Patel Engineering (PATEN)

CMP: ₹28	Target ₹ 32 (14%)	Target Period: 12 months	HOLD

August 20, 2026

Muted Quarter; order inflows awaited!

About the stock: Patel Engineering is an EPC player which specialises in technology-intensive areas like hydro, tunnelling, irrigation, water supply, urban infrastructure and transport.

- It has an order book of ₹14,635.6 crore as of Q1FY27, implying 2.9x TTM book to bill.

Q1FY27 performance: Patel Engineering reported consolidated revenue of ₹1,280.7 crore, up 3.8% YoY given the low executable order book. Operating EBITDA came in at ₹179.6 crore, with an EBITDA margin of 14%, up 62 bps YoY. PAT for the quarter stood at ₹92 crore, up 15% YoY.

Investment Rationale:

- **Order inflows key for growth visibility:** Q1FY27 order inflow was muted with a total of ₹64.5 crore of new orders, all of which were from the irrigation segment. It has an order book of ₹14,635.6 crore as of Q1FY27, implying 2.9x TTM book to bill. The management maintained the guidance of ~10% YoY revenue growth in FY27, with execution and top-line contribution likely to accelerate in the second half of the financial year. The management also guided for ~15% revenue growth in FY28. Nonetheless, given the weak order book, revenue growth is likely to be the function of new orders and the execution, thereafter. We expect the revenues for FY27 and FY28 to grow at 8% and 9.8% YoY, respectively, as we remain cautious about new order inflows momentum.
- **Margins to remain stable in near future:** As per the management, EBITDA margins are expected to remain steady in the range of 13-14% with profits will be supported by arbitration awards and land monetization which is expected to bring ~₹150-200 crore additional income in FY27 as said by the management. We have conservatively baked in margins for FY27 and FY28 at 13%, amidst weak revenue visibility currently.
- **Management guides for reduced shares pledge ahead:** With ~85%- 90% of the total promoter stake currently pledged as collateral, the management indicated that promoters are engaged in advanced negotiations with lending institutions to achieve a meaningful release of pledged shares. The company targets a reduction of at least 15-20% in the pledged share ratio over the next 3 to 6 months during FY27.

Rating and Target Price: Order inflows will be the key near term trigger for the overall growth trajectory. A healthy inflow could drive revenues and earnings recovery ahead, with balance sheet, largely stable. **We await order inflow traction, so recommend HOLD (vs. BUY, earlier) with a revised price target of Rs.32 valuing it at 8x its FY28E EPS.**

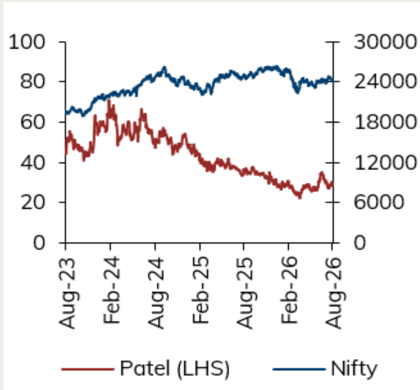
Particulars

Particular	Amount
Market Cap (₹ crore)	2,778
Debt (FY26) (₹ crore)	1,187
Cash (FY26) (₹ crore)	540
EV (₹ crore)	3,425
52-week H/L (₹)	41.3 / 22
Equity capital (₹ crore)	99.2
Face value (₹)	1.0

Shareholding pattern

	Sep-25	Dec-25	Mar-26	Jun-26
Promoters	36.1	31.5	31.5	31.5
FII	2.5	2.5	2.9	3.3
DII	4.8	5.8	6.2	4.8
Other	56.6	60.2	59.5	60.4

Price Chart



Key risks

(i) Lower than expected order inflows.
(ii) Higher margins than anticipated.

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Key Financial Summary

(₹ Crore)	FY24	FY25	FY26	5 Year CAGR (FY21-26)	FY27E	FY28E	2 Year CAGR (FY26-28E)
Net Sales	4,544.1	5,093.4	5,102.7	20.7	5,509.4	6,051.3	8.9
EBITDA	690.3	733.2	684.0	23.9	716.2	786.7	7.2
EBITDA Margin (%)	15.2	14.4	13.4		13.0	13.0	
Rep Net Profit	281.8	242.1	260.7	LP	350.9	396.6	
Adj. Net Profit	218.0	352.0	412.8	LP	350.9	396.6	(2.0)
EPS (₹)	3.6	2.9	2.6		3.5	4.0	
P/E (x)	7.7	9.8	10.7		7.9	7.0	
EV/EBITDA (x)	6.3	5.4	5.0		4.3	3.3	
RoCE (%)	13.8	15.2	13.6		13.1	13.6	
RoE (%)	6.9	9.3	9.3		7.3	7.6	

Source: Company, ICICI Direct Research

Company Update

ICICI Securities – Retail Equity Research

Q1FY27 – Key Performance highlights

- **Management Guidance:** The management maintained the guidance of ~10% YoY revenue growth in FY27, with execution and top-line contribution likely to accelerate in the second half of the financial year. For FY28, growth guidance is 15%. It also added that the operating EBITDA margins are expected to remain steady in the range of 13-14%, supported by project selection discipline, process optimization, and the deployment of AI- and IoT-enabled machinery to mitigate competitive pricing pressures and control fuel consumption.

- **Orderbook and bid pipeline:** As of Q1 end, Patel Engineering an order book of ₹14,636 crore spread across 53 ongoing projects, implying a book-to-bill ratio of 2.9x. Segmentally, hydropower forms 62.3% (₹9,116.1 crore across 18 projects) of the same, followed by irrigation at 16.5%, urban infrastructure & others at 15.4%, tunnelling at 4%, and roads at 1.7%. Central Government PSUs accounts for 60.8% and State Governments representing 30.6%. The company currently has ₹9,000 crore worth of bids under active evaluation, primarily located in Arunachal Pradesh and the Northeast. Furthermore, management has identified a near-term project opportunity pipeline of approximately ₹60,000 crore, featuring major upcoming infrastructure developments including the Kalai-II HEP, Kamala HEP, Sawalkote HEP, Etalin HEP, and large-scale pumped storage projects across India.

- **Project level update:**

  a. At the flagship 2,000 MW Subansiri Lower Hydropower Project, operational capacity reached 1,000 MW following the commissioning of Unit 4, while concreting works for Unit 7 commenced at EL 102.25m, with project on track to operationalize all eight units during FY27.

  b. At the Kwar Hydropower Project, dam concreting crossed the 50% completion mark with over 32,000 CuM poured, alongside achieving Interdependent Milestone-1 by handing over the Draft Tube Unit-1 to the E&M agency.

  c. A major civil engineering breakthrough was achieved at the Sleemanabad Carrier Canal project in Madhya Pradesh with the completion of TBM tunneling on India's longest 11.95 km irrigation tunnel, designed to irrigate 2.4 lakh hectares.

  d. In international markets, construction commenced at the 1,125 MW Dorjilung Hydropower Project in Bhutan following its Bhumi Pujan ceremony, while the Arun III project in Nepal crossed 4 million safe man-hours without Lost Time Incidents. Structural progress continued at the Parnai HEP with the roof truss erection at the powerhouse.

- **Debt and working capital:** The total consolidated debt stood at ₹1,292.7 crore, with quarter-on-quarter increase of approximately ₹100 crore, driven by working capital drawdowns for new project mobilization. The debt mix comprises ₹968.4 crore in working capital facilities and ₹324.3 crore in term debt, alongside ₹615.4 crore in client advances, maintaining a debt-to-equity ratio of 0.28x. Finance costs decreased significantly by 15.5% YoY to ₹61.8 crore in Q1 FY27, given the debt reduction efforts. Net working capital cycle stood at 137 days (133 adjusted days), while receivable collection days remained at 40 to 45 days. Capital locked in customer retentions and security deposits ranges between ₹200 crore and ₹250 crore, which is typically released upon project completion or against bank guarantees. Management expects working capital requirements for accelerating order execution to be comfortably funded through internal accruals, asset monetization, client mobilization advances, and minor incremental bank borrowings of ₹100 crore to ₹200 crore.

- **Asset monetization:** Patel Engineering continues its efforts to monetize non-core real estate assets and unencumbered capital. During Q1FY27, the company successfully completed the sale of a 27-acre land parcel in Telangana, unlocking ₹25.6 crore in cash value. For FY27, management has set a combined monetization target of ₹150 -₹200 crore through asset divestments and claim realizations. It indicated that active commercial negotiations are underway to sell additional surplus land holdings across India, including a remaining parcel of roughly 400 acres in Telangana, as well as prime real estate plots in Powai Hill (Mumbai), Electronic City (Bengaluru), and locations in Tamil Nadu.

- **Arbitration:** The company currently holds favourable arbitration awards exceeding ₹1,000 crore, albeit it indicated that progress toward direct cash realization is often extended due to standard legal appeals by Public Sector Undertakings (PSUs) through district courts, High Courts, and the Supreme Court. Nonetheless the management indicated that it actively pursues bilateral out-of-court settlements whenever public sector clients offer viable resolution mechanisms, while taking advantage of government settlement schemes such as Vivad se Vishwas when available. For FY27, management expects monetary recoveries from arbitration settlements, combined with non-core land sales, to deliver ₹150-200 crore in total non-operational cash inflows. The management indicated that cash proceeds from arbitrations will be funnelled directly into debt reduction, working capital optimization, and strength-building for core EPC execution.

- **Promoters pledged shares:** Promoter shareholding in Patel Engineering Limited stood at 31.48% as of June 30, 2026. A historical overhang on the equity has been the high level of encumbrance, with approximately 85% to 90% of the total promoter stake currently pledged with financial institutions and lenders as collateral. Following the recent rating upgrade to A (Stable) and marked operational turnaround, management and promoters are engaged in advanced negotiations with lending institutions to achieve a meaningful release of pledged shares. The company targets a reduction of at least 15% to 20% in the pledged share ratio over the next 3 to 6 months during FY27.

Exhibit 1: Quarter performance

Particulars	Q1FY27	Q1FY26	YoY (%)	Q4FY26	QoQ (%)
Sales	1280.7	1233.4	3.8	1421.5	-9.9
Raw material consumed	347.2	321.7	7.9	379.8	-8.6
Personnel Costs	107.7	91.4	17.8	110.7	-2.7
Other expense	41.8	51.0	-18.0	85.2	-50.9
Operating Profit	179.6	165.3	8.6	215.2	-16.6
EBITDA Margin (%)	14.0	13.4	62 bps	15.1	-112 bps
Other Income	25.4	38.5	-33.9	34.6	-26.4
Depreciation	-26.5	-25.4	4.0	-25.8	2.7
Interest	-61.8	-73.1	-15.4	-79.4	-22.1
Pre-tax Profit	116.8	105.3	10.8	56.6	106.1
Tax	-24.8	-25.3	-2.1	-24.8	0.1
Profit After Tax	92.0	80.0	15.0	31.9	188.4

Source: Company, ICICI Direct Research

Exhibit 2: Change in estimates

	FY27E			FY28E			
(₹ Crore)	Old	New	% Change	Old	New	% Change	Comment
Revenue	5,509.4	5,509.4	0.0	6051.3	6,051.3	0.0	Realigned estimates
EBITDA	738.3	716.2	-3.0	810.9	786.7	-3.0	
EBITDA Margin (%)	13.4	13.0	-40 bps	13 bps	13.0	-40 bps	
PAT	367.2	350.9	-4.4	414.4	396.6	-4.3	
Diluted EPS (₹)	3.7	3.5	-4.4	4.2	4.0	-4.3	

Source: Company, ICICI Direct Research

Financial summary

Exhibit 3: Profit and loss statement ₹ crore

(Year-end March)	FY25	FY26	FY27E	FY28E
Operating Revenues	**5,093**	**5,103**	**5,509**	**6,051**
Growth (%)	12.1	0.2	8.0	9.8
Construction Expenses	3,695	3,767	4,027	4,423
Employee Cost	383	404	413	454
Other Expenditure	283	249	353	387
Total Operating Exp.	4,360	4,419	4,793	5,265
EBITDA	**733**	**684**	**716**	**787**
Growth (%)	6.2	(6.7)	4.7	9.8
EBITDA Margin (%)	**14.4**	**13.4**	**13.0**	**13.0**
Other income	166	166	179	193
Depreciation	100	104	107	114
EBIT	800	746	788	866
Interest	322	296	313	333
PBT	326	288	475	533
Tax	90	18	125	140
Rep. PAT	**242**	**261**	**351**	**397**
Growth (%)	-14%	8%	35%	13%
EPS (₹)	**2.4**	**2.6**	**3.5**	**4.0**

Source: Company, ICICI Direct Research

Exhibit 4: Cash flow statement ₹ crore

(₹ Crore)	FY25	FY26	FY27E	FY28E
Profit after Tax	242	261	351	397
Depreciation	100	104	107	114
Interest	322	296	313	333
Others	(200)	(168)	(179)	(193)
Cash Flow before wc changes	465	493	592	650
Net Increase in CA	(524)	1,122	(164)	(219)
Net Increase in CL	251	(307)	252	405
Net CF from op. activities	**192**	**1,307**	**679**	**837**
Net purchase of Fixed Assets	(47)	(69)	(150)	(150)
Others	154	(795)	139	140
Net CF from Inv. Activities	**107**	**(864)**	**(11)**	**(10)**
Proceeds from share capital	389	395	(0)	(0)
Proceeds/Repayment of Loan	(283)	(416)	143	-
Interest paid	(322)	(296)	(313)	(333)
Other	(16)	10	-	-
Net CF rom Fin Activities	**(232)**	**(308)**	**(169)**	**(333)**
Net Cash flow	**66**	**136**	**499**	**494**
Opening Cash	339	405	540	1,039
Closing Cash	**405**	**540**	**1,039**	**1,533**

Source: Company, ICICI Direct Research

Exhibit 5: Balance sheet ₹ crore

(Year-end March)	FY25	FY26	FY27E	FY28E
Liabilities				
Equity capital	84	99	99	99
Reserves & Surplus	3,700	4,341	4,692	5,088
Networth	3,785	4,440	4,791	5,187
Non Controlling interests	(8)	2	2	2
Loan Funds	1,602	1,187	1,330	1,330
Deferred Tax liability	(128)	(130)	(130)	(130)
Total Liabilities	**5,251**	**5,499**	**5,993**	**6,389**
Assets				
Net Block	1,283	1,255	1,298	1,334
Capital WIP	171	126	126	126
Right of use asset	22	60	60	60
Intangible assets	23	23	23	23
Non-current Investments	181	53	53	53
Othe non-current assets	983	2,071	2,112	2,165
Inventories	4,387	978	1,056	1,160
Trade Receivables	1,081	868	937	1,029
Cash & Bank Balances	405	540	1,039	1,533
Loans & Advances	98	117	117	117
Other current assets	819	3,300	3,317	3,340
Total current assets	6,790	5,804	6,466	7,179
Total Current liabilities	4,200	3,893	4,145	4,550
Net Current Assets	2,589	1,911	2,322	2,629
Total Assets	**5,251**	**5,499**	**5,993**	**6,389**

Source: Company, ICICI Direct Research

Exhibit 6: Key ratios

(Year-end March)	FY25	FY26	FY27E	FY28E
Per share data (₹)				
Reported EPS	2.9	2.6	3.5	4.0
Cash EPS	4.0	3.7	4.6	5.1
BV per share	44.8	44.8	48.3	52.3
Operating Ratios (%)				
EBITDA Margin	14.4	13.4	13.0	13.0
EBIT/ Net Sales	12.4	11.4	11.1	11.1
PAT Margin	6.9	8.1	6.4	6.6
Inventory days	314.4	70.0	70.0	70.0
Debtor days	77.5	62.1	62.1	62.1
Creditor days	206.2	202.1	200.5	202.9
Return Ratios (%)				
RoE	9.3	9.3	7.3	7.6
RoCE	15.2	13.6	13.1	13.6
RoIC	13.6	12.2	12.8	14.5
Valuation Ratios (x)				
P/E	9.8	10.7	7.9	7.0
EV / EBITDA	5.4	5.0	4.3	3.3
EV / Net Sales	0.8	0.7	0.6	0.4
Price to Book Value	0.6	0.6	0.6	0.5
Solvency Ratios (x)				
Debt / EBITDA	2.2	1.7	1.9	1.7
Net Debt / Equity	0.3	0.1	0.1	(0.0)

Source: Company, ICICI Direct Research

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