HOLD (Maintain)

CMP: **INR 897** Target Price: **INR 920 (INR 1,000)** ▲ 3%

ICICI Securities

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17 November 2025

India | Equity Research | Results Update

HG Infra Engineering

Construction

Walking a tightrope

HG Infra (HG) reported a soft Q2FY26, with revenue up 8.4% YoY but short of our expectation due to delayed project starts and slower execution. EBITDA declined 16% YoY to INR 1.5bn, as margins shrank 368bps YoY to 12.7%, impacted by lower operating leverage. APAT fell 24% YoY to INR 673mn. Executable order book (OB) remains constrained, with ~INR 40bn of projects awaiting start. Order inflow (OI) stood at INR 1.5bn in H1 – sharply below our expectation. As a result, book-to bill stands at meagre 2.2x – heightening near-term execution risk. Management has trimmed its FY26 revenue guidance to INR 65bn, from INR 70bn earlier, citing slower ramp-up. Diversification into non-core segments adds incremental execution risk – warranting a cautious stance. We maintain **HOLD** with an SOTP-based revised TP of INR 920 (prior: INR 1,000).

Soft quarter

Execution remained soft, with Q2FY26 revenue increasing 8.4% YoY to INR 11.5bn but missing our estimates due to delayed project starts. EBITDA declined 16% YoY to INR 1.5bn, with a margin of 12.7% (–368bps YoY), impacted by lower operating leverage. APAT fell sharply by 24% YoY to INR 673mn.

Low executable OB; diversification adds risk

HG's OB stood at INR 139.3bn (2.2x TTM sales). Projects worth ~INR 40bn are facing uncertainties pertaining to start of project. Execution in its non-core segment is a key monitorable.

Execution risk remains elevated

Near-term revenue recognition is constrained by delays in AD/LOA issuance for key projects; thus, slowing execution ramp-up. Management has cut its FY26 revenue guidance to INR 65bn vs INR 70bn earlier. Our estimates are softer than guidance basis execution risk on the back of a smaller executable OB (rephrased).

Marginal increase in debt

Standalone gross debt increased marginally to INR 16.3bn vs. INR 15bn in Jun'25. Equity requirements for HAM assets total INR 17.1bn, with INR 12.1bn scheduled to be infused across FY26–28. Debt to equity remains stable at 0.4

Maintain HOLD with a revised TP of INR 920

Maintain HOLD with a revised TP of INR 920 (earlier INR 1,000)

Financial Summary

Y/E Mar-31 (INR mn)	FY24A	FY25A	FY26E	FY27E
Net Revenue	51,217	60,519	62,940	69,234
EBITDA	8,220	9,507	8,706	9,503
EBITDA Margin (%)	16.0	15.7	13.8	13.7
Net Profit	4,387	5,198	4,403	5,149
EPS (INR)	67.3	79.8	67.6	79.0
EPS % Chg YoY	8.2	18.5	(15.3)	16.9
P/E (x)	13.3	11.2	13.3	11.3
EV/EBITDA (x)	7.4	7.1	7.2	6.5
RoCE (%)	19.7	18.0	13.9	13.4
RoE (%)	21.4	20.0	14.2	14.4

Mohit Kumar
kumar.mohit@icicisecurities.com
+91 22 6807 7419
Mahesh Patil
mahesh.patil@icicisecurities.com
Abhinav Nalawade
abhinav.nalawade@icicisecurities.com
Nidhi Shah
nidhi.shah@icicisecurities.com

Market Data

Market Cap (INR)	58bn
Market Cap (USD)	659mn
Bloomberg Code	HGINFRA IN Equity
Reuters Code	HGIN.BO
52-week Range (INR)	1,561 /875
Free Float (%)	28.0
ADTV-3M (mn) (USD)	1.0

Price Performance (%)	3m	6m	12m
Absolute	(6.9)	(22.0)	(26.9)
Relative to Sensex	(11.8)	(26.0)	(35.9)

ESG Score	2023	2024	Change
ESG score	NA	NA	NA
Environment	NA	NA	NA
Social	NA	NA	NA
Governance	NA	NA	NA

Note - Score ranges from 0 - 100 with a higher score indicating higher ESG disclosures.

Source: SES ESG, I-sec research

Earnings Revisions (%)	FY26E	FY27E
Revenue	(10)	(10)
EBITDA	(16)	(13)
EPS	(26)	(16)

Previous Reports

16-08-2025: Q1FY26 results review

26-05-2025: Q4FY25 results review

Exhibit 1: Quarterly standalone financial highlights

INR mn	Q2FY25	Q3FY25	Q4FY25	Q1FY26	Q2FY26	QoQ (%)	YoY (%)
Net sales	10,645	15,085	19,730	17,092	11,537	-32.5	8.4
EBIDTA	1,744	2,501	2,829	2,357	1,466	-37.8	-16.0
Margins (%)	*16.4%*	*16.6%*	*14.3%*	*13.8%*	*12.7%*	*(108) bps*	*(368) bps*
Other income	33	24	64	23	166	627.9	409.3
Interest	226	298	415	376	393	4.4	73.9
Depreciation	359	362	370	329	340	3.4	-5.2
PBT	1,192	1,864	2,108	1,674	898	-46.4	-24.7
PAT	886	1,366	1,550	1,255	673	-46.4	-24.1
Adjusted PAT	886	1,366	1,550	1,255	673	-46.4	-24.1
Reported PAT	886	1,366	2,124	1,255	673	-46.4	-24.1
EPS	13.6	21.0	23.8	19.3	10.3	-46.4	-24.3
Order Book	**Q2FY25**	**Q3FY25**	**Q4FY25**	**Q1FY26**	**Q2FY26**	**QoQ**	**YoY**
Calculated Order inflow	20,462	-350	-	10,843	4,301	-60	-79.0
Order backlog	1,66,235	1,50,800	1,52,812	1,46,563	1,39,327	-5	-16
Book to Bill (x)	3.0	2.6	2.5	2.3	2.2		

Source: I-Sec research, Company data

Valuation and outlook

HG has a strong execution track record, robust earnings growth and lean balance sheet. Over FY19–24, its revenue and PAT have grown at CAGRs of 21% and 24%, respectively. Further, HG is monetising its assets in a timely manner, which should help fuel its next leg of growth. During this quarter, it entered into an agreement to sell 5 HAM assets at an attractive valuation, unlocking free cash that would aid in future bidding. However, the current order backlog is raising concerns, in the context of earnings. Add to this, HG's diversification into unrelated segments – battery storage systems and solar. On balance, we remain cautious over its execution capabilities in these segments that already have strong incumbents. As a result, we revise our estimates and maintain **HOLD**, valuing the EPC business at 7x FY27E EPS, the current deal at 1.8x P/B, and HAM assets at 1.3x P/B to arrive at an SoTP-based revised TP of INR 920 (earlier INR 1,000).

Upside risk: 1) Improved execution; 2) meeting or exceeding the OI guidance with new wins.

Downside risk: 1) Lower ordering in the roads segment; 2) lower-than-expected margin in the solar and BESS projects; and 3) delay in completing the deal (sale of 5 HAM assets, which was signed in this quarter).

Exhibit 2: Valuation

Particulars	Rationale	INR mn	Multiple (x)	Value (INR mn)	Value per share(INR)
EPC	7x FY27E earnings	5,149	7	35,886	551
Deal value (5 assets)	1.8x Equity invested	7,281	1.8	13,106	201
HAM assets	1.3x Equity Invested	8,447	1.3	10,982	169
Target price (INR)				**59,974**	**920**

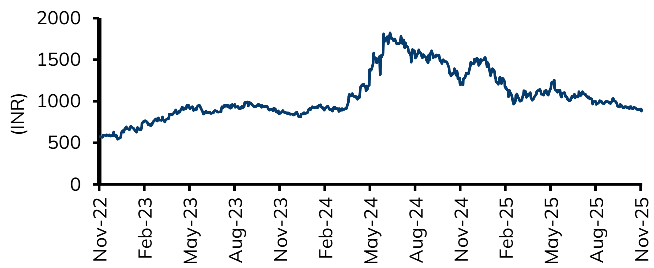
Source: I-Sec research, Company data

Exhibit 3: Shareholding pattern

%	Mar'25	Jun'25	Sep'25
Promoters	71.8	71.8	71.8
Institutional investors	14.9	14.0	13.8
MFs and other	10.1	9.8	9.8
FIs/ Banks	0.0	0.0	0.0
Insurance Cos.	0.3	0.2	0.3
FIIs	4.5	4.0	3.7
Others	13.3	14.2	14.4

Source: Bloomberg, I-Sec research

Exhibit 4: Price chart



Source: Bloomberg, I-Sec research

Financial Summary

Exhibit 5: Profit & Loss

(INR mn, year ending Mar-31)

	FY24A	FY25A	FY26E	FY27E
Net Sales	51,217	60,519	62,940	69,234
Operating Expenses	**927**	**807**	**1,139**	**1,252**
EBITDA	8,220	9,507	8,706	9,503
EBITDA Margin (%)	**16.0**	**15.7**	**13.8**	**13.7**
Depreciation & Amortization	1,412	1,440	1,422	1,778
EBIT	6,808	8,068	7,284	7,724
Interest expenditure	(810)	(1,159)	(1,574)	(911)
Other Non-operating Income	126	152	240	240
Recurring PBT	6,124	7,060	5,950	7,053
Profit / (Loss) from Associates	**-**	**-**	**-**	**-**
Less: Taxes	**1,737**	**1,863**	**1,547**	**1,904**
PAT	4,387	5,198	4,403	5,149
Less: Minority Interest	-	-	-	-
Extraordinaries (Net)	-	-	-	-
Net Income (Reported)	4,387	5,198	4,403	5,149
Net Income (Adjusted)	**4,387**	**5,198**	**4,403**	**5,149**

Source Company data, I-Sec research

Exhibit 6: Balance sheet

(INR mn, year ending Mar-31)

	FY24A	FY25A	FY26E	FY27E
Total Current Assets	25,777	36,496	39,632	42,608
of which cash & cash eqv.	1,993	1,343	3,518	4,226
Total Current Liabilities & Provisions	12,373	17,714	18,703	20,378
Net Current Assets	**13,404**	**18,782**	**20,929**	**22,230**
Investments	-	-	-	-
Net Fixed Assets	7,347	6,803	5,581	4,802
ROU Assets	-	-	-	-
Capital Work-in-Progress	6,318	13,716	14,216	19,216
Total Intangible Assets	-	-	-	-
Other assets	1,570	1,242	-	-
Deferred Tax Assets	-	-	-	-
Total Assets	**28,640**	**40,543**	**40,726**	**46,249**
Liabilities				
Borrowings	**4,512**	**10,679**	**7,475**	**7,849**
Deferred Tax Liability	**-**	**-**	**-**	**-**
provisions	-	-	-	-
other Liabilities	943	1,016	-	-
Equity Share Capital	652	652	652	652
Reserves & Surplus	22,534	28,196	32,599	37,748
Total Net Worth	**23,185**	**28,848**	**33,251**	**38,399**
Minority Interest	-	-	-	-
Total Liabilities	**28,640**	**40,543**	**40,726**	**46,249**

Source Company data, I-Sec research

Exhibit 7: Cashflow statement

(INR mn, year ending Mar-31)

	FY24A	FY25A	FY26E	FY27E
Operating Cashflow	**6,488**	**3,425**	**5,648**	**6,119**
Working Capital Changes	(379)	(3,786)	(177)	(808)
Capital Commitments	(1,831)	(882)	(200)	(1,000)
Free Cashflow	**8,318**	**4,307**	**5,848**	**7,119**
Other investing cashflow	**1,171**	**(7,411)**	**(500)**	**(5,000)**
Cashflow from Investing Activities	(659)	(8,293)	(700)	(6,000)
Issue of Share Capital	-	-	-	-
Interest Cost	-	-	-	-
Inc (Dec) in Borrowings	(525)	6,167	(3,204)	374
Dividend paid	-	-	-	-
Others	(5,105)	(1,949)	431	216
Cash flow from Financing Activities	(5,630)	4,218	(2,773)	589
Chg. in Cash & Bank balance	**199**	**(650)**	**2,175**	**708**
Closing cash & balance	1,993	1,343	3,518	4,226

Source Company data, I-Sec research

Exhibit 8: Key ratios

(Year ending Mar-31)

	FY24A	FY25A	FY26E	FY27E
Per Share Data (INR)				
Reported EPS	67.3	79.8	67.6	79.0
Adjusted EPS (Diluted)	67.3	79.8	67.6	79.0
Cash EPS	89.0	101.8	89.4	106.3
Dividend per share (DPS)	-	-	-	-
Book Value per share (BV)	355.8	442.6	510.2	589.2
Dividend Payout (%)	-	-	-	-
Growth (%)				
Net Sales	16.3	18.2	4.0	10.0
EBITDA	18.4	15.7	(8.4)	9.2
EPS (INR)	8.2	18.5	(15.3)	16.9
Valuation Ratios (x)				
P/E	13.3	11.2	13.3	11.3
P/CEPS	10.1	8.8	10.0	8.4
P/BV	2.5	2.0	1.8	1.5
EV / EBITDA	7.4	7.1	7.2	6.5
P / Sales	1.1	1.0	0.9	0.8
Dividend Yield (%)	-	-	-	-
Operating Ratios				
Gross Profit Margins (%)	17.9	17.0	15.6	15.5
EBITDA Margins (%)	16.0	15.7	13.8	13.7
Effective Tax Rate (%)	28.4	26.4	26.0	27.0
Net Profit Margins (%)	8.6	8.6	7.0	7.4
NWC / Total Assets (%)	-	-	-	-
Net Debt / Equity (x)	0.1	0.3	0.1	0.1
Net Debt / EBITDA (x)	0.3	1.0	0.5	0.4
Profitability Ratios				
RoCE (%)	19.7	18.0	13.9	13.4
RoE (%)	21.4	20.0	14.2	14.4
RoIC (%)	19.7	18.0	13.9	13.4
Fixed Asset Turnover (x)	7.5	8.6	10.2	13.3
Inventory Turnover Days	23	35	34	35
Receivables Days	70	90	84	87
Payables Days	64	83	79	82

Source Company data, I-Sec research

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