21 August 2025

# H G Infra Engineering

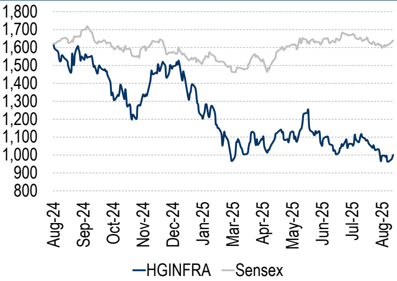
*Q1 orders, execution sustained; Half OB yet to start execution; Buy with lower TP*

Rating: **Buy**
Target price (12-mth): Rs.1,339
Share price: Rs.998

| Key data | HGINFRA IN / HGIN.BO |
|---|---|
| 52-week high / low | Rs.1,666 / 921 |
| Sensex / Nifty | 81,858 / 25,051 |
| Market cap | Rs.64bn |
| Shares outstanding | 65m |

| Shareholding pattern (%) | Jun-25 | Mar-25 | Dec-24 |
|---|---|---|---|
| Promoters | 71.8 | 71.8 | 71.8 |
| *- of which, Pledged* | - | - | - |
| Free float | 28.2 | 28.2 | 28.2 |
| - Foreign institutions | 2.4 | 2.9 | 2.8 |
| - Domestic institutions | 11.7 | 12.0 | 12.1 |
| - Public | 14.1 | 13.4 | 13.3 |

Relative price performance




*Source: Bloomberg*

**Beating ARe, HG Infra's Q1 ~Rs17.1bn revenue (up 13.5% y/y) reflects its strong execution abilities. The dip in the 13.8% EBITDA margins (16.2%, Q1 FY25) is attributed to one-time provisions. YTD orders were diverse (EPC, BESS, T&D). Execution is the key monitorable as ~50% of orders (~Rs73bn of ~Rs147bn) awaits AD or LOA. The ~Rs10.5bn leverage is high but expected to normalize on disbursement from solar SPVs. Proceeds from approved monetisation of five HAM assets in FY26 would fortify the BS. We retain FY26/27e revenues but reduce EBITDA margins ~64/24bps. We introduce FY28e revenue/EBITDA of ~Rs85.4bn/12.3bn. We are retaining our Buy rating with a lower sum-of-parts TP of ~Rs1,339 (earlier Rs1,749), the core EPC business at 9x Sep'27e EPS considering delayed receipt of AD and the foray into uncharted solar, BESS and T&D.**

**~50% of the diverse OB yet to commence.** At 30th June, the ~Rs146.6bn OB (~2.3x TTM) excluded orders of ~Rs46.8bn from the Naval Dockyard and T&D, which were received after Q1. Of this OB, road orders of ~Rs72.4bn (four HAM, two EPC) still await AD/LoA. Road EPC is ~36% of the OB, followed by HAM (~30%), rail & metro-rail (~20%) and BESS & solar (~14%).

**Monetisation of five HAM assets.** On 13th Aug, the Board approved the divestment of 100% stake in the five HAM assets (two packages of Khammam Devarapalle, three of Raipur-Vishakapatnam) to Neo Infra Fund. The deal is at an enterprise value of Rs35.8bn. Adj. for ~Rs22bn debt, the equity consideration arrived at is ~Rs13.8bn (~1.8x of the equity investment of ~Rs7.7bn).

**Levering at high levels, but BS well-set.** Net debt rose ~Rs3.8bn y/y to ~Rs8.9bn on the upfront land tie-up and solar project modules purchased. Management has now obtained sanction of ~83% (only ~58% disbursed, the balance expected by end-Q3. With these disbursements and HAM project monetisations, management expects net debt to slide to a comfortable level.

**Valuation.** Considering the execution, margins and orders in Q1 FY26 and the long-pending AD for six road assets, we retain our FY26e/FY27e revenue but reduce EBITDA margins ~64/24bps. We introduce FY28e revenue with growth of ~11.3% y/y and EBITDA margins of ~14.4%. The stock (excl. investments) now trades at a PER of ~6x FY27e. **Risk.** Delayed receipt of AD, high debt.

| Key financials (YE Mar) | FY24 | FY25 | FY26e | FY27e | FY28e |
|---|---|---|---|---|---|
| Sales (Rs m) | 51,217 | 60,519 | 67,247 | 76,769 | 85,424 |
| Adj. Net profit (Rs m) | 4,548 | 5,197 | 4,196 | 6,944 | 7,254 |
| Adj. EPS (Rs) | 69.8 | 79.8 | 64.4 | 106.6 | 111.3 |
| *Growth (%)* | *7.9* | *14.3* | *-19.3* | *65.5* | *4.5* |
| P/E (x) | 13.0 | 12.5 | 15.5 | 9.4 | 9.0 |
| EV / EBITDA (x) | 7.5 | 7.8 | 6.2 | 5.5 | 5.6 |
| P/BV (x) | 2.6 | 2.3 | 1.7 | 1.4 | 1.2 |
| RoE (%) | 21.4 | 20.0 | 12.3 | 16.3 | 14.6 |
| RoCE (%) | 27.8 | 24.7 | 20.7 | 21.4 | 19.5 |
| Net debt / equity (x) | 0.1 | 0.3 | -0.1 | -0.1 | 0.1 |

*Source: Company, Anand Rathi Research*

**Bhavin Modi, CFA**
Research Analyst

# Quick Glance – Financials and Valuations (standalone)

## Fig 1 – Income statement (Rs m)

| Year-end: Mar | FY24 | FY25 | FY26e | FY27e | FY28e |
|---|---|---|---|---|---|
| Order backlog | 1,24,340 | 1,52,812 | 1,86,436 | 2,05,628 | 2,26,984 |
| Order inflow | 49,605 | 88,991 | 1,00,871 | 95,962 | 1,06,780 |
| **Net revenues** | **51,217** | **60,519** | **67,247** | **76,769** | **85,424** |
| *Growth (%)* | *15.9* | *18.2* | *11.1* | *14.2* | *11.3* |
| Direct costs | 39,189 | 46,912 | 52,464 | 60,276 | 67,499 |
| SG&A | 3,809 | 4,100 | 4,895 | 5,065 | 5,587 |
| **EBITDA** | **8,220** | **9,507** | **9,889** | **11,428** | **12,338** |
| *EBITDA margins (%)* | *16.0* | *15.7* | *14.7* | *14.9* | *14.4* |
| Depreciation | 1,412 | 1,440 | 1,474 | 1,591 | 1,697 |
| Other income | 126 | 152 | 456 | 819 | 529 |
| Finance costs | 810 | 1,159 | 1,330 | 1,470 | 1,574 |
| PBT | 6,124 | 7,060 | 7,541 | 9,186 | 9,596 |
| *Effective tax rates (%)* | *28.4* | *26.4* | *44.4* | *24.4* | *24.4* |
| + Associates / (Minorities) | - | - | - | - | - |
| Net income | 5,455 | 5,771 | 10,366 | 6,944 | 7,254 |
| Adjusted income | 4,548 | 5,197 | 4,196 | 6,944 | 7,254 |
| WANS (m) | 65.2 | 65.2 | 65.2 | 65.2 | 65.2 |
| FDEPS (Rs) | 69.8 | 79.8 | 64.4 | 106.6 | 111.3 |

## Fig 2 – Balance sheet (Rs m)

| Year-end: Mar | FY24 | FY25 | FY26e | FY27e | FY28e |
|---|---|---|---|---|---|
| Share capital | 652 | 652 | 652 | 652 | 652 |
| Net worth | 23,185 | 28,848 | 39,116 | 45,962 | 53,118 |
| Debt | 4,512 | 10,679 | 7,745 | 7,739 | 8,345 |
| Minority interest | - | - | - | - | - |
| DTL / (Assets) | -375 | -408 | -408 | -408 | -408 |
| **Capital employed** | **27,322** | **39,120** | **46,453** | **53,294** | **61,056** |
| Net tangible assets | 7,422 | 6,866 | 6,631 | 6,047 | 5,350 |
| Net intangible assets | - | - | - | - | - |
| Goodwill | - | - | - | - | - |
| CWIP (tang. & intang.) | 42 | 29 | 41 | 34 | 33 |
| Investments (strategic) | 6,276 | 13,687 | 12,305 | 21,613 | 35,921 |
| Investments (financial) | - | - | - | - | - |
| Current assets (excl. cash) | 24,905 | 35,924 | 31,420 | 30,611 | 31,019 |
| Cash | 1,993 | 1,343 | 11,691 | 10,159 | 3,942 |
| Current liabilities | 13,316 | 18,730 | 15,634 | 15,170 | 15,210 |
| Working capital | 11,589 | 17,194 | 15,786 | 15,441 | 15,809 |
| **Capital deployed** | **27,322** | **39,119** | **46,453** | **53,294** | **61,056** |
| Contingent liabilities | 8,337 | - | - | - | - |

## Fig 3 – Cash-flow statement (Rs m)

| Year-end: Mar | FY24 | FY25 | FY26e | FY27e | FY28e |
|---|---|---|---|---|---|
| PBT + Net interest expense | 6,808 | 8,068 | 8,416 | 9,836 | 10,641 |
| + Non-cash items | 1,412 | 1,440 | 1,474 | 1,591 | 1,697 |
| Oper. prof. before WC | 8,220 | 9,507 | 9,889 | 11,428 | 12,338 |
| - Incr. / (decr.) in WC | 5,285 | 5,605 | -1,408 | -345 | 368 |
| Others incl. taxes | 1,737 | 1,863 | 3,346 | 2,241 | 2,342 |
| Operating cash-flow | 1,198 | 2,039 | 7,951 | 9,531 | 9,629 |
| - Capex (tang. + intang.) | 1,810 | 871 | 1,250 | 1,000 | 1,000 |
| Free cash-flow | -612 | 1,168 | 6,701 | 8,531 | 8,629 |
| Acquisitions | | | | | |
| - Div. (incl. buyback & taxes) | 81 | 98 | 98 | 98 | 98 |
| + Equity raised | - | - | - | - | - |
| + Debt raised | -690 | 6,135 | -2,934 | -6 | 606 |
| - Fin investments | -1,171 | 7,411 | -1,382 | 9,309 | 14,308 |
| - Net interest expense + misc. | (411) | 444 | (5,296) | 651 | 1,046 |
| Net cash-flow | 199 | -650 | 10,348 | -1,532 | -6,217 |

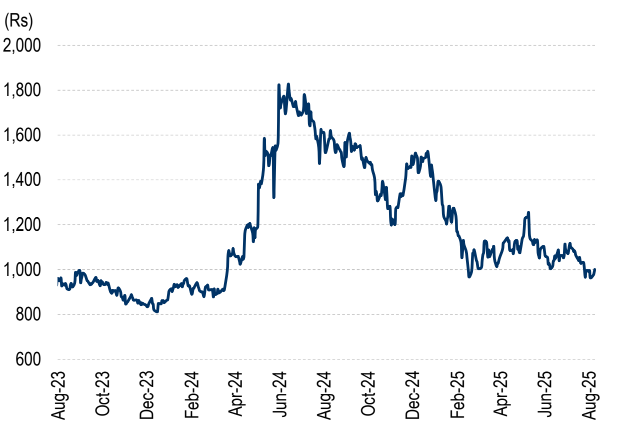
*Source: Company, Anand Rathi Research*

## Fig 4 – Ratio analysis

| Year-end: Mar | FY24 | FY25 | FY26e | FY27e | FY28e |
|---|---|---|---|---|---|
| P/E (x) | 13.0 | 12.5 | 15.5 | 9.4 | 9.0 |
| EV / EBITDA (x) | 7.5 | 7.8 | 6.2 | 5.5 | 5.6 |
| EV / Sales (x) | 1.2 | 1.2 | 0.9 | 0.8 | 0.8 |
| P/B (x) | 2.6 | 2.3 | 1.7 | 1.4 | 1.2 |
| RoE (%) | 21.4 | 20.0 | 12.3 | 16.3 | 14.6 |
| RoCE (%) | 27.8 | 24.7 | 20.7 | 21.4 | 19.5 |
| RoIC (%) | 22.8 | 19.7 | 18.5 | 20.7 | - |
| DPS (Rs) | 1.2 | 1.5 | 1.5 | 1.5 | 1.5 |
| Dividend yield (%) | 0.1 | 0.2 | 0.2 | 0.2 | 0.2 |
| Dividend payout (%) - incl. DDT | 1.9 | 1.9 | 2.3 | 1.4 | 1.3 |
| Net debt / equity (x) | 0.1 | 0.3 | -0.1 | -0.1 | 0.1 |
| Receivables (days) | 136 | 164 | 125 | 105 | 95 |
| Inventory (days) | 21 | 33 | 25 | 20 | 17 |
| Payables (days) | 65 | 82 | 55 | 45 | 40 |
| CFO : PAT % | 26.3 | 39.2 | 189.5 | 137.3 | 132.7 |

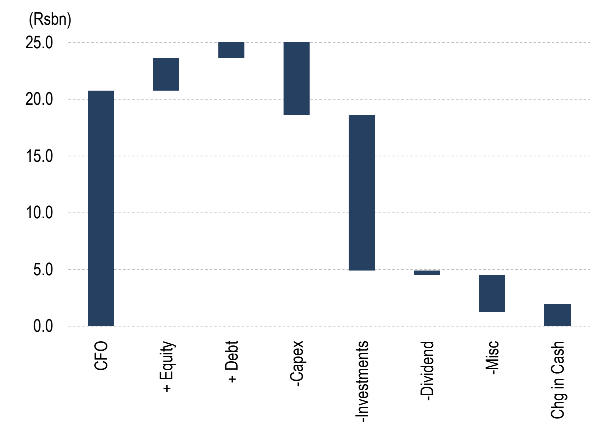
*Source: Company, Anand Rathi Research*

## Fig 5 – Price movement




*Source: Bloomberg*

## Fig 6 – Cumulative capital allocation: FY13–24




*Source: Company*

# Operations update

*Largely boosted by the Ganga Expressway, Road-HAM and KUSUM, solar likely dominated Q1 FY25 revenue, followed by EPC roads and the Railways*

*KUSUM C (with ~Rs3.2bn of added execution) was the single largest contributor to Q1 revenue*

*The EBITDA margin contracted 240bps y/y due to one-time provisions*

*FY26 revenue growth guidance: ~Rs70bn, margin: 15-16%*

**Fig 7 – Financial highlights**

| (Rs m) | Q3 FY24 | Q4 FY24 | Q1 FY25 | Q2 FY25 | Q3 FY25 | Q4 FY25 | Q1 FY26 | % Y/Y | % Q/Q |
|---|---|---|---|---|---|---|---|---|---|
| Revenue from oper. | 13,464 | 16,345 | 15,059 | 10,645 | 15,085 | 19,730 | 17,092 | 13.5 | -13.4 |
| EBITDA | 2,142 | 2,646 | 2,433 | 1,744 | 2,501 | 2,829 | 2,357 | -3.1 | -16.7 |
| *EBITDA margins (%)* | 15.9 | 16.2 | 16.2 | 16.4 | 16.6 | 14.3 | 13.8 | -237bps | -55bps |
| Finance costs | 226 | 195 | 220 | 226 | 298 | 415 | 376 | 70.8 | -9.2 |
| Depreciation | 367 | 380 | 348 | 359 | 362 | 370 | 329 | -5.4 | -11.1 |
| Other income | 25 | 46 | 32 | 33 | 24 | 64 | 23 | -28.1 | -64.5 |
| Exceptional gain | 1,067 | - | - | - | - | 574 | - | - | - |
| PBT | 2,642 | 2,117 | 1,897 | 1,192 | 1,864 | 2,682 | 1,674 | -11.7 | -37.6 |
| Tax | 587 | 518 | 501 | 306 | 498 | 558 | 419 | -16.4 | -24.9 |
| PAT | 2,055 | 1,600 | 1,395 | 886 | 1,366 | 2,124 | 1,255 | -10.1 | -40.9 |
| Adj. PAT | 1,148 | 1,600 | 1,395 | 886 | 1,366 | 1,550 | 1,255 | -10.1 | -19.1 |

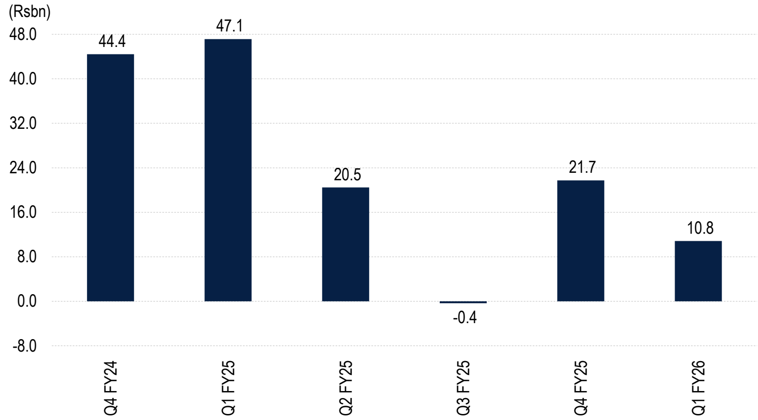
*Source: Company*

*In Q1, the company received 300MW/600MWh BESS in Gujarat with ~Rs6.5bn EPC*

*FY26 inflow guidance retained at Rs110bn*

*Diversification efforts continue; eyeing water, transmission, river-interlinking, roads, railways*

**Fig 8 – Q1 FY26 orders of Rs11bn; foray into T&D with a ~Rs3.5bn order**

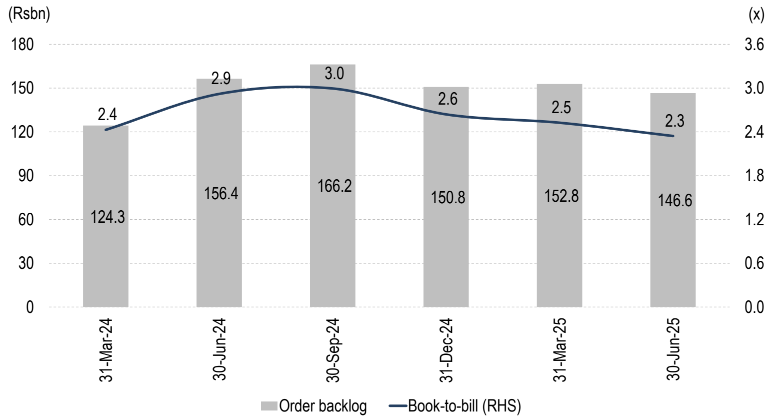



*Source: Company Note: Inflows including variation orders and change-in-scope*

*From earlier orders, appointed dates for the Varanasi-Ranchi-Kolkata package-10 and 13 HAM targeted by Q3 FY26; AD expected soon for Gujarat and UP HAM*

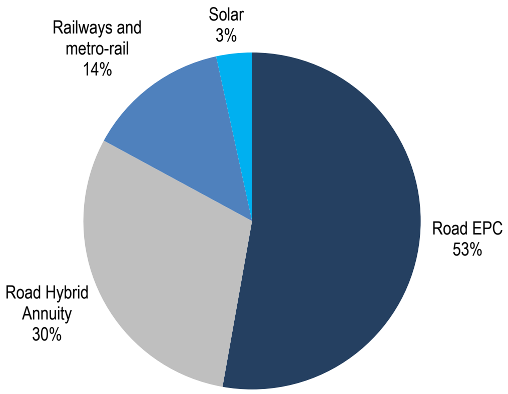
*Karnal Munak Road, Chennai Tirupati and Neelmangala Tumkur gained execution momentum*

**Fig 9 – ~Rs147bn order backlog; 2.3x TTM revenue assurance, sturdier with the recent BESS development**



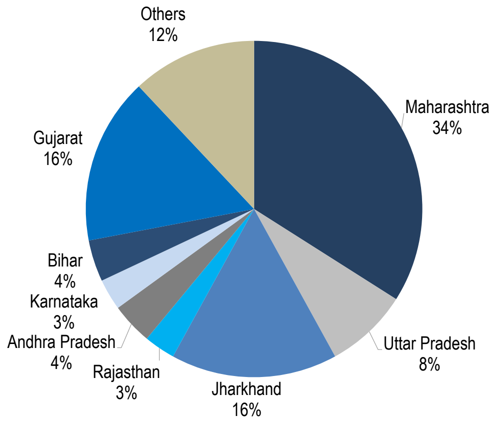

*Source: Company*

**Fig 10 – End-Jun'25 OB ~Rs147bn; roads-heavy**




*Source: Company*

**Fig 11 – Top-four states,~74% of the OB**

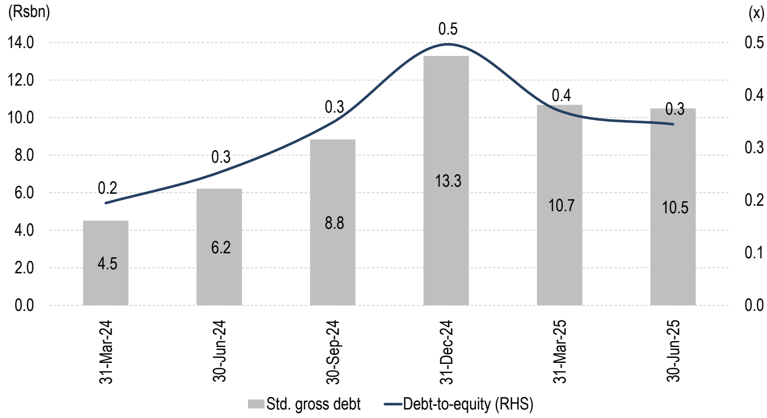



*Source: Company*

*Standalone gross debt up~Rs4.3bn y/y; cash & equivalents up~Rs0.4bn y/y; net debt, thus, up ~Rs3.9bn y/y to ~Rs8.9bn*

*At the previous call, standalone debt was envisaged at Rs6bn-7bn by end-FY26; timely disbursements likely to help*

**Fig 12 – Standalone gross debt at a high ~Rs10.5bn due to delayed disbursements in solar projects and working capital loan to purchase solar panels**



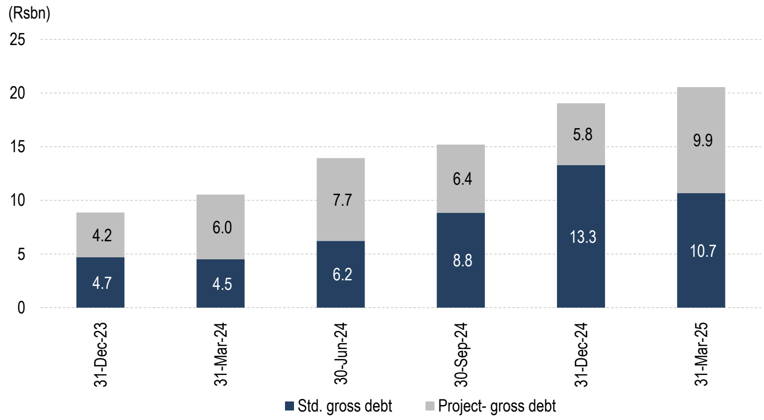

*Source: Company*

*Consolidated gross debt up ~Rs25.9bn y/y, led by ~Rs19.8bn added project debt*

*Of ~Rs16.6bn equity infusion required for the hybrid annuities, ~Rs10bn infused; ~Rs2.98bn required for 9M FY26, ~Rs1.83bn in FY27 and ~Rs1.85bn in FY28*

*Equity infusion needed in solar, T&D and BESS envisaged at ~Rs2.4bn in 9M FY26, Rs2.1bn in FY27 and Rs3.5bn in FY28*

**Fig 13 – Consol. gross debt up ~Rs25.9bn q/q on higher standalone debt and project finances availed of by under-construction HAMs and solar SPVs**




*Source: Company*

**Fig 14 – Under-construction and appointed hybrid annuities, details at a glance**

| Particulars | Raipur-Vishakhapatnam AP-1 | Raipur-Vishakhapatnam OD-5 | Raipur-Vishakhapatnam OD-6 | Khammam Devarapalle Pkg-1 | Khammam Devarapalle Pkg-2 | Karnal Ring Road | Chennai Tirupati `II |
|---|---|---|---|---|---|---|---|
| Project length (km) | 31.8 | 44.0 | 45.5 | 33.6 | 29.5 | 34.5 | 64.0 |
| Award dates | 25th Mar'21 | 25th Oct'21 | 25th Oct'21 | 15th Sep'21 | 15th Sep'21 | 14th Dec'22 | 11th Mar'24 |
| Financial closure | Achieved | Achieved | Achieved | Achieved | Achieved | Achieved | Achieved |
| Appointed dates | 31st Mar'22 | 30th May'22 | 1st Jun'22 | 31st Oct'22 | 13th Sep'22 | 31st Aug'23 | 14th Dec'24 |
| Construction period (years) | 2 | 2 | 2 | 2 | 2 | 2 | 2 |
| Concession period after COD (years) | 15 | 15 | 15 | 15 | 15 | 15 | 15 |
| Bid project cost (Rs m) | 10,601 | 14,921 | 11,231 | 7,721 | 6,371 | 9,971 | 8,621 |
| PCOD | - | 4th Jan'25 | 8th Jan'25 | 28th Mar'25 | 28th Mar'25 | - | - |
| **Means of finance (Rs m)** | | | | | | | |
| NHAI grant | 4,240 | 5,968 | 4,492 | 3,088 | 2,548 | 3,988 | 3,448 |
| Debt | 4,520 | 6,670 | 5,150 | 3,100 | 2,560 | 4,650 | 4,350 |
| Equity | 1,841 | 2,283 | 1,589 | 1,533 | 1,263 | 1,333 | 823 |
| **Invested / Availed of (Rs m) – at end-Q1 FY26** | | | | | | | |
| Debt | 3,698 | 6,000 | 4,900 | 2,455 | 2,150 | 3,050 | - |
| Equity | 1,456 | 2,229 | 1,507 | 1,115 | 974 | 1,274 | 807 |

*Source: Company, Anand Rathi Research*

## Other Highlights

- **Order backlog**. Q1 FY26 OB was ~Rs146.6bn (~2.3x TTM revenue). This excludes a ~Rs3.5bn T&D order from PFC Consulting in Jun'25 and ~Rs1.2bn of a material handling facility from the Naval Dockyard.

  Roads & Highways contributed Rs96.2bn (~29.8% under HAM, ~35.8% under EPC). Railways & metro-rail accounted for ~Rs29.1bn (19.9%), BESS ~Rs16.2bn (11.1%) and solar power plant ~Rs5bn (3.4%).

  The portfolio spans 13 states, with large exposures in Maharashtra, Jharkhand, UP, Rajasthan and Gujarat, alongside presence in Odisha, AP, Telangana, Karnataka, Bihar and Delhi.

  Of the above OB, six road assets (four HAM, two EPC) of ~Rs72.4bn yet await ADs or LoAs.

- **Q1 orders** of ~Rs11bn incl. 300MW/600MWh BESS order in Gujarat of EPC value of ~Rs6.5bn.

  Management has submitted bids for ~Rs160bn. It has guided to ~Rs110bn inflow as below

  - Roads (HAM, EPC) of ~Rs60bn from planned bids of Rs1trn
  - Rail and metro-rail of ~Rs15bn from planned bids of Rs500bn, including electrification, station-redevelopment, track-laying and civil works.
  - BESS ~Rs20bn (Rs8bn already won); targeting 5% share of India's battery market
  - T&D ~Rs10bn (Rs3.5bn already won); huge opportunity due to government vision for green-power grid, which involves investments in high-capacity lines and advanced sub-stations.

- **Roads - HAM**
  - PCOD letter received in Q1 FY26 for four HAM assets: Khammam-Devarapalle Packages-1 and -2 to be completed by Q2 and Q3, Raipur–Vishakapatnam OD-5 and -6 close to completion.
  - Raipur-Vishakapatnam AP-1 already inching toward completion with PCOD recommended.
  - Karnal Ring road reached 77.1% with completion in Q4. Chennai-Tirupati has reached 21.4% completion.
  - For four HAM projects awaiting AD, Varanasi-Ranchi Packages-10 and-13 ADs expected in Q3 FY26, where significant development for forest clearance has been done.
  - The construction agreement of Kosi Parikrama signed in Jun'25, with execution at 2.2%. AD expected very soon.
  - Financial closure achieved for Narol-Sarkhej with AD expected in a month.
  - The above four HAM projects are worth ~Rs31bn.
- **Roads – EPC**
  - The Ganga Expressway is expected to be complete by Q2 FY26 (~97.4% already completed).
  - The Delhi UER completed and handed over.
  - The Kali Mandir-Dimma Chowk elevated road is ~15.2% complete; the Neelmangala-Tumkur ~42.5% complete
  - For two packages of Nagpur-Chanrapur of ~Rs41bn, LoAs are pending due to delays in land acquisition. At present 42% of RoW is available (for a LoA to be issued, 70% RoW is a pre-requirement).
- **Railways**
  - The Delhi metro-rail project is ~82% complete per the scheduled timeline and will be fully complete by Q3 FY26.
  - The Bilaspur Viaduct project is 69% complete, whereas the Kanpur railway station project is 26.4% complete.
  - The Dhule-Nardana railway project is 13.1% complete. The Gaya-Son Nagar project and Karanjgaon project are respectively ~12.7% and ~9.3% complete.
  - AD for the New Delhi railway station has been declared as 6th Aug'25. Execution will start by end-Q2 FY26.
- **Solar**
  - The company secured 183 solar power plants, of a substantial 700MW (DC) capacity. Of these, it is directly responsible for 167 plants with an estimated EPC value of ~Rs22.4bn.
  - Till now, it has achieved ~78% physical progress. The remaining work is expected to be completed by Q3 FY26. In segment-wise reporting, renewable energy has recorded ~Rs110.9m revenue in Q1 FY26.

- Debt funding of ~83% of the project requirements sanctioned, with disbursement at ~50%. Remaining approvals/disbursements to be finalised by Nov'25.

- **BESS**
  - Contracted capacity for BESS 735MW: Gujarat Urja Vikas Nigam (550MW), NTPC Vidyut Vyapar Nigam (185MW)
  - The overall project cost amounts to ~Rs16.2bn.
  - Negotiations for procuring key components are ongoing with a shortlisted tier-1 Chinese supplier.
  - Orders for transmissions, switching, etc. to be finalised by Q2 FY26.
  - On completion and commissioning of these BESS projects, the company expects ~Rs2.25bn revenue annually.
  - Overall costs of ~Rs18bn+GST will be met initially by ~Rs5bn equity and ~Rs15bn debt. The debt is expected to fall to ~Rs12bn once the ~Rs3bn grant is received from the government post-project commissionings.

- **Asset monetisation**
  - The Board recently approved the divestment of five HAM assets to Neo Infra Fund: two packages of Khammam-Devarapalle and three of Raipur-Vishakapatnam.
  - The deal comes at an enterprise value of Rs35.8bn. Adjusting for ~Rs22bn debt, the equity consideration is ~Rs13.8bn (~1.8x of the equity investment of ~Rs7.7bn).
  - Transaction expected to be concluded by end-FY26 on fulfilment of conditions precedent like NoCs from the NHAI, lenders, etc.

- **Equity infusion needs**
  - For 11 HAM projects, equity required is ~Rs16.6bn (~Rs10bn already infused). For solar, ~Rs6.1bn of ~Rs7.2bn already infused. For BESS and T&D, the entire ~Rs6.9bn equity required has yet to be deployed.

The table reflects planned equity infusion till FY28.

**Fig 16 – Estimated equity infusion**

| Particulars (Rs m) | HAM | Solar | BESS | T&D | Total |
|---|---|---|---|---|---|
| Total equity requirement | 16,630 | 7,210 | 5,000 | 1,870 | 30,710 |
| Infused till Jun'25 | 9,970 | 6,100 | 10 | - | 16,080 |
| **Pending infusion** | **6,660** | **1,110** | **4,990** | **1,870** | **14,630** |
| **Planned equity infusion** | | | | | |
| 9M FY26 | 2,980 | 1,110 | 1,190 | 100 | 5,380 |
| FY27 | 1,830 | - | 1,870 | 250 | 3,950 |
| FY28 | 1,850 | - | 1,930 | 1,520 | 5,300 |
| **Total** | **6,660** | **1,110** | **4,990** | **1,870** | **14,630** |

*Source: Anand Rathi Research*

- The above equity requirement would be met through monetisation proceeds and internal accruals.

- **Balance sheet, leverage skewed.**
  - With the upfront purchase of solar modules and land procurement, initial cash outflows were matched by muted disbursements. Net standalone debt rose from ~Rs2.5bn in FY24 to ~Rs8.9bn in Q1 FY26, expected to return to normal once solar SPVs starts receiving disbursements from project-level debt.
  - Key constituents of Q1 working capital were led by trade receivables (incl. retention) down ~Rs0.1bn q/q to ~Rs13.6bn, inventories down ~Rs0.2bn q/q to ~Rs5.2bn, unbilled down ~Rs0.4bn q/q to ~Rs13.1bn. In liabilities, mobilisations were down ~Rs0.3bn q/q to ~Rs3.8bn and payables grew to ~Rs15.2bn. The net positive impact narrowed the net debt by ~Rs0.5bn.
  - On more monetisation proceeds expected from mature HAM assets, healthy internal accruals and briskier disbursements, management sees end-FY26 gross debt at ~Rs6bn.

- **Detailed guidance**
  - Management maintained its FY26 outlook, underscoring steady growth and prudent capital allocation.
  - It said that of the ~Rs150bn inflow guidance, ~75% is expected from roads and railways, the balance from other sectors.
  - For FY26, management is confident of sustaining 15-16% EBITDA margins while achieving its Rs70bn revenue guidance in FY26 and ~Rs80bn in FY27.
  - For 9M FY26, the aggregate equity infusion for HAM, solar, BESS and T&D projects is Rs5.4bn, followed by Rs4bn in FY27 and Rs5.3bn in FY28.
  - Management said no major capex is planned in FY26, limited to only routine maintenance capex.

# Valuation

Considering the company's Q1 FY26 sustained performance and order inflows, we retain our FY26e/FY27e revenue. Considering no preceding experience in BESS, solar and T&D (which are inherently competitive), we reduce our FY26e/FY27e EBITDA margins ~64bps/24bps.

We introduce FY28e with revenue growing ~11.3% y/y to ~Rs85.4bn and ~Rs12.3bn EBITDA, implying a steady ~14.4% margin. FY28 adj. PAT is estimated at Rs7.3bn (~8.5% margin).

On introducing FY28e, we roll forward our valuation. Our sum-of-parts valuation now factors in core-construction at 9x Sep'27e (earlier 12x FY27e). The multiple has been reduced to factor in the risk of delayed AD/LoA, high debt and the foray into inherently competitive projects with no previous execution experience.

We have considered 0.95x of the deal value for five HAM assets approved for monetisation. The other six HAM assets are valued at 1.2x total estimated equity. Equity in solar power, T&D and BESS, too, have been considered at 1x estimated equity.

On this, the core-construction business is valued at Rs980/sh (9x Sep'27e adj. EPS of ~Rs108.9), and the asset-ownership business at Rs358/sh. Consequently, our TP works out to Rs1,339.

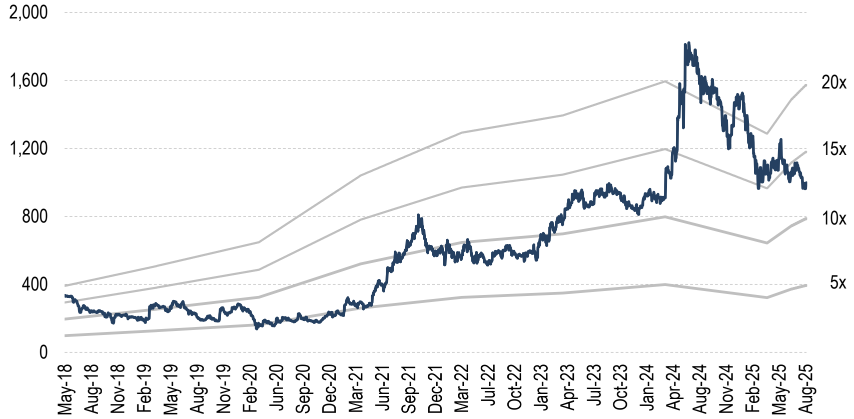
At the ruling price (excl. investments), the stock trades at PERs of 9.9x FY26e and 6x FY27e.

**Fig 16 – Valuation**

| | | | (Rsm) | Per share |
|---|---|---|---|---|
| **EPC business** | | | | |
| Construction profit (Rs per share) | TTM Sep'27 | | 7,099 | 109 |
| PE Multiple (x) | | 9 | 9 | 9 |
| **Construction Business Value (Rs per share)** | | | **63,892** | **980** |
| | | | | |
| **HAM** | | | | |
| Held for sale assets | Deal value | 0.95x | 13,148 | 202 |
| Exiting HAM assets | Estimated equity | 1.20x | 10,752 | 165 |
| Solar | Estimated equity | 1.00x | 7,210 | 111 |
| T&D | Estimated equity | 1.00x | 1,870 | 29 |
| BESS | Estimated equity | 1.00x | 5,000 | 77 |
| Less : Equity to be infused | | | -14,630 | -224 |
| | | | | |
| **Final valuation** | | | **87,242** | **1,339** |

*Source: Anand Rathi Research*

**Fig 17 – P/E band**




*Source: Bloomberg, Anand Rathi Research*

## Risk

- Slower-than-expected pace of disbursements.
- Rising debt.

## Appendix

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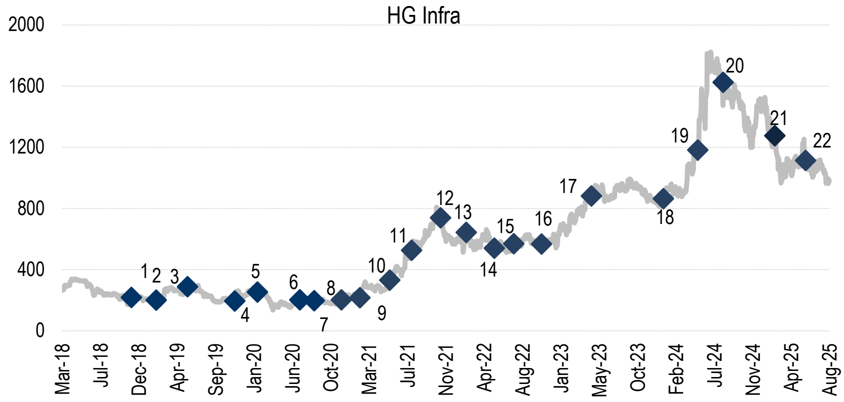


| | Date | Rating | TP (Rs) | Share Price (Rs) |
|---|---|---|---|---|
| **7** | 19-Aug-20 | Buy | 291 | 192 |
| **8** | 11-Nov-20 | Buy | 298 | 186 |
| **9** | 30-Jan-21 | Buy | 382 | 217 |
| **10** | 16-May-21 | Buy | 493 | 333 |
| **11** | 08-Aug-21 | Buy | 703 | 571 |
| **12** | 11-Nov-21 | Hold | 879 | 740 |
| **13** | 06-Feb-22 | Buy | 898 | 630 |
| **14** | 25-May-22 | Buy | 896 | 524 |
| **15** | 03-Aug-22 | Buy | 898 | 584 |
| **16** | 12-Nov-22 | Buy | 959 | 542 |
| **17** | 11-May-23 | Hold | 1,129 | 952 |
| **18** | 05-Feb-24 | Hold | 1,146 | 960 |
| **19** | 12-May-24 | Hold | 1,364 | 1,181 |
| **20** | 08-Aug-24 | Hold | 1,708 | 1,553 |
| **21** | 09-Feb-25 | Buy | 1,781 | 1,265 |
| **22** | 26-May-25 | Buy | 1,749 | 1,130 |

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