

Buy

View: Execution momentum to continue; maintain Buy

- HGINFRA reported results above estimates on all fronts.
- HGINFRA reported 65.0% / 64.2% / 90.6% YoY growth in revenue/ EBITDA/ PAT to Rs10.3 bn/ Rs1.7 bn/ Rs977 mn in Q4FY21.
- We increase our revenue, EBITDA margin and PAT estimates for FY22E by 9.7% / 15 bps / 13.5% factoring FY21 results and we broadly maintain our estimates for FY23E. HG has received appointed date for all its projects (except Rs18.4 bn 3 HAM projects) and entire execution benefit will be realized in FY22E. We expect 25.0% / 15.0% revenue growth for FY22E/ FY23E. The company's labour availability is at ~70-75% levels and is expected to increase gradually.
- We expect revenue/ Adj. PAT CAGR of 19.9% / 16.6% over FY21-23E. Though the stock has increased ~34% since our Q3FY21 result on 29 Jan'21, it still looks attractive at 7.7x / 6.7x FY22E/ FY23E EPS, hence we maintain BUY with SOTP of Rs506 (9x FY23E EPS) and 1xFY23E P/B for HAM equity investments. We factor Rs2.4 bn/ Rs2.5 bn equity investment in HAM for FY22E/ FY23E.
- **Key Risk - Strong order inflows in FY22E for better execution in FY23E.**

Robust return ratios coupled with comfortable working capital

We expect NWC (excluding cash) days to remain at a comfortable level of 101/ 101 days in FY22E/ FY23E vs. 115/ 91 in FY20/ FY21. We expect 0.2x/ 0.2x Net D:E for FY22E/ FY23E and healthy return ratios (average RoE/ RoCE of 20.8% / 21.2% over FY21-23E), led by strong PAT growth, comfortable NWC days, healthy balance sheet, and healthy fixed asset turnover.

Order book at 2.8x, enhances revenue visibility

HGINFRA won orders worth Rs33.4 bn/ Rs21.8 bn during FY20/ FY21. The current order book (Rs70.4 bn) provides revenue visibility for 2.8x FY21 revenue. We increase our order inflow estimates to Rs50 bn each from Rs40 bn each for FY22E/ FY23E.

Q4FY21 Result (Rs Mn)

Particulars	Q4FY21	Q4FY20	YoY (%)	Q3FY21	QoQ (%)
Revenue	10,278	6,229	65.0	7,343	40.0
Total Expense	8,613	5,215	65.2	6,162	39.8
EBITDA	1,665	1,014	64.2	1,181	41.0
Depreciation	226	208	8.4	216	4.7
EBIT	1,439	806	78.6	966	49.0
Other Income	77	38	104.4	34	125.1
Interest	192	159	21.3	144	33.9
EBT	1,324	685	93.3	856	54.6
Tax	348	172	101.5	201	73.1
RPAT	977	513	90.6	655	49.0
APAT	977	513	90.6	655	49.0
			(bps)		(bps)
Gross Margin (%)	20.1	22.8	(278)	21.4	(134)
EBITDA Margin (%)	16.2	16.3	(8)	16.1	11
NPM (%)	9.5	8.2	127	8.9	58
Tax Rate (%)	26.2	25.2	107	23.4	280
EBIT Margin (%)	14.0	12.9	107	13.1	85

CMP	Rs 293		
Target / Upside	Rs 506 / 73%		
NIFTY	14,697		
Scrip Details			
Equity / FV	Rs 652mn / Rs 10		
Market Cap	Rs 19bn		
	USD 259mn		
52-week High/Low	Rs 331/ 151		
Avg. Volume (no)	94,521		
Bloom Code	HGINFRA IN		
Price Performance			
1M	3M	12M	
Absolute (%)	8	(6)	72
Rel to NIFTY (%)	7	(1)	15

Shareholding Pattern

	Sep'20	Dec'20	Mar'21
Promoters	74.0	74.0	74.5
MF/Banks/FIs	19.6	19.1	18.2
FIs	0.5	0.4	0.1
Public / Others	5.9	6.4	7.2

Valuation (x)

	FY21A	FY22E	FY23E
P/E	9.0	7.7	6.7
EV/EBITDA	4.7	4.4	4.0
ROE (%)	22.8	21.4	20.3
RoACE (%)	21.7	21.8	20.5

Estimates (Rs mn)

	FY21A	FY22E	FY23E
Revenue	25,275	31,585	36,337
EBITDA	4,107	4,857	5,589
PAT	2,110	2,470	2,867
EPS (Rs.)	32.4	37.9	44.0

VP Research: Shravan Shah

Tel: +91 22 40969749

E-mail: shravans@dolatcapital.com

Associate: Maulik Shah

Tel: +91 22 40969775

E-mail: mauliks@dolatcapital.com

Associate: Parth Bhavasar

Tel: +91 22 40969775

E-mail: parthb@dolatcapital.com

Exhibit 1: Actual vs. DART estimates (Rs mn)

Particulars (Rs mn)	Actual	DART Est	% Variance	Comments
Revenue	10,278	8,310	23.7	Led by robust execution
EBITDA	1,665	1,294	28.6	-
EBITDA (%)	16.2	15.6	62	Led by better operating efficiency
PAT	977	678	43.9	Led by overall better performance

Source: Company, DART

Exhibit 2: Change in estimates – Upgrade FY22E and broadly maintain FY23E estimates

Particulars (Rs mn)	FY22E			FY23E		
	New	Old	% change	New	Old	%change
Net revenues	31,585	28,788	9.7	36,337	34,896	4.1
EBIDTA	4,857	4,384	10.8	5,589	5,299	5.5
EBIDTA margin (%)	15.38	15.2	15	15.38	15.2	20
Adj. Net Profit	2,470	2,176	13.5	2,867	2,738	4.7
EPS (Rs)	37.9	33.4	13.5	44.0	42.0	4.7

Source: DART, Company

Key earnings takeaways

- Bidding opportunities and order inflow – HG will look at other sectors as well like Railways, Water and Airports segment in FY22. Expect order inflow of Rs50-60 bn for FY22E of which Rs10 bn will come from new segments, Rs20 bn from Road HAM and balance from Road EPC.
- NHAI bid pipeline is delayed due to 2nd wave of covid to Q2FY22 and later. Rajasthan state also has water projects of Rs200 bn in DPR stage which is likely to be awarded in FY22E and FY23E. HG has bid in southern states like AP/ Telangana as they are good states to work with. HG is not ruling out order inflows from private players.
- HG has recently bid for Rs80 bn (3 HAM & 5 EPC in HP, UP, Punjab) worth of NHAI projects and Rs7 bn worth of railway projects.
- Revenue guidance of 25-30% for FY22E with steady EBITDA margins of 16%. Expect EBITDA of Rs5 bn+ for FY22E. Such margins are challenging due to competition but they still maintain as will try to acquire projects with better margins. Expect Rs1 bn revenue contribution from three new HAM in Q4FY22E. Q1FY22E can witness 10% QoQ drop in execution.
- Overall 70-75% labour is present, only Gurgaon is impacted by 50%.
- Physical progress – Gurgaon Sohna 82%, Hapur Moradabad 50%, Delhi Vadodara Pkg-4 62%, Narnaul Bypass 65%, Rewari Ateli 62%, Delhi Vadodara Pkg 8 18%, Delhi Vadodara Pkg 9 11% done and Rewari 12% done. Three Rajasthan projects are under final stages and expect COD in 3 months. Expect old HAM projects completion in FY22 itself. Expect Adani project to complete 85-90% and Hapur 100% completion by Mar'22E.
- For three new HAM projects – 56% 3A land is done and 23-24% 3D stage and expect AD in the next 9 months from now (Jan-Feb'22).
- Equity investment in HAM – Rs3.55 bn equity is required for 3 new HAM projects (Rs1 bn/ Rs1.75 bn/ Rs800 mn in FY22E/ FY23E/ FY24E). For old HAM, total equity required is Rs870 mn/ Rs210 mn for FY22E/ FY23E.

- Old four HAM projects can be monetized of which three can be monetized in FY22E and one in FY23E.
- Rajasthan projects funded by WB – Debtors improving and pending is Rs530 mn (Rs250 mn unpaid and Rs280 mn receivables) which is expected to clear in H1FY22E.
- Debtors from major projects – Rs530 mn Rajasthan WB projects, Rs1.38 bn IRB, Rs670 mn Adani projects, Rs270 mn Tata projects. NHAI O/S is Rs820 mn. Rs183 mn of GVK is provided for.
- Gross Debt stands at Rs2.9 bn (Mar'21) vs. Rs2.6 bn (Dec'20) vs. Rs3.04 bn (Sept'20) vs. Rs3.8 bn (Jun'20) v/s Rs3.7 bn (Mar'20). Debt guidance of ~Rs2.7-3 bn for FY22E. Cash stands at Rs2.58 bn.
- Capex guidance of Rs1.1-1.2 bn for FY22E (Rs750-800 mn for equipments and Rs350-400 mn for maintenance capex).
- Retention money/ Mobilization advance/ Unbilled revenue stood at Rs2.15 bn/ Rs3.23 bn/ Rs2.55 bn. Expect Rs1.7-1.8 bn/ Rs1 bn of retention money/ unbilled revenue to be received by Q4FY22E.
- Rs110 mn pending claims from Agra development authority of which already received Rs70 mn.
- Fund/ Non fund based limits are Rs1.4 bn/ Rs9.8 bn, total of Rs11.2 bn. 47% and 83% limits are utilized respectively. HG is in the process of increasing the limits to Rs15.4 bn in next 6 months.

Exhibit 3: Income statement (Standalone)

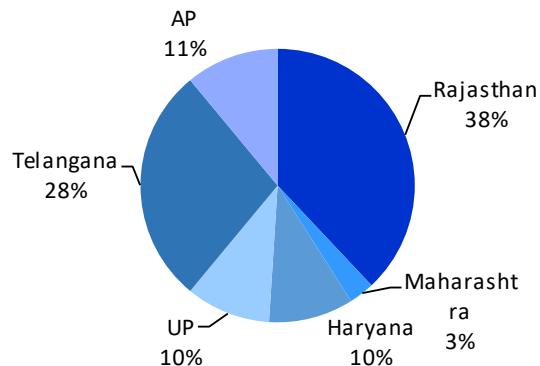
Particulars (Rs mn)	Q4FY21	Q4FY20	YoY (%)	Q3FY21	QoQ (%)	FY21	FY20	YoY (%)
Revenue	10,278	6,229	65.0	7,343	40.0	25,275	21,961	15.1
Material consumed	4,628	2,381	94.4	3,376	37.1	11,857	8,926	32.8
Subcontract work	3,589	2,426	48.0	2,396	49.8	7,952	8,137	(2.3)
Employees cost	296	291	1.9	315	(5.9)	1,093	1,114	(1.9)
Other expenditure	100	118	(14.8)	76	32.7	267	360	(25.8)
Total expenditure	8,613	5,215	65.2	6,162	39.8	21,168	18,538	14.2
EBITDA	1,665	1,014	64.2	1,181	41.0	4,107	3,424	19.9
Depreciation	226	208	8.4	216	4.7	844	756	11.6
Operating profit	1,439	806	78.6	966	49.0	3,262	2,668	22.3
Other income	77	38	104.4	34	125.1	154	137	13.0
EBIT	1,517	844	79.8	1,000	51.7	3,417	2,804	21.8
Interest	192	159	21.3	144	33.9	596	524	13.7
EBT	1,324	685	93.3	856	54.6	2,821	2,281	23.7
Tax	348	172	101.5	201	73.1	712	623	14.2
Net income	977	513	90.6	655	49.0	2,110	1,657	27.3
EPS (Rs)	15.0	7.9	90.6	10.1	49.0	32.4	25.4	27.3
			bps		bps			bps
EBIDTA Margin (Excl. O.I.)	16.2	16.3	(8)	16.1	11	16.2	15.6	66
EBIDTA Margin (Incl. O.I.)	17.0	16.9	6	16.6	40	16.9	16.2	65
NPM (%)	9.4	8.2	125	8.9	55	8.3	7.5	80
Tax/PBT (%)	26.2	25.2	107	23.4	280	25.2	27.3	(211)
Material cons/Revenue (%)	79.9	77.2	278	78.6	134	78.4	77.7	67

Source: DART, Company

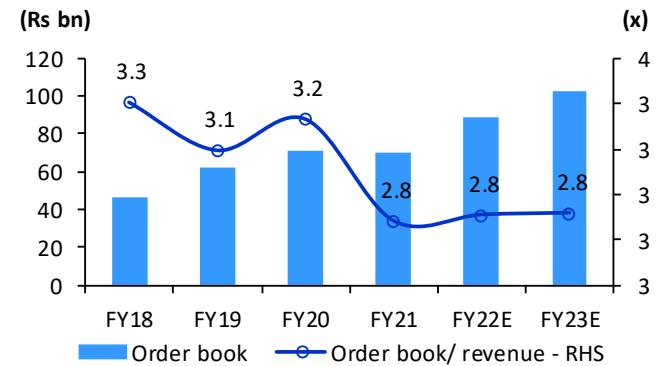
Exhibit 4: SOTP Valuation

Component	Valuation Method	Rs/sh	%
Standalone cons business	9x FY23E EPS	395.9	78.3
HAM Projects	1x FY23E P/B	109.7	21.7
Total		505.7	100.0
CMP		292.6	
Potential upside (%)		72.8	

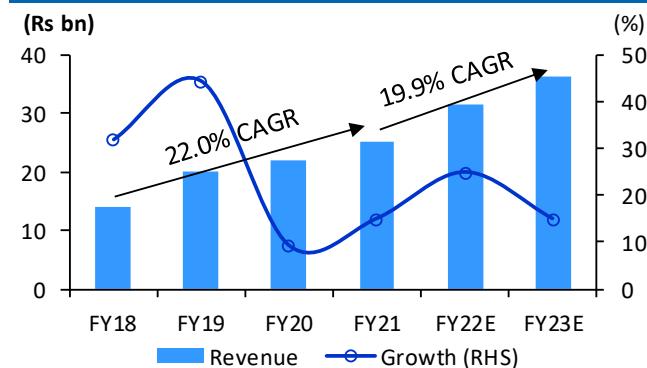
Source: DART, Company

Exhibit 5: Rs70.4 bn geographical break up


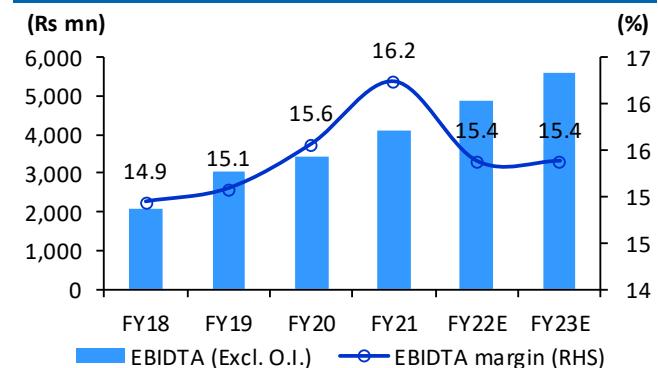
Source: Company, DART

Exhibit 6: Orderbook trend


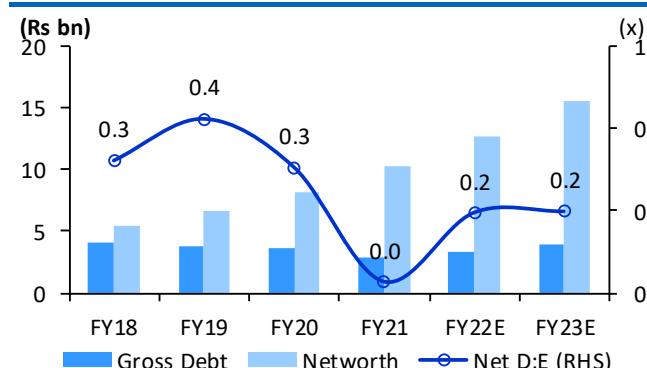
Source: Company, DART

Exhibit 7: 19.9% revenue CAGR over FY21-23E


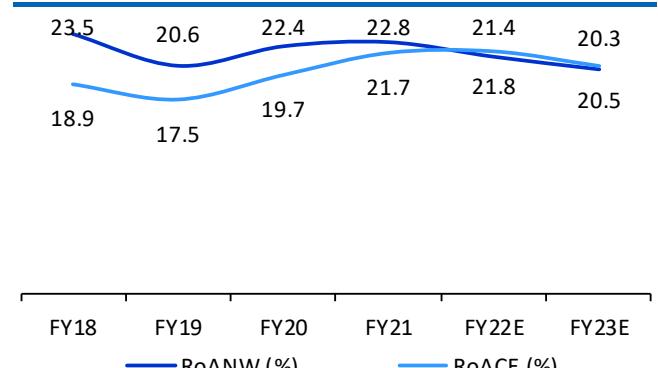
Source: Company, DART

Exhibit 8: EBITDA margins trend


Source: Company, DART

Exhibit 9: Stable leverage


Source: Company, DART

Exhibit 10: Healthy return ratios


Source: Company, DART

Profit and Loss Account

(Rs Mn)	FY20A	FY21A	FY22E	FY23E
Revenue	21,961	25,275	31,585	36,337
Total Expense	18,542	21,168	26,727	30,747
COGS	17,064	19,808	25,110	28,815
Employees Cost	1,114	1,093	1,256	1,445
Other expenses	365	267	361	487
EBIDTA	3,419	4,107	4,857	5,589
Depreciation	756	844	960	1,096
EBIT	2,663	3,262	3,898	4,494
Interest	524	596	700	750
Other Income	141	154	123	111
Exc. / E.O. items	0	0	0	0
EBT	2,281	2,821	3,321	3,855
Tax	623	712	851	988
RPAT	1,657	2,110	2,470	2,867
Minority Interest	0	0	0	0
Profit/Loss share of associates	0	0	0	0
APAT	1,657	2,110	2,470	2,867

Balance Sheet

(Rs Mn)	FY20A	FY21A	FY22E	FY23E
Sources of Funds				
Equity Capital	652	652	652	652
Minority Interest	0	0	0	0
Reserves & Surplus	7,564	9,670	12,088	14,903
Net Worth	8,216	10,322	12,740	15,555
Total Debt	3,675	2,890	3,267	3,867
Net Deferred Tax Liability	(87)	(95)	(95)	(95)
Total Capital Employed	11,804	13,117	15,911	19,326

Applications of Funds

Net Block	4,824	4,831	4,863	5,018
CWIP	111	18	0	0
Investments	908	2,612	5,003	7,497
Current Assets, Loans & Advances	14,754	14,250	16,052	18,327
Inventories	1,055	1,680	2,138	2,460
Receivables	8,111	6,575	8,726	10,033
Cash and Bank Balances	1,144	2,584	759	753
Loans and Advances	74	50	50	50
Other Current Assets	4,369	3,361	4,379	5,031
Less: Current Liabilities & Provisions	8,794	8,595	10,007	11,515
Payables	8,314	8,220	9,568	11,007
Other Current Liabilities	480	374	438	508
<i>sub total</i>				
Net Current Assets	5,960	5,656	6,045	6,812
Total Assets	11,804	13,117	15,911	19,326

E – Estimates

Important Ratios				
Particulars	FY20A	FY21A	FY22E	FY23E
(A) Margins (%)				
Gross Profit Margin	22.3	21.6	20.5	20.7
EBIDTA Margin	15.6	16.2	15.4	15.4
EBIT Margin	12.1	12.9	12.3	12.4
Tax rate	27.3	25.2	25.6	25.6
Net Profit Margin	7.5	8.3	7.8	7.9
(B) As Percentage of Net Sales (%)				
COGS	77.7	78.4	79.5	79.3
Employee	5.1	4.3	4.0	4.0
Other	1.7	1.1	1.1	1.3
(C) Measure of Financial Status				
Gross Debt / Equity	0.4	0.3	0.3	0.2
Interest Coverage	5.1	5.5	5.6	6.0
Inventory days	18	24	25	25
Debtors days	135	95	101	101
Average Cost of Debt	14.0	18.1	22.7	21.0
Payable days	138	119	111	111
Working Capital days	99	82	70	68
FA T/O	4.6	5.2	6.5	7.2
(D) Measures of Investment				
AEPS (Rs)	25.4	32.4	37.9	44.0
CEPS (Rs)	37.0	45.3	52.6	60.8
DPS (Rs)	0.6	0.0	0.8	0.8
Dividend Payout (%)	2.4	0.0	2.1	1.8
BVPS (Rs)	126.1	158.4	195.5	238.7
RoANW (%)	22.4	22.8	21.4	20.3
RoACE (%)	19.7	21.7	21.8	20.5
RoAIC (%)	21.8	25.5	24.7	21.4
(E) Valuation Ratios				
CMP (Rs)	293	293	293	293
P/E	11.5	9.0	7.7	6.7
Mcap (Rs Mn)	19,069	19,069	19,069	19,069
MCap/ Sales	0.9	0.8	0.6	0.5
EV	21,600	19,375	21,577	22,183
EV/Sales	1.0	0.8	0.7	0.6
EV/EBITDA	6.3	4.7	4.4	4.0
P/BV	2.3	1.8	1.5	1.2
Dividend Yield (%)	0.2	0.0	0.3	0.3
(F) Growth Rate (%)				
Revenue	9.3	15.1	25.0	15.0
EBITDA	12.8	20.1	18.3	15.1
EBIT	16.9	22.5	19.5	15.3
PBT	19.9	23.7	17.7	16.1
APAT	34.1	27.3	17.1	16.1
EPS	34.1	27.3	17.1	16.1
Cash Flow				
(Rs Mn)	FY20A	FY21A	FY22E	FY23E
CFO	2,550	5,273	1,817	3,829
CFI	(1,688)	(2,421)	(3,267)	(3,633)
CFF	(720)	(1,412)	(375)	(202)
FCFF	1,618	4,408	817	2,579
Opening Cash	1,002	1,144	2,584	759
Closing Cash	1,144	2,584	759	753

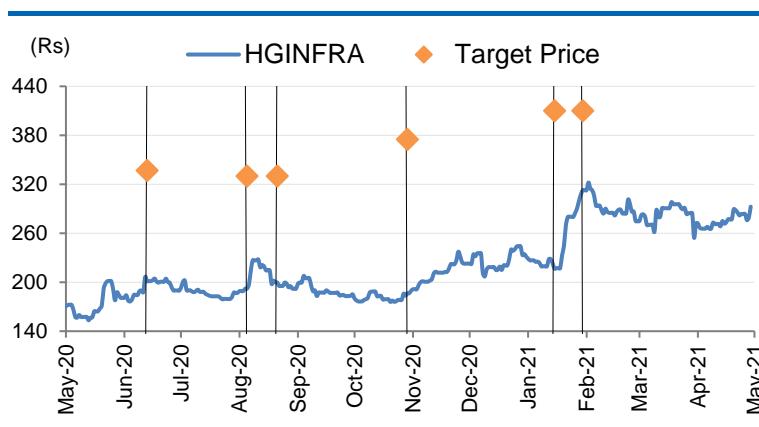
E – Estimates

DART RATING MATRIX

Total Return Expectation (12 Months)

Buy	> 20%
Accumulate	10 to 20%
Reduce	0 to 10%
Sell	< 0%

Rating and Target Price History



Month	Rating	TP (Rs.)	Price (Rs.)
Jun-20	Buy	337	201
Aug-20	Buy	330	192
Sep-20	Buy	330	200
Nov-20	Buy	375	186
Jan-21	Buy	410	217
Feb-21	Buy	410	313

*Price as on recommendation date

DART Team

Purvag Shah	Managing Director	purvag@dolatcapital.com	+9122 4096 9747
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Amit Khurana, CFA	Head of Equities	amit@dolatcapital.com	+9122 4096 9745
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CONTACT DETAILS

Equity Sales	Designation	E-mail	Direct Lines
Dinesh Bajaj	VP - Equity Sales	dineshb@dolatcapital.com	+9122 4096 9709
Kapil Yadav	VP - Equity Sales	kapil@dolatcapital.com	+9122 4096 9735
Yomika Agarwal	VP - Equity Sales	yomika@dolatcapital.com	+9122 4096 9772
Jubbin Shah	VP - Equity Sales	jubbins@dolatcapital.com	+9122 4096 9779
Ashwani Kandoi	AVP - Equity Sales	ashwanik@dolatcapital.com	+9122 4096 9725
Lekha Nahar	AVP - Equity Sales	lekhana@dolatcapital.com	+9122 4096 9740
Equity Trading	Designation	E-mail	
P. Sridhar	SVP and Head of Sales Trading	sridhar@dolatcapital.com	+9122 4096 9728
Chandrakant Ware	VP - Sales Trading	chandrakant@dolatcapital.com	+9122 4096 9707
Shirish Thakkar	VP - Head Domestic Derivatives Sales Trading	shirish@dolatcapital.com	+9122 4096 9702
Kartik Mehta	Asia Head Derivatives	kartikm@dolatcapital.com	+9122 4096 9715
Dinesh Mehta	Co- Head Asia Derivatives	dinesh.mehta@dolatcapital.com	+9122 4096 9765
Bhavin Mehta	VP - Derivatives Strategist	bhavinm@dolatcapital.com	+9122 4096 9705

Dolat Capital Market Private Limited.

Sunshine Tower, 28th Floor, Senapati Bapat Marg, Dadar (West), Mumbai 400013

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Registered office: Office No. 141, Centre Point, Somnath, Daman – 396 210, Daman & Diu

Board: +9122 40969700 | Fax: +9122 22651278 | Email: research@dolatcapital.com | www.dolatresearch.com