FY26/ FY27. In addition, equity investment for Solar stands INR 7.32bn of which company has already invested INR 35mn, further plans to infuse INR 7.3bn of which INR 3.5bn/ 3.8bn is expected to be infused in H2FY25/ FY26.

### Standalone financial summary – INR mn

YE Mar – INR mn	2Q FY25	2Q FY24	YoY (%)	1Q FY25	QoQ (%)	FY24	FY25E	FY26E	FY27E
Net Sales	10,645	8,695	22.4	15,059	(29.3)	51,217	59,634	70,368	83,035
EBITDA	1,744	1,384	26.1	2,433	(28.3)	8,220	9,275	10,935	13,222
APAT	886	617	43.7	1,395	(36.5)	4,654	5,294	6,385	7,913
EPS (INR)	13.6	9.5	43.7	21.4	(36.5)	71.4	81.2	98.0	121.4
P/E (x)						21.4	18.8	15.6	12.6
EV/EBITDA (x)						12.4	12.5	10.5	8.4
RoE (%)						22.7	20.9	20.9	21.0

Source: Company, HSIE Research

## BUY

CMP (as on 13 Nov 2024)	INR 1,198
Target Price	INR 1,904
NIFTY	23,559

KEY CHANGES	OLD	NEW
Rating	BUY	BUY
Price Target	INR 1,904	INR 1,904
EPS Change %	FY25E	FY26E
	-	-

### KEY STOCK DATA

Bloomberg code	HGINFRA IN
No. of Shares (mn)	65
MCap (INR bn) / (\$ mn)	78/925
6m avg traded value (INR mn)	471
52 Week high / low	INR 1,880/805

### STOCK PERFORMANCE (%)

	3M	6M	12M
Absolute (%)	(23.8)	0.5	41.6
Relative (%)	(22.2)	(6.2)	22.0

### SHAREHOLDING PATTERN (%)

	Jun-24	Sep-24
Promoters	74.53	71.77
FIs & Local MFs	12.13	12.70
FPIs	2.04	2.60
Public & Others	11.3	12.9
Pledged Shares	-	-

Source: BSE

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