

Mayr 12, 2023

RESULT REPORT Q4 FY23 | Sector: Infrastructure

H. G. Infra Engineering Ltd

Strong execution drives growth

Our view

H G Infra Engineering Ltd's (HGINFRA) revenue/EBITDA/APAT came in at Rs14.7/2.4/1.5bn, beating our estimates by 16%/28%/34% led by strong execution. With order inflow (OI) of Rs86.6bn in FY23, the order book stands at Rs 126bn at FY23 (2.9x FY23 revenue). Given robust order inflows, strong FY23 performance and comfortable order book-to-sales ratio, management has guided for 25% revenue growth for FY24, with EBITDAM of 16% and OI guidance of Rs80-90bn. Monetization of 4 HAM assets for a consideration of Rs13.9bn is expected to be completed in 2 tranches by Sept'23 and Jan'24. This monetization will release capital for further infusion of equity in future projects. Equity requirement in HAM projects stands at Rs 4.4/3.6/0.8bn for FY24/25/26. Gross standalone debt stands at Rs5bn (vs Rs3.1bn in FY23) led by increase in term loan on account of capex. Management aims to reduce the same to Rs3-3.5bn by end of FY24.

We remain positive on the company given its 1) comfortable order book (~Rs126bn as on 4QFY23), 2) strong execution capabilities, 3) comfortable working capital cycle, 4) geographical diversification and 5) its transition into full-fledged contractor. Given the robust execution we have revised our revenue estimates by 20% / 29% for FY24E and FY25E. At CMP, the stock trades at a P/E of 12.3x/9.9x on FY24E/FY25E EPS and an EV of 7.7x/6.3x FY24E/FY25E EBITDA. We maintain BUY rating with a revised target price of Rs1,202/share, implying an upside potential of 26% from the current levels.

Result Highlights

- For Q4FY23, HGINfra reported strong revenue growth of 43.2%YoY to Rs14.7bn (above our estimates of Rs12.7bn) led by strong execution.
- EBITDA came in at Rs2.4bn up 51.6% YoY (above our estimate of Rs1.9bn), with EBITDAM expanding 89bps to 16.2% (above our and street estimates of 14.6% and 15.1%) on account of better execution and lower raw material cost.
- On bottom-line front, adj. PAT came at Rs1.5bn (above our estimates of Rs1.1bn) driven by better operating performance.
- During 4QFY23, the company has bagged orders worth Rs37.6bn.
- At the CMP, the stock trades at a PE of 12.3x FY24E and 9.9x FY25E EPS.

Exhibit 1: Actual vs Estimate

Rs mn	Actual	Estimate		% variation		Comments
		YSec	Consensus	YSec	Consensus	
Sales	14,696	12,668	12,493	16.0	17.6	Strong execution led to robust revenue growth and better margins
EBITDA	2,377	1,851	1,886	28.4	26.1	
EBITDA margin %	16.2	14.6	15.1	156 bps	108 bps	
Adj.Pat	1,477	1,101	1,096	34.2	34.7	

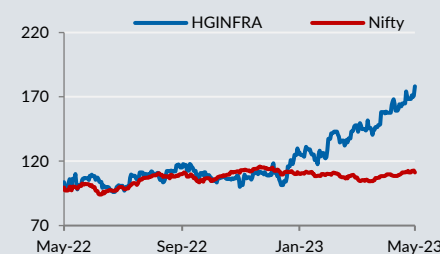
Source: Company, YES Sec

Reco	: BUY
CMP	: Rs 951
Target Price	: Rs 1202
Potential Return	: +26%

Stock data (as on May 12, 2023)

Nifty	18,297
52 Week h/l (Rs)	978 / 508
Market cap (Rs/USD mn)	59166 / 724
Outstanding Shares (mn)	65
6m Avg t/o (Rs mn):	106
Div yield (%):	0.1
Bloomberg code:	HGINFRA IN
NSE code:	HGINFRA

Stock performance



	1M	3M	1Y
Absolute return	12.4%	29.7%	71.9%

Shareholding pattern (As of Mar'23 end)

Promoter	74.5%
FII+DII	14.0%
Others	10.1%

Financial Summary

(Rs mn)	FY23E	FY24E	FY25E
Revenues	44,185	53,604	64,431
Yoy growth (%)	22.2	21.3	20.2
OPM (%)	16.1	16.0	15.8
EPS (Rs)	64.7	77.6	95.7
EPS growth	24.4	20.0	23.3
P/E (x)	14.7	12.3	9.9
EV/EBITDA (x)	9.2	7.7	6.3
Debt/Equity (x)	0.3	0.2	0.2
RoE (%)	25.6	24.1	22.9
RoCE (%)	20.1	19.5	19.2

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RESULT HIGHLIGHTS

Exhibit 2: Result Table (Standalone)

Rs mn	Q4FY22	Q1FY23	Q2FY23	Q3FY23	Q4FY23	YoY (%)	QoQ (%)	FY23	FY22	YoY (%)
Revenue	10,259	10,657	7,521	11,312	14,696	43.2	29.9	44,185	36,152	22.2
Total Revenues	10,259	10,657	7,521	11,312	14,696	43.2	29.9	44,185	36,152	22.2
Expenditure	8,691	9,032	6,313	9,418	12,319	41.7	30.8	37,082	30,305	22.4
as % of sales	84.7	84.8	83.9	83.3	83.8			83.9	83.8	
Consumption of RM	8,270	8,570	5,782	8,761	11,362	37.4	29.7	34,475	28,682	20.2
as % of sales	80.6	80.4	76.9	77.4	77.3	(3.3)		78.0	79.3	
Employee Cost	335	376	412	543	628	87.7	15.8	1,959	1,279	53.2
as % of sales	3.3	3.5	5.5	4.8	4.3			4.4	3.5	
Other expenditure	86	86	119	115	329	280.3	185.9	649	344	88.7
as % of sales	0.8	0.8	1.6	1.0	2.2			1.5	1.0	
EBITDA	1,568	1,625	1,208	1,893	2,377	51.6	25.6	7,103	5,847	21.5
Depreciation	218	201	241	260	261	19.4	0.3	963	851	13.3
EBIT	1,350	1,423	967	1,633	2,117	56.8	29.6	6,140	4,997	22.9
Other Income	27	33	34	36	77	190.8	115.2	181	78	131.3
Interest	160	144	138	161	190	18.6	17.8	633	528	19.7
PBT	1,216	1,312	862	1,508	2,004	64.8	32.9	5,687	4,546	25.1
Total Tax	305	336	216	394	528	72.7	33.9	1,474	1,159	27.2
PAT before MI	911	976	646	1,114	1,477	62.1	32.5	4,214	3,388	24.4
(Profit)/loss from JV's/Ass/MI	0	0	0	0	0	0.0	0.0	0	0	0.0
PAT after MI	911	976	646	1,114	1,477	62.1	32.5	4,214	3,388	24.4
Extra ordinary items	0	0	0	0	0	0.0	0.0	0	0	0.0
Reported PAT	911	976	646	1,114	1,477	62.1	32.5	4,214	3,388	24.4
Adjusted PAT	911	976	646	1,114	1,477	62.1	32.5	4,214	3,388	24.4
Adjusted EPS	14.0	15.0	9.9	17.1	22.7	62.1	32.5	54.1	52.0	4.1
Margins (%)										
EBIDTA	15.3	15.2	16.1	16.7	16.2	89.2	(56.0)	16.1	16.2	(9.9)
EBIT	13.2	13.4	12.9	14.4	14.4	124.6	(3.6)	13.9	13.8	7.3
EBT	11.9	12.3	11.5	13.3	13.6	178.1	30.5	12.9	12.6	29.6
PAT	8.9	9.2	8.6	9.9	10.0	116.8	19.8	9.5	9.4	16.6
Effective Tax rate	25.1	25.6	25.1	26.1	26.3	121.6	20.3	25.9	25.5	42.1

Source: Company, YES Sec

Exhibit 3: Key Assumptions

Rs mn	FY20	FY21	FY22	FY23E	FY24E	FY25E
Order inflow	30,766	24,722	45,481	90,406	83,832	100,352
Revenues	21,961	25,350	36,152	44,185	53,604	64,431
Order book	71,028	70,400	79,729	125,950	156,178	192,099
Execution cycle (%)	33%	36%	48%	43%	38%	37%
Ob to sales (x)	3.2	2.8	2.2	2.9	2.9	3.0

Source: Company, YES Sec

KEY CONCALL HIGHLIGHTS

- With government plans to focus on infrastructure, management expects healthy ordering activity to continue going ahead. Given the strong government push, company expects robust order inflows of Rs80-90bn in FY24E.
 - Of the order inflow guidance for FY24 (HAM will be Rs 50bn, EPC -Rs 15bn and other segments - Rs20bn).
 - As on date the company has bid pipeline of Rs80bn consisting of 6 projects in roads and 3 railway projects of Rs2-3bn each and will be bidding for projects worth Rs1100bn in FY24.
- In 4QFY23, revenues grew by 43.2% YoY to Rs14.7bn with EBITDAM at 16.2% on account of better execution.
 - Key project wise completion - a) Karala – Khanjhwala UER - 53%; b) Raipur Viskhapatnam OD5 – 33% c) Raipur Viskhapatnam OD6 – 38% d) Ganga Expressway - 13%; e) Delhi Vadodara Pkg9- 97% f) Mancherla – Repallewa -91%, g) Khammam-Devarapalle P1 - 6% and h) Khammam-Devarapalle P2- 16%.
- Order book stands healthy at Rs126bn as on 4QFY23 translating into order book-to-sales of 2.9x FY23 revenues.
 - Of the total order book, EPC segment constitutes 55%, while balance 45% comprises HAM projects.
 - Geography wise, 35% orders were from Uttar Pradesh, followed by Jharkhand/Odisha/Telangana/Delhi/Karnataka at 15/11/9/8/6%
- Gross standalone debt stands at Rs5bn (vs Rs3.1bn in FY23) primarily pertaining to term loans of Rs3.7bn and working capital loans of Rs386mn as on 4QFY23. The company has guided reduction in debt to Rs3-3.5bn by end of FY24.
- The company has entered into SPA for sale of 4 HAM assets i.e Gurgaon-Sohna, Rewari Ateli Mandi, Narnaul Bypass and Rewari Bypass Package-4 to Highway Infrastructure Trust for Rs13.9bn.
 - With the finalization of the deal, the company will receive consideration of Rs13.9bn (Rs10.5bn against debt and Rs3.4bn against equity). The asset is sold at 1.55x equity value. The consideration will be used for bidding in newer projects and repayment of debt thereby strengthening the balance sheet.
 - The deal of 4 HAM projects will be done in 2 tranches with 3 HAM projects to be executed by Sept'23 and with the receipt of PCOD of Rewari Bypass Pkg-4, the same will be done by Jan'23.
- The total equity requirement for its HAM projects stands at Rs16.1bn. Of these, the company has already invested Rs7.4bn till date and would be further investing Rs4.4bn/Rs3.6bn/Rs760mn in FY24E/25E/26E.
- The company has guided revenue growth of 22-23% for FY24E and this would be achieved by executing Rs18bn from the current executable HAM orders, Rs20bn from Ganga Expressway project, Rs4bn from railways, Rs8.5bn from EPC projects and the balance Rs 3.5bn from others. On the margin front, management has guided EBITDAM of 16% for FY24E
- The company has guided net capex of Rs1bn for the next 2-3years.

FINANCIALS

Exhibit 4: Exhibit 1: Balance Sheet (Standalone)

Y/e 31 Mar (Rs mn)	FY21	FY22	FY23E	FY24E	FY25E
Sources of Funds					
Equity capital	652	652	652	652	652
Reserves	9,670	12,992	17,133	22,188	28,421
Non Minority Controlling Int.	0	0	0	0	0
Net worth	10,322	13,643	17,784	22,839	29,073
Debt	2,902	3,159	5,071	5,571	5,771
Deferred tax liab (net)	(95)	(114)	(210)	(210)	(210)
Total liabilities	13,128	16,688	22,646	28,201	34,634
Application of Funds					
Gross Block	7,656	8,135	10,863	14,288	15,288
Depreciation	2,826	3,632	4,595	5,810	7,109
Fixed Asset	4,831	4,503	6,267	8,478	8,179
CWIP	18	22	719	0	0
Investments	2,612	3,631	7,526	9,649	11,598
Net Working Capital	5,667	8,532	8,133	10,074	14,858
Inventories	1,680	1,836	2,353	2,937	3,530
Sundry debtors	6,575	6,995	8,791	10,721	12,886
Cash & equivalents	2,584	1,585	1,794	1,796	3,409
Loans & Advances	50	233	62	107	129
Other Current Asset	3,361	4,884	7,369	9,113	10,953
Sundry creditors	4,984	4,355	7,437	8,812	9,709
Provisions	108	158	353	429	515
Other current liabilities	3,491	2,486	4,448	5,360	5,826
Total Assets	13,128	16,688	22,646	28,201	34,634

Source: Company, YES Sec

Exhibit 5: Income statement (Standalone)

Y/e 31 Mar (Rs mn)	FY21	FY22	FY23E	FY24E	FY25E
Revenue	25,350	36,152	44,185	53,604	64,431
% Change YoY	15.4	42.6	22.2	21.3	20.2
Operating profit	4,181	5,847	7,103	8,560	10,197
EBITDA margins	16.5	16.2	16.1	16.0	15.8
% Change YoY	22.1	39.8	21.5	20.5	19.1
Depreciation	844	851	963	1,215	1,300
EBIT	3,337	4,997	6,140	7,345	8,897
EBIT margins	13.2	13.8	13.9	13.7	13.8
Interest expense	596	528	633	858	889
Other income	80	78	181	268	322
Profit before tax	2,821	4,546	5,687	6,756	8,330
Taxes	712	1,159	1,474	1,700	2,097
<i>Effective tax rate (%)</i>	<i>25.2</i>	<i>25.5</i>	<i>25.9</i>	<i>25.2</i>	<i>25.2</i>
Net profit	2,110	3,388	4,214	5,055	6,234
Minorities and other	0	0	0	0	0
Net profit after minorities	2,110	3,388	4,214	5,055	6,234
Exceptional items	0	0	0	0	0
Net profit	2,110	3,388	4,214	5,055	6,234
<i>% Change YoY</i>	<i>27.0</i>	<i>60.6</i>	<i>24.4</i>	<i>20.0</i>	<i>23.3</i>
EPS (Rs)	32.4	52.0	64.7	77.6	95.7

Source: Company, YES Sec

Exhibit 6: Cash Flow Statement (Standalone)

Y/e 31 Mar (Rs mn)	FY21	FY22	FY23E	FY24E	FY25E
Profit before Tax	2,821	4,546	5,687	6,756	8,330
Interest	596	528	633	858	889
Depreciation	844	851	963	1,215	1,300
Other Items	(55)	(55)	94	-	-
(Inc)/Dec in WC	1,753	(3,626)	64	(1,939)	(3,171)
Direct Taxes Paid	685	1,104	1,571	1,700	2,097
CF from Oper. Activity	5,273	1,140	5,871	5,189	5,251
(Inc)/Dec in FA	(977)	(676)	(3,392)	(2,706)	(1,000)
Free Cash Flow	4,296	464	2,479	2,483	4,251
(Pur)/Sale of Invest.	(1,724)	(1,053)	(3,435)	(2,122)	(1,949)
CF from Inv. Activity	(2,701)	(1,729)	(6,827)	(4,829)	(2,949)
Change in Network	-	970	-	(0)	-
Inc/(Dec) in Debt	(819)	(728)	1,863	500	200
Interest Paid	(593)	(528)	(623)	(858)	(889)
Dividends Paid	-	(52)	(65)	-	-
Others					
CF from Fin. Activity	(1,412)	(338)	1,174	(358)	(689)
Inc/(Dec) in Cash	1,160	(927)	219	2	1,614
Opening cash Balance	240	1,399	472	1,794	1,796
Others	1,185	1,113	1,103	-	-
Closing cash Balance	2,584	1,585	1,794	1,796	3,409

Source: Company, YES Sec

Exhibit 7: Du-pont Analysis

Y/e 31 Mar (Rs mn)	FY21	FY22	FY23E	FY24E	FY25E
Tax burden (x)	3.5	3.2	3.1	3.2	3.2
Interest burden (x)	0.2	0.2	0.2	0.2	0.2
EBIT margin (x)	0.1	0.1	0.1	0.1	0.1
Asset turnover (x)	1.9	2.2	2.0	1.9	1.9
Financial leverage (x)	1.3	1.2	1.3	1.2	1.2
RoE (%)	24.2%	27.3%	25.6%	24.1%	22.9%

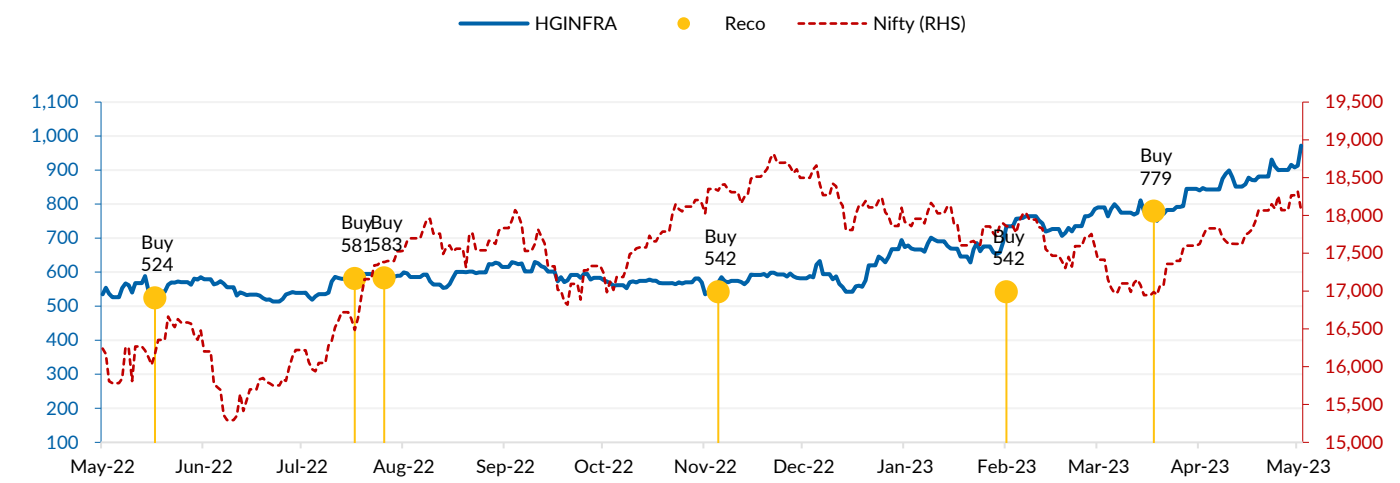
Source: Company, YES Sec

Exhibit 8: Ratio Analysis

Y/e 31 Mar	FY21	FY22	FY23E	FY24E	FY25E
Basic (Rs)					
EPS	32.4	52.0	64.7	77.6	95.7
Dividend per share	1.6	1.3	1.3	-	-
Cash EPS	45.3	65.0	79.4	96.2	115.6
Book value per share	158	209	273	350	446
Div. payout (%)	2%	2%	2%	0%	0%
Valuation ratios (x)					
P/E	29.4	18.3	14.7	12.3	9.9
P/CEPS	21.0	14.6	12.0	9.9	8.2
P/B	6.0	4.5	3.5	2.7	2.1
EV/EBIDTA	14.9	10.9	9.2	7.7	6.3
Dividend yield (%)	0.2	0.1	0.1	-	-
Profitability Ratios (%)					
RoC	19.0	22.6	20.4	19.5	19.2
RoE	24.2	27.3	25.6	24.1	22.9
RoCE	19.0	22.3	20.1	19.5	19.2
Liquidity ratios					
Debtor (days)	95	71	73	73	73
Inventory (days)	24	19	19	20	20
Creditor (days)	72	44	61	60	55
Net working Capital (days)	47	45	31	33	38
Asset Turnover (x)	2.0	2.4	2.2	2.1	2.1

Source: Company, YES Sec

Recommendation Tracker



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9	YSL has managed or co-managed public offering of securities for the subject company in the past twelve months	No
10	Research Analyst or YSL has been engaged in market making activity for the subject company(ies)	No

Since YSL and its associates are engaged in various businesses in the financial services industry, they may have financial interest or may have received compensation for investment banking or merchant banking or brokerage services or for any other product or services of whatsoever nature from the subject company(ies) in the past twelve months or associates of YSL may have managed or co-managed public offering of securities in the past twelve months of the subject company(ies) whose securities are discussed herein.

Associates of YSL may have actual/beneficial ownership of 1% or more and/or other material conflict of interest in the securities discussed herein.

RECOMMENDATION PARAMETERS FOR FUNDAMENTAL REPORTS

Analysts assign ratings to the stocks according to the expected upside/downside relative to the current market price and the estimated target price. Depending on the expected returns, the recommendations are categorized as mentioned below. The performance horizon is 12 to 18 months unless specified and the target price is defined as the analysts' valuation for a stock. No benchmark is applicable to the ratings mentioned in this report.

BUY: Upside greater than 20% over 12 months

ADD: Upside between 10% to 20% over 12 months

NEUTRAL: Upside between 0% to 10% over 12 months

REDUCE: Downside between 0% to -10% over 12 months

SELL: Downside greater than -10% over 12 months

NOT RATED / UNDER REVIEW

ABOUT YES SECURITIES (INDIA) LIMITED

YES Securities (India) Limited ("YSL") is a wholly owned subsidiary of YES BANK LIMITED. YSL is a Securities and Exchange Board of India (SEBI) registered Stock broker holding membership of National Stock Exchange (NSE), Bombay Stock Exchange (BSE), Multi Commodity Exchange (MCX) & National Commodity & Derivatives Exchange (NCDEX). YSL is also a SEBI-registered Category I Merchant Banker, Investment Adviser and Research Analyst. YSL is also a Sponsor and Investment Manager of Alternate Investment Fund - Category III (YSL Alternates) and AMFI registered Mutual Fund Distributor. The Company is also a registered Depository Participant with CDSL and NSDL. YSL offers, inter alia, trading/investment in equity and other financial products along with various value added services. We hereby declare that there are no disciplinary actions taken against YSL by SEBI/Stock Exchanges.