

HG Infra

Muted start to the year

HG Infra (HG) reported a muted quarter, missing our estimates on all fronts by 8.2/6.9/11.1%. The OB as of Jun'23 stood at INR 116.7bn (~2.6x FY23 revenue). It reiterated its FY24 revenue guidance at INR 50-55bn (+ 20-25% YoY) with an EBITDA margin of ~16%. On the order inflow front, it slashed its guidance from INR 80-90bn to INR 70-80bn. The total equity requirement in twelve HAM projects is INR 15.9bn, of which INR 7.6bn is already infused as of Jun'23. HG guided for infusing INR 4.1/2.7/1.6bn in the balance part of FY24/FY25/26. Further, it guided for incurring a capex of INR 1bn for FY24/25 each. The standalone net debt, as of Jun'23, increased to INR 5.5bn. The company expects to receive monetisation proceeds from three out of four HAM projects by Q3FY23. Given strong execution and robust OB, higher level of execution and better EBITDA margin, we maintain BUY, with an increased TP of INR 1,201 (14x Jun-25E EPS rolled over).

- **Q1FY24 financial highlights:** HG reported a revenue of INR 12.7bn (+19.3/-13.5% YoY/QoQ, an 8.2% miss). EBITDA: INR 2.0bn (+26/-13.9% YoY/QoQ, a 6.2% miss). EBITDA margin: 16.1% (+86/-7bps YoY/QoQ, vs. our estimate of 15.9%). Interest cost: INR 173mn (+19.9/-8.9% YoY/QoQ). Depreciation: INR 311mn (+54.2/+19% YoY/QoQ). Other Income: INR 38mn (+14.8/-51.1% YoY/QoQ). RPAT/APAT: INR 1.2bn (+21.2/-19.8% YoY/QoQ, an 11.1% miss). It reiterated its FY24 revenue guidance at INT 50-55bn (+20-25% YoY) with an EBITDA margin of ~16%. Execution miss was on account of seasonal rains.
- **Robust and well-diversified OB:** The OB as of Jun'23 stood at INR 116.7bn (~2.6x FY23 revenue). The OB is well-diversified at the client level, with government/private orders contributing toward 70/30%. 53% of the OB consisted of EPC orders, whereas HAM orders formed the balance of 47%. Geography-wise, 34% of orders were from Uttar Pradesh, followed by Jharkhand, Odisha, Telangana, Haryana, Delhi, and Karnataka at 16/11/9/8/7/6%. On the order inflow front, it slashed its guidance from INR 80-90bn to INR 70-80bn, given the truncated election year impact.
- **Business update:** During the quarter, it received the appointed date (AD) for the RVNL Bhanupali-Bilaspur project and NTPC Simhadri project. It achieved a completion certificate for three EPC projects, viz., Maharashtra Pckg-1/2/3. It expects the AD for its Karnal Ring road/Varanasi Kolkata Pckg-10&13 projects by Q2/Q3FY24. Further, with mobilization at the Kanpur Central Railway project at an advanced level, AD is expected in Q2FY24.
- **Rising debt levels:** The standalone gross/net debt, as of Jun'23, stood at INR 6.7/5.5bn vs. INR 5/3.2bn, as of Mar'23. The total equity requirement in twelve HAM projects is INR 15.9bn, of which INR 7.6bn is already infused as of Jun'23. HG guided for infusing INR 4.1/2.7/1.6bn in the balance part of FY24/FY25/26. On the capex front, it guided for incurring INR 1bn in FY24/25 each. On the SPA entered with KKR, HG expects funds to come in for three out of four HAM assets in Q3FY24. This shall further strengthen its balance sheet and help in future growth.

Standalone financial summary – INR mn

Particulars	1QFY24	1QFY23	YoY (%)	4QFY23	QoQ (%)	FY23	FY24E	FY25E	FY26E
Net Sales	12,713	10,657	19.3	14,696	(13.5)	44,185	52,082	59,113	67,980
EBITDA	2,048	1,625	26.0	2,377	(13.9)	7,103	7,947	8,707	10,225
APAT	1,184	976	21.2	1,477	(19.8)	4,214	4,538	4,922	5,878
EPS (INR)	18.2	15.0	21.2	22.7	(19.8)	64.7	69.6	75.5	90.2
P/E (x)						14.4	13.4	12.4	10.3
EV/EBITDA (x)						9.0	8.0	7.2	6.1
RoE (%)						26.8	22.6	19.9	19.5

Source: Company, HSIE Research

BUY

CMP (as on 01 Aug 2023)	INR 933
Target Price	INR 1,201
NIFTY	19,734

KEY CHANGES	OLD	NEW
Rating	BUY	BUY
Price Target	INR 1,149	INR 1,201
EPS Change %	FY24E FY25E FY26E	- - -

KEY STOCK DATA

Bloomberg code	HGINFRA
No. of Shares (mn)	65
MCap (INR bn) / (\$ mn)	61/744
6m avg traded value (INR mn)	156
52 Week high / low	INR 988/532

STOCK PERFORMANCE (%)

	3M	6M	12M
Absolute (%)	6.0	36.2	57.1
Relative (%)	(2.8)	24.9	42.7

SHAREHOLDING PATTERN (%)

	Mar-23	Jun-23
Promoters	74.53	74.53
FIs & Local MFs	14.01	13.14
FPIs	1.34	1.59
Public & Others	10.12	10.74
Pledged Shares	-	-

Source: BSE

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Disclosure:

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