

## Pick of the Week

24<sup>th</sup> Feb, 2024

## H G Infra Engineering Ltd

Infra-road



**Buy**  
Target Price  
**995**

### About the Company

**H.G. Infra Engineering Limited (HGIEL), established in 2003, is an infrastructure company headquartered in Jaipur, Rajasthan. The company specializes in construction, development, design, and management of various infrastructure projects. Over the past 18 years, HGIEL has undergone a significant transformation, evolving from a sub-contractor to a prominent road developer. During this period, the company has successfully completed over 35 projects.**

### Investment Rationale

- A. **Robust order book:** As of December 31st, 2023, the company boasts a robust order book totaling Rs 9,623 Cr. This comprises 51% from EPC road projects, 37% from HAM road projects, and the remaining 12% from Railway & Metro projects. Furthermore, in Q4FY24 alone, the company secured projects worth Rs 1,100 Cr from Railways. Notably, 73% of these projects are from the government of India, with the remaining 27% from the private sector, providing revenue visibility for the next 2-3 years. Based on these factors, we anticipate the company to achieve a revenue growth of 17% CAGR over FY23-FY25E.
- B. **Segment diversification:** With the Interim Union Budget for 2024-25 increasing the Capex outlay for the Roads & Railways sector to bolster infrastructure development in the country, significant opportunities are being created for companies like HG Infra. To capitalize on these expanded opportunities, the company is diversifying into segments beyond roads such as Railways, Metro, Solar projects. It anticipates that 20%-25% of its revenue will come from these non-road segments. The bidding pipeline remains robust, covering Roads, JJM (Jal Jeevan Mission), and railway segments. Management expects an order inflow of Rs 5,000-6,000 Cr in FY24, with EBITDA margins ranging from 15.5% to 16%.
- C. **Healthy monetization of HAM asset:** The company has successfully completed the HAM (Hybrid Annuity Model) asset monetization of three Special Purpose Vehicles (SPVs), with the remaining SPV scheduled for completion by Mar'24. This achievement marks a significant milestone for the company, demonstrated by the completion of the first tranche of three SPVs. On November 21st, 2023, the company transferred 100% stake from the company to Highway Infrastructure Trust. The completion of the HAM asset monetization is a positive development for the company.
- D. **Outlook & Valuations:** We maintain a positive outlook on the company, considering its strong execution capability, robust order book position, healthy balance sheet, and high return ratios. We anticipate the company to report Revenue/EBITDA/APAT growth of 17%/16%/15% CAGR over FY23-25E. Furthermore, the stock is currently trading at 11x FY25E EPS, a valuation that we find attractive.
- E. **We recommend a BUY rating on the stock with a TP of Rs 995 /share, implying an upside of 10% from the CMP.**

### Financial Summary (Standalone)

Y/E	Net Sales	EBITDA	Net Profit	EPS	PER	EV/EBIDTA	P/BV	RoE
March	(Rs Cr)	(Rs Cr)	(Rs Cr)	(Rs)	(x)	(x)	(x)	(%)
FY23	4,419	710	421	65	13	8	3	27
FY24E	5,324	849	561	86	11	6	2	21
FY25E	6070	959	559	92	1	6	1.7	20

Source: Axis Securities; CMP as on 23<sup>rd</sup> Feb, 2024

CMP (Rs)	Target (Rs)	Potential Upside (%)
902	995	10%

### MARKET DATA

No. of Shares	6.5 Cr
Market Cap	5,863 Cr
52-week High / Low	1019/686
BSE Code	541019
NSE Code	HGINFRA

### Why H G Infra Engg. Ltd

- ✓ **Attractive Valuations**
- ✓ **Macro-economic Tailwinds**
- ✓ **Encouraging Growth Opportunities**
- ✓ **Company-specific Triggers**
- ✓ **Sector-specific Attributes**

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