

# HG Infra

## Beat on all fronts

HG Infra reported revenue of Rs 7.3bn, 10.5% beat to our estimate and 28% YoY growth. The company also surprised positively on margins (16.1% vs 15% estimated), leading to 39% beat on APAT. While HG did not secure any orders during 9MFY21, it aims to win Rs 30-40bn during FY21. Order backlog is robust at Rs 59.7bn (~3x FY20 Rev). Standalone net debt reduced to Rs 1.1bn from Rs 1.7bn in Dec-20. We increase our FY21 estimates to factor in robust quarter and maintain BUY with an SOTP-based TP of Rs 408/Sh, valuing the EPC business at 10x Dec-22E EPS. With concerns over Rajasthan receivables receding, high competitive intensity in NHAI ordering remains a key risk.

- **Execution beats estimate; surprises on margin as well:** Revenue for 2QFY21 stood at Rs 7.3bn, 28%/57% YoY/QoQ growth and 10.5% beat on our estimate. EBITDA also grew by 34% YoY (18% beat) as EBITDA margin expanded by 70bps YoY to 16.1% (vs 15% est.). APAT stood at Rs 655mn (-58%/101% YoY/QoQ, 39% beat). Having received the Appointment Date (AD) for the remaining four projects, the entire order book is under execution now. Management expects to clock Rs 22bn revenue for the full year FY21.
- **No order wins in 9M; Guidance of Rs 30-40bn inflows in FY21 retained:** Despite the pick-up in ordering activity by NHAI, HG is yet to secure any order in FYTD21 as it maintained a conservative stance on bidding to protect margins. The sole order it managed to win in the quarter from IRCON, was cancelled due to the bid being higher than the cost estimated by the client. Nonetheless, HG has stuck to its order inflow guidance of Rs 30-40bn for FY21. The company has already placed bids for Rs 140bn worth of orders and plans to bid for additional Rs 350bn in the next two months. HG is now diversifying into railways civil and water supply projects. Its order book stands at Rs 59.7bn (~3x FY20 revenue).
- **Balance sheet comfortable:** HG's standalone net debt reduced to Rs 1.1bn (including Rs 0.23bn in promoter loans) from Rs 1.7bn in Sep 20-end. Outstanding receivables from the Rajasthan WB-funded project has come down to Rs 450mn, from Rs 2.7bn in Sep 20-end. HG has Rs 4.9bn outstanding receivables, as of 3QFY21. Management plans to infuse Rs 0.75bn equity in HAM projects in 4QFY21 and will invest 0.7/0.3bn in FY22/FY23. The company is in advance stages of monetising the HAM assets, which it expects would be completed by 2QFY22.

### Estimate change table

Rs mn	FY21E New			FY22E New			FY23E New		
	New	Old	% Chg.	New	Old	% Chg.	New	Old	% Chg.
Revenues	22,445	20,231	10.9	27,318	27,318	-	36,129	36,129	-
EBIDTA	3,607	3,152	14.4	4,194	4,195	(0.0)	5,682	5,682	(0.0)
EBIDTA Margin (%)	16.1	15.6	3.1	15.4	15.4	(0.0)	15.7	15.7	(0.0)
APAT	1,761	1,438	22.5	2,006	2,006	(0.0)	2,904	2,904	(0.0)
EPS	27	22	22.5	31	31	(0.0)	45	45	(0.0)

### Quarterly/Annual Financial summary - INR Mn

YE March	3QFY21	3QFY20	YoY (%)	2QFY21	QoQ (%)	FY20	FY21E	FY22E	FY23E
Net Sales	7,343	5,730	28.2	4,674	57.1	21,961	22,445	27,318	31,416
EBITDA	1,181	882	34.0	769	53.5	3,423	3,607	4,194	4,884
APAT	655	415	57.9	327	100.7	1,657	1,761	2,006	2,423
Diluted EPS (Rs)	10.1	6.4	57.9	5.0	100.7	25.4	27.0	30.8	37.2
P/E (x)						8.6	8.1	7.1	5.9
EV / EBITDA (x)						5.2	4.8	4.1	3.2
RoE (%)						22.4	19.4	18.4	18.5

Source: Company, HSIE Research, Standalone financials

## BUY

CMP (as on 29 Jan 2021)	Rs 219
Target Price	Rs 408
NIFTY	13,635

KEY CHANGES	OLD	NEW	
Rating	BUY	BUY	
Price Target	Rs 408	Rs 408	
EPS	FY21E	FY22E	FY23E
change %	22.5	-	-

### KEY STOCK DATA

Bloomberg code	HGINFRA IN
No. of Shares (mn)	65
MCap (Rs bn) / (\$ mn)	14/195
6m avg traded value (Rs mn)	19
52 Week high / low	Rs 277/126

### STOCK PERFORMANCE (%)

	3M	6M	12M
Absolute (%)	22.2	19.1	(18.1)
Relative (%)	5.7	(2.5)	(30.4)

### SHAREHOLDING PATTERN (%)

	Sep-20	Dec-20
Promoters	74.04	74.04
FIs & Local MFs	19.59	18.12
FPIs	0.50	0.40
Public & Others	5.87	7.44
Pledged Shares	-	-

Source : BSE

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