H.G. Infra Engineering (HGINF)

CMP: ₹542 | Target ₹ 505 (-7%%) | Target Period: 12 months | **REDUCE**

August 19, 2026

Weak near-term growth visibility!

About the stock: HG Infra Engineering Ltd. is a Jaipur (Rajasthan) based infrastructure company having primary focus on roads and along with railways and solar sectors.

Q1FY27 performance: HG Infra reported its standalone Q1FY27 results with revenues at ₹907.2 crore, down ~47% YoY, owing to lower executable order book. EBITDA was ₹77 crore with margins 8.5%, down 530 bps, given the negative operating leverage. PAT stood at ₹28.3 crore, down 77.5% YoY.

Investment Rationale:

- **Orderbook decent, but execution pick up warranted**: H.G. Infra's orderbook stood at ₹14,502 crore as 3x TTM book to bill. Although management targets new order inflows of ₹11,000-₹12,000 crore for FY27 (having won ~₹5,500 crore in Q1), clarity over execution visibility is missing. Moreover, over ₹6,000 crore more than 41% of the total orderbook-is currently not under execution due to persistent land acquisition delays, pending appointed dates, and right-of-way permissions across major projects. Furthermore, intense sector competition threatens project win profitability
- **Weak revenue visibility for FY27:** Revenue prospects for FY27 faces severe headwinds following a weak Q1FY27 performance, where standalone revenue plummeted 46.9% YoY to ₹ 907 crore. With Q2 expected to remain muted around ₹1,000 crore due to monsoon seasonality, H.G. Infra asking rate is to execute revenues of ₹4,000+ crore in H2FY27, requiring a higher quarterly run rate over ₹ 2,000 crore. Considering that over ₹6,000 crore of the orderbook is still not under execution, execution momentum remains heavily constrained, leaving full-year revenue targets vulnerable to downside revisions. We have baked in standalone revenues CAGR of 6.9% over FY26-28 to ₹ 6472 crore.
- **Margin unlikely to revert to historical levels in near term:** Q1FY27 results showed a significant shortfall in bottom line as well, with standalone PAT margin at 3.1% (compared to 7.3% in Q1FY26) and EBITDA margin at 8.5% (compared to 13.8% in Q1FY26). Despite the dismal start and ongoing monsoon-related sluggishness in Q2, management has maintained an optimistic FY27 EBITDA margin guidance of 13.5%-14.0%. Reaching this target requires an aggressively steep margin expansion exceeding 15% in H2FY27. Given persistent commodity price volatility, ongoing project delays, and elevated operating costs, management's full-year margin expectations appear ambitious, in our view.

Rating and Target Price: Given the low orderbook executability, we believe that the near-term topline growth prospects of the company will be restricted. Furthermore, exposure to newer segments also warrants equity investments. Given the lack of meaningful catalysts, we **downgrade H.G. Infra to a REDUCE** rating with a **target price of ₹ 505 on SoTP basis**. We are **DROPPING COVERAGE on HG Infra to optimise our resources**.

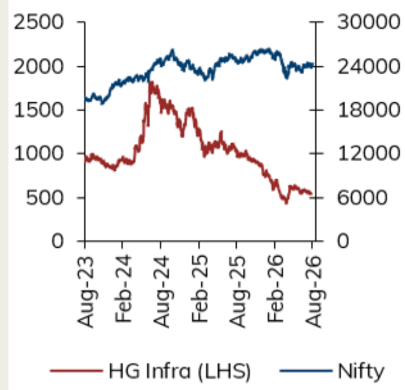
Particulars

Particular	Amount
Market Cap (₹ crore)	3,532
Total Debt FY26 (₹ crore)	1,627
Cash FY25 (₹ crore)	129
EV (₹ crore)	5,031
52-week H/L (₹)	1050/ 430
Equity capital (₹ crore)	65.2
Face value	10.0

Shareholding pattern

	Sep-25	Dec-25	Mar-26	Jun-26
Promoters	71.8	71.8	71.8	71.8
FII	2.3	1.9	1.4	1.4
DII	11.6	11.1	10.7	10.1
Other	14.3	15.2	16.2	16.7

Price Chart



Key risks

- Better than expect execution
- Better than expected margins

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Key Financial Summary

(₹ Crore)	FY24	FY25	FY26	5 yr CAGR (FY21-26)	FY27E	FY28E	2 yr CAGR (FY26-28E)
Net Sales	5,121.7	6,051.9	5,666.7	17.5%	5,858.8	6,472.4	6.9%
EBITDA	822.0	950.7	733.4	11.9%	726.1	828.7	6.3%
Margin (%)	16.0	15.7	12.9		12.4	12.8	
Rep Net Profit	545.5	577.1	389.1		305.2	380.1	
Adj Net Profit	464.5	519.7	318.0	8.6%	305.2	380.1	9.3%
EPS (₹)	83.7	88.6	59.7		46.8	58.3	
P/E (x)	6.1	5.7	8.5		10.9	8.7	
EV/EBITDA (x)	4.5	4.6	6.8		6.6	5.9	
RoCE (%)	24.0	20.2	12.5		11.8	12.7	
RoE (%)	20.0	18.0	9.8		8.5	9.6	

Source: Company, ICICI Direct Research

Exhibit 1: Quarter Performance

Particulars	Q1FY27	Q1FY26	YoY (%)	Q4FY26	QoQ (%)
Total Operating Income	907.2	1,709.2	-46.9	1,353.9	-33.0
Other Income	2.9	2.3	27.5	7.1	-59.2
Consumption of raw materials	716.6	1,347.8	-46.8	1,107.1	-35.3
Employee benefit expenses	93.3	92.9	0.4	89.7	4.0
Other Expenses	20.3	32.9	-38.3	30.3	-33.0
EBITDA	77.0	235.7	-67.3	126.9	-39.3
EBITDA Margin (%)	8.5	13.8	-530 bps	9.4	-88 bps
Depreciation	-30.5	-32.9	-7.4	-34.7	-12.1
Interest	-42.9	-37.6	14.1	-50.5	-14.9
PBT	36.6	167.4	-78.1	119.9	-69.5
Taxes	-8.3	-41.9	-80.2	-20.4	-59.3
PAT	28.3	125.5	-77.5	99.5	-71.6

Source: Company, ICICI Direct Research

Exhibit 2: SoTP Valuation

Particulars	Valuation method	₹ /share
Standalone EPC business	7x FY28E EPS	408
HAM & Solar Projects	0.9x P/B	99
Total (Rounded off)		**505**

Source: Company, ICICI Direct Research

Financial summary

Exhibit 3: Profit and loss statement ₹ crore

(₹ Crore)	FY25	FY26	FY27E	FY28E
Net Sales	**6,052**	**5,667**	**5,859**	**6,472**
Growth (%)	18.2	(6.4)	3.4	10.5
Raw Material Cost	4,691	4,478	4,640	5,113
Employee Cost	329	353	385	412
Other Expenditure	81	102	108	119
Total Operating Expenditure	5,101	4,933	5,133	5,644
EBITDA	**951**	**733**	**726**	**829**
Growth (%)	15.7	(22.9)	(1.0)	14.1
Other income	15	29	26	26
Depreciation	144	136	146	156
EBIT	822	626	606	699
Interest	116	178	191	183
PBT	706	447	415	516
Tax	186	129	109	136
Rep. PAT	**577**	**389**	**305**	**380**
Adj. Net Profit	**520**	**318**	**305**	**380**
Growth (%)	11.9	(38.8)	(4.0)	24.5
EPS (₹)	**88.6**	**59.7**	**46.8**	**58.3**

Source: Company, ICICI Direct Research

Exhibit 4: Cash flow statement ₹ crore

(₹ Crore)	FY25	FY26	FY27E	FY28E
Profit after Tax	577	389	305	380
Depreciation	144	136	146	156
Interest	116	178	191	183
Others	(18)	(55)	(26)	(26)
CF before wc changes	819	649	617	692
Net Increase in CA	(1,136)	(917)	536	(400)
Net Increase in CL	541	454	(516)	29
Net CF from op. activities	**224**	**186**	**637**	**321**
Net purchase of Fixed Assets	(87)	(42)	(100)	(100)
Others	(692)	(515)	(171)	(171)
Net CF from Inv. Activities	**(779)**	**(557)**	**(271)**	**(271)**
Proceeds from share capital	(3)	(7)	25	8
Loan Proceeds/Repayment	617	560	(177)	-
Interest paid	(116)	(178)	(191)	(183)
Others	(8)	(8)	(8)	(8)
Net CF rom Fin. Activities	**490**	**366**	**(352)**	**(183)**
Net Cash flow	**(65)**	**(6)**	**14**	**(132)**
Opening Cash	199	134	129	142
Closing Cash & cash equiv.	**134**	**129**	**142**	**10**

Source: Company, ICICI Direct Research

Exhibit 5: Balance sheet ₹ crore

(₹ Crore)	FY25	FY26	FY27E	FY28E
Liabilities				
Equity capital	65	65	65	65
Reserves & Surplus	2,820	3,194	3,516	3,896
Net worth	2,885	3,259	3,581	3,961
Loan Funds	1,068	1,627	1,450	1,450
Deferred Tax liability	(41)	(67)	(67)	(67)
Other financial liabilities	21	38	42	47
Total Liabilities	**3,933**	**4,857**	**5,006**	**5,391**
Assets				
Net Block	687	595	550	494
Capital WIP	3	-	-	-
Non-current Investments	1,369	1,812	2,009	2,206
Othe non-current assets	74	175	175	175
Loans	-	-	-	-
Inventories	543	425	401	443
Trade Receivables	1,377	1,726	1,284	1,419
Cash & Bank Balances	134	129	142	10
Loans & Advances	5	17	17	17
Other current assets	1,594	2,267	2,197	2,420
Total current assets	3,652	4,564	4,042	4,309
Total Current liabilities	1,852	2,290	1,769	1,793
Net Current Assets	1,800	2,274	2,272	2,516
Total Assets	**3,933**	**4,857**	**5,006**	**5,391**

Source: Company, ICICI Direct Research

Exhibit 6: Key ratios

(Year-end March)	FY25	FY26	FY27E	FY28E
Per share data (₹)				
Reported EPS	88.6	59.7	46.8	58.3
Cash EPS	110.6	80.6	69.2	82.2
BV per share	442.6	500.1	549.5	607.8
Revenue per share	929	870	899	993
Cash Per Share	20.6	19.7	21.8	1.5
Operating Ratios (%)				
EBITDA Margin	15.7	12.9	12.4	12.8
EBIT/ Net Sales	13.3	10.5	9.9	10.4
PAT Margin	8.6	5.6	5.2	5.9
Inventory days	32.7	27.4	25.0	25.0
Debtor days	83.0	111.2	80.0	80.0
Creditor days	81.5	108.7	71.9	65.5
Return Ratios (%)				
RoE	18.0	9.8	8.5	9.6
RoCE	20.2	12.5	11.8	12.7
RoIC	20.6	12.3	11.7	12.3
Valuation Ratios (x)				
P/E	6.1	9.1	11.6	9.3
EV / EBITDA	4.8	7.0	6.9	6.2
EV / Net Sales	0.8	0.9	0.8	0.8
Price to Book Value	1.2	1.1	1.0	0.9
Solvency Ratios (x)				
Debt / EBITDA	1.3	2.4	2.2	1.9
Net Debt / Equity	0.4	0.5	0.4	0.4

Source: Company, ICICI Direct Research

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Hold: -5% to 15%;

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Sell: <-15%

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