

HG Infra

Execution beat drives outperformance

HG Infra reported revenue at Rs 4.7bn, 15.4% ahead of our estimate. Execution efficiency has improved to pre-COVID levels now. While HG did not secure any orders during 1HFY21, it aims to win Rs 30-40bn during FY21. Order backlog is robust at Rs 64.4bn (3.2x FY20 Rev). Standalone net debt reduced to Rs 1.7bn from Rs 2.7bn on Sep-20 as working capital debt normalised to Rs 0.8bn. We maintain BUY on HG with SOTP based TP of Rs 380/Sh, valuing the EPC business at 10x Sep-22E EPS. Key risks: (1) Slowdown in NHAH ordering and, (2) delays in receipt of pending dues from the Rajasthan project.

- Execution beats estimate; surprises on margin as well:** Revenue for 2QFY21 stood at Rs 4.7bn (15.4% beat). EBITDA: Rs 769mn (20.7% beat). EBITDA margin came in at 16.5% (+100/-3.1 bps YoY/QoQ). RPAT stood at Rs 327mn (40% beat). Adani and Hapur projects' progress were slow due to COVID and monsoon, but are now on track, and are expected to be completed 30/50% respectively by FY21. Almost all sites are operating at pre-COVID level of operations and HG is well poised to register low single digit revenue growth in FY21. Appointed Date for Adani and Delhi-Vadodara Pkg-8 were received in 2QFY21, while PCODs were received for 4/7 projects, and 2 more in line. Sanction for Rewari Ateli Pkg-4 from Canara Bank has been received (at 8.75% interest rate), and FC from NHAH is in progress.
- No order wins in 1HFY21; targeting Rs 30-40bn of orders in FY21:** Despite pickup in overall ordering, HG could not win new orders during the quarter. Whilst HG has put in bids for 15-16 projects, it highlighted high competitive intensity and focus on margins protection as key reason for not winning new projects. HG is maintaining its order inflow guidance of Rs 30- 40bn worth of orders in FY21. 2QFY21 order book stands at Rs 64.4bn (3.2x FY20 revenue). HG is now diversifying into railways civil works, and will be participating in 5 IRCON/RVNL bids worth Rs ~40bn. It will place bids for 4 EPC & 3 HAM projects worth Rs ~80bn. Incrementally it will also be looking at water supply projects in partnerships.
- Debt position comfortable; Rajasthan receivable realization key monitorable:** HG's standalone net debt stood at Rs 1.7bn (including Rs 0.3bn in promoter loans) vs. Rs 2.7bn QoQ, even as gross debt reduced to Rs 3bn vs Rs 3.8bn QoQ due to normalization of working capital debt to Rs 0.8bn, which had nearly doubled in 1QFY21 on increase in unbilled revenue. In the Rajasthan WB-funded project, HG has Rs 2.7bn outstanding receivables as of 2QFY21. While debtors' level is same QoQ, large unbilled revenues earlier is now nil. Management plans to infuse Rs 1.8bn equity in HAM projects in current fiscal, of which Rs 1.05bn has already been infused. 1HFY21/FY22/FY23 equity commitments stand at Rs 0.75/0.7/0.3bn.

Quarterly/Annual Financial summary - INR Mn

YE March	2QFY21	2QFY20	YoY (%)	1QFY21	QoQ (%)	FY20	FY21E	FY22E	FY23E
Net Sales	4,674	4,742	(1.4)	2,979	56.9	21,961	20,231	27,318	31,416
EBITDA	769	733	4.9	491	56.6	3,424	3,152	4,195	4,884
APAT	327	386	(15.3)	151	116.5	1,657	1,438	2,006	2,423
Diluted EPS (Rs)	5.0	5.9	(15.3)	2.3	116.5	25.4	22.1	30.8	37.2
P/E (x)						7.3	8.4	6.0	5.0
EV / EBITDA (x)						4.5	5.1	3.8	3.1
RoE (%)						22.4	16.1	18.9	18.9

Source: Company, HSIE Research, Standalone financials

BUY

CMP (as on 11 Nov 2020)	Rs 186
Target Price	Rs 380
NIFTY	12,749

KEY CHANGES	OLD	NEW
Rating	BUY	BUY
Price Target	Rs 380	Rs 380
EPS	FY21E	FY22E
change %	-	-

KEY STOCK DATA

Bloomberg code	HGINFRA IN
No. of Shares (mn)	65
MCap (Rs bn) / (\$ mn)	12/163
6m avg traded value (Rs mn)	11
52 Week high / low	Rs 295/126

STOCK PERFORMANCE (%)

	3M	6M	12M
Absolute (%)	(0.3)	12.1	(3.9)
Relative (%)	(13.8)	(26.1)	(11.9)

SHAREHOLDING PATTERN (%)

	June-20	Sep-20
Promoters	74.04	74.04
FIs & Local MFs	17.29	19.59
FPIs	0.43	0.50
Public & Others	8.24	5.87
Pledged Shares	-	-

Source : BSE

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Disclosure:

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