

HG Infra

In-line performance

HG Infra (HG) reported revenue/EBITDA/APAT at INR 11/2/1bn (missing)/beating our estimate by (1.9)/2/1.4% resp. It expects FY23 revenue growth of 25% plus (INR 46bn) with an EBITDA margin of 15% plus on the back of a robust OB of INR 110bn. It reported an early completion bonus of INR 160mn in Q3FY23 and expects INR 45mn in Q4FY23. The order inflow (OI) in 9MFY23 was INR 60bn with another INR 30-40bn expected in Q4FY23. It is L1 in its first non-highway project i.e. Delhi Metro project worth INR 4bn with the scope of work including the construction of an elevated viaduct and four elevated stations. It expects a margin of 14% from this project and a margin of 15% plus at the aggregate level, going forward. The company plans to monetise four HAM projects at a ~40% premium to book value of INR 3.5bn invested equity by Sep'23. Given robust order inflow and strong execution, we maintain BUY, with an increased TP of INR 1,017 (14x Dec-24E EPS) to factor in a higher level of execution and better EBITDA margin.

- **Q3FY23 financial highlights:** HG reported a revenue of INR 11.3bn (+23/+50% YoY/QoQ, a 2% miss), the highest ever on the back of strong execution. EBITDA came in at INR 1.9bn (+25/+57% YoY/QoQ, a beat of 2%). EBITDA margin came in at 16.7% (+25/+68bps YoY/QoQ, vs. our estimate of 16.1%). RPAT/APAT was 1.1bn (+25/+72% YoY/QoQ, a beat of 1.4%). HG received a bonus of INR 160mn in Q3FY23 at the SPV level (90% at the company level) and expects a further bonus of INR 45mn in Q4 for the Rewari Ateli Mandi project. Additional INR 15bn of revenue is expected for Q4FY23, with an EBITDA margin of over 15%.
- **Strong OB; robust bid pipeline:** In 9MFY23, HG has been awarded INR 60bn worth of projects and expects another INR 30-40bn in Q4FY23, with this FY23 OI expected to be around INR 90-100bn. The OB as of Dec'22 stands at INR 110bn (c.3x FY22 revenue). It is L1 in its first non-highway project i.e. Delhi Metro project worth INR 4bn with the scope of work including the construction of an elevated viaduct and four elevated stations. The OB is well-diversified at the client level, with government/private orders contributing toward 60/40%. 61% of the OB consisted of EPC orders, whereas HAM orders formed 39% of it. Geography-wise, 39% of orders were from Uttar Pradesh, followed by Odisha, Telangana, Delhi, and Karnataka at 16%, 11%, 10% and 7%. HG has bid for INR 150bn worth of projects where the financial bid is yet to be opened.
- **Comfortable balance sheet:** The standalone gross/net debt increased to INR 4.7/4.5bn vs. 3.9/3.5bn as of Sep'22. WC days for 9MFY23 stood at 37 days (vs. 31 days in FY22). This increase was mainly on account of an increase in debtor days to 62 days from 49 days in FY22. HG has guided for an FY23 gross debt level of INR 4.3bn. In nine HAM projects, equity invested as of Dec'22 stands at INR 7.2bn, of the total INR 11.4bn required and the pending equity requirement is INR 4bn. HG has incurred INR 2.4bn towards capex (incl. land and equipment) and expects INR 100mn more in Q4FY23. Equipment capex of INR 0.8bn in FY24 and INR 0.8-1bn in FY25 is expected.

Standalone financial summary – INR mn

Particulars	Q3FY23	Q3FY22	YoY (%)	Q2FY23	QoQ (%)	FY22	FY23E	FY24E	FY25E
Net Sales	11,312	9,224	22.6	7,521	50.4	36,152	44,468	49,804	53,789
EBITDA	1,893	1,521	24.5	1,208	56.8	5,847	6,704	7,560	7,910
APAT	1,114	889	25.4	646	72.4	3,388	3,897	4,248	4,325
EPS (INR)	17.1	13.6	25.4	9.9	72.4	52.0	59.8	65.2	66.4
P/E (x)						13.2	11.5	10.6	10.4
EV/EBITDA (x)						8.1	7.3	6.3	5.8
RoE (%)						28.3	25.0	21.6	18.1

Source: Company, HSIE Research

BUY

CMP(as on 09 Feb 2023)	INR 688
Target Price	INR 1,017
NIFTY	17,893

KEY CHANGES	OLD	NEW
Rating	BUY	BUY
Price Target	INR 1,013	INR 1,017
EPS Change %	FY23E FY24E FY25E	- - -

KEY STOCK DATA

Bloomberg code	HGINFRA
No. of Shares (mn)	65
MCap (INR bn) / (\$ mn)	45/543
6m avg traded value (INR mn)	93
52 Week high / low	INR 722/508

STOCK PERFORMANCE (%)

	3M	6M	12M
Absolute (%)	20.7	16.7	6.6
Relative (%)	21.1	13.4	2.6

SHAREHOLDING PATTERN (%)

	Sep-22	Dec-22
Promoters	74.53	74.53
FIs & Local MFs	13.86	14.03
FPIs	0.62	0.57
Public & Others	10.99	10.87

Pledged Shares	-	-
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Source: BSE

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Disclosure:

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