

## Order inflows key for growth recovery...

**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 ₹15,146 crore as of Q2FY26, implying 2.8x book to bill.

**Q2FY26 Performance:** Patel Engineering reported consolidated revenue of ₹1208.4 crore, up 2.9% YoY, due to subdued execution. Operating EBITDA came in at ₹159 crore with EBITDA margin at 13.1%, down 27 bps YoY. PAT stood at ₹73 crore, flat YoY, also affected due to provision of ₹31 crore made for settlement of claim, related to a foreign subsidiary in USA.

### Investment Rationale

- FY26 to stay muted, Order-inflows required for ramp up in growth:** The order book stood at ₹15,146 crore as of Q2FY26, translating to a book-to-bill of 2.8x. **The Management has guided for a flattish topline in FY26. For FY27, the topline growth outlook remains steady at 10%-15%.** EBITDA margin guidance has been maintained at 13-14%. Order wins in Q2FY26 totaled ~₹2,500 crore. **The company is targeting inflows of ₹8,000 crore in FY26, implying ~₹5,500 crore in H2.** It has already bid for projects worth ₹34,000 crore, plans to submit another ₹18,000 crore by March, and expects a pipeline of nearly ₹1 lakh crore to open up in FY27. We expect revenue CAGR of ~6% over FY25-27E to ₹ 5718 crore. we expect margins to remain stable at 13.5%/14% in FY26/FY27, respectively
- Looks to raise funds through rights issue:** The company has **decided to raise ₹500 crore through a right issue. This will enable the Company to pursue large-value projects.** The freshly raised funds will primarily be utilized for debt servicing, allowing the deployment of cashflows from core operations towards new projects. **While the fund raise has been in anticipation of order inflows, we note that order inflows (which has been muted, so far) are key ahead for growth recovery.**

### 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 growth ahead, coupled with stable balance sheet.
- We maintain BUY rating and assign a target price of ₹ 45 (vs. 55, earlier), thereby valuing it at 10x (vs. 12x earlier) on FY27 EPS, as the growth trajectory has been muted



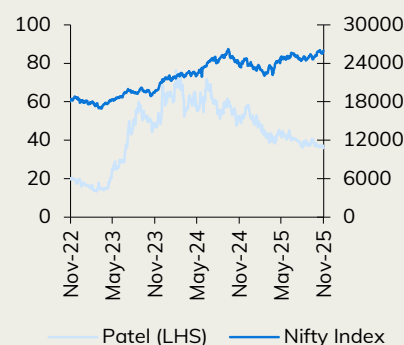
### Particulars

Particular	Amount
Market Cap (₹ crore)	2,692
Debt (FY25) (₹ crore)	1,615
Cash (FY25) (₹ crore)	405
EV (₹ crore)	3,902
52 week H/L (₹)	60 / 35
Equity capital (₹ crore)	77.4
Face value (₹)	1.0

### Shareholding pattern

	Dec-24	Mar-25	Jun-24	Sep-25
Promoters	36.1	36.1	36.1	36.1
DII	4.5	4.5	4.9	4.8
FII	4.7	4.7	2.7	2.5
Other	54.6	54.6	56.3	56.6

### Price Chart



### Key risks

- Lower than expected order inflows
- Heightened competitive intensity impacting margins

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### Key Financial Summary

(₹ Crore)	FY22	FY23	FY24	FY25E	5 Year CAGR (FY20-25)	FY26E	FY27E	2 Year CAGR (FY25-27E)
Net Sales	3,380.3	3,891.1	4,544.1	5,093.4	14.2	5,098.0	5,717.8	6.0
EBITDA	527.7	561.6	690.3	733.2	31.7	688.2	801.0	4.5
EBITDA Margin (%)	15.6	14.4	15.2	14.4		13.5	14.0	
Rep Net Profit	62.2	167.2	281.8	242.1	102.0	324.8	383.4	25.8
Adj. Net Profit	81.0	139.0	218.0	352.0	LP	355.7	383.4	4.4
EPS (₹)	1.3	2.2	3.6	2.9		3.8	4.5	
P/E (x)	43.5	16.2	9.6	12.2		9.1	7.7	
EV/EBITDA (x)	8.9	7.6	6.2	5.3		5.2	4.3	
RoCE (%)	12.4	13.2	13.8	15.2		13.3	14.5	
RoE (%)	3.4	4.8	6.9	9.3		8.6	8.5	

Source: Company, ICICI Direct Research

## Performance highlights and outlook

- **Guidance:** The company has guided for marginal revenue growth for H2FY26, while maintained topline growth guidance of 10%-15% in FY27. It reiterated EBIDTA margins guidance in the range of 13%-14% going forward.
- **Project level update:**
  - Subansiri HEP (2,000 MW), Arunachal Pradesh: The first unit of our 250 MW power plant, comprising eight units in total, has been successfully completed with wet commissioning and 2<sup>nd</sup> unit commissioning is in progress. Full commissioning and integration of 1<sup>st</sup> unit with the power grid are anticipated to be completed shortly.
  - Kwar HEP (540 MW), J&K: The company has achieved day lighting breakthrough of dam top road tunnel and breakthrough in upper horizontal portion of pressure shaft 4.
  - Tunnel T-7, Sikkim: Concrete lining has been completed.
- **Orderbook and bid pipeline:** As of Q2FY26, the orderbook stood at ₹15,146 crore, 2.8x book to bill, with 62% coming from hydro power, 20% from irrigation, 7% from tunnelling and balance 11.8% from urban infra and other segments. The company is targeting order inflows of ₹ 8000 crore in FY26 (implying order inflows of ₹ 5500 crore in H2). The company has already bid for projects worth ₹34,000 crore, plans to submit another ₹18,000 crore by March, and expects a ₹1 lakh crore bidding pipeline to open up in FY27.
- **Debt and Working Capital:** The consolidated debt stood at ₹1543.2 crore as of Q2FY26, reduced by ~₹60 crore from ₹1603 crore in FY25. The company raised NCD of ₹90 crore, having 3 yrs tenure with coupon rate of 10.25%, and company has repaid OCD (Optionally Convertible Debentures) of ~₹100 crore. Hence, the D/E ratio now stands at 0.4 as on Q2FY26. The total debt includes around ₹529.1 crore of term debt, repayable over the next 2-3 years and balance of around ₹1014.1 crore is working capital debt. The company will be repaying back term debt of ~₹40 crore and ~₹150 crore of in H2FY26 and FY27 respectively. The net working capital days after adjusting for current investments, bank borrowings, arbitration claims along with cash and bank balances is 114 days.
- **US Litigation:** The management has informed that the company has settled litigation with insurance companies for an amount of \$5M, contrary to the claim of \$40M, regarding an indemnity against sureties given by the subsidiary. Pursuant to legal advice obtained, it was anticipated that there would be no adverse outcome; however, the Company has settled this litigation to save on future litigation and travel-related admin expenses over the next few years.
- **Arbitration Awards:** In H2FY26, the management anticipates an arbitration award of approximately ~₹60 crore. Furthermore, it has set a target for arbitration awards ranging from ₹150 to ₹200 crore and asset monetization of real estate assets each year.

**Exhibit 1: Quarter Performance**

Particulars	Q2FY26	Q2FY25	YoY (%)	Q1FY26	QoQ (%)	Comments
Total Operating Income	1208.5	1174.3	2.9	1233.4	-2.0	Muted topline due to subdued execution and low executable order book
RM & Construction Expense	899.8	855.9	5.1	925.7	-2.8	
Employee benefit expenses	100.2	91.7	9.2	91.4	9.6	
Other Expenses	49.8	64.5	-22.8	51.0	-2.3	
EBITDA	158.7	162.2	-2.2	165.3	-4.0	
EBITDA Margin(%)	13.1	13.8	-68 bps	13.4	-27 bps	
Other Income	63.2	56.7	11.6	38.5	64.1	
Depreciation	26.2	23.7	10.4	25.4	3.0	
Interest	26.2	23.7	10.4	25.4	3.0	
PBT	88.7	101.1	-12.2	105.3	-15.8	
Taxes	24.0	27.7	-13.5	25.3	-5.4	
PAT	73.0	73.0	0.0	80.9	-9.8	

Source: Company, ICICI Direct Research

**Exhibit 2: Change in Estimates**

(₹ Crore)	FY26E			FY27E			Comments
	Old	New	% Change	Old	New	% Change	
Revenue	5,062	5,098	0.7	5,705	5,718	0.2	
EBITDA	684	688	0.6	811	801	-1.2	
EBITDA Mar	13.5	13.5	-1 bps	14.2	14.0	-20 bps	
PAT	267	325	21.6	345	383	11.1	
Diluted EPS	3.2	3.8	21.6	4.1	4.5	11.1	

Source: Company, ICICI Direct Research

## Financial Summary

### Exhibit 3: Profit and loss statement ₹ crore

(Year-end March)	FY24	FY25	FY26E	FY27E
<b>Operating Revenues</b>	<b>4,544</b>	<b>5,093</b>	<b>5,098</b>	<b>5,718</b>
Growth (%)	16.8	12.1	0.1	12.2
Construction Expenses	3,292	3,695	3,747	4,180
Employee Cost	354	383	382	429
Other Expenditure	208	283	280	308
Total Operating Exp.	3,854	4,360	4,410	4,917
<b>EBITDA</b>	<b>690</b>	<b>733</b>	<b>688</b>	<b>801</b>
Growth (%)	22.9	6.2	(6.1)	16.4
<b>EBITDA Margin (%)</b>	<b>15.2</b>	<b>14.4</b>	<b>13.5</b>	<b>14.0</b>
Other income	89	166	180	198
Depreciation	98	100	104	111
EBIT	682	800	764	888
Interest	362	322	305	375
PBT	405	326	428	513
Tax	104	90	112	134
<b>Rep. PAT</b>	<b>282</b>	<b>242</b>	<b>325</b>	<b>383</b>
Growth (%)	69%	-14%	34%	18%
<b>EPS (₹)</b>	<b>3.6</b>	<b>2.9</b>	<b>3.8</b>	<b>4.5</b>

Source: Company, ICICI Direct Research

### Exhibit 4: Cash flow statement ₹ crore

(₹ Crore)	FY24	FY25	FY26E	FY27E
Profit after Tax	282	242	325	383
Depreciation	98	100	104	111
Interest	362	322	305	375
Others	30	(200)	(180)	(198)
Cash Flow before wc changes	772	465	554	672
Net Increase in CA	(180)	(524)	(14)	(671)
Net Increase in CL	(73)	251	91	473
<b>Net CF from op. activities</b>	<b>519</b>	<b>192</b>	<b>631</b>	<b>474</b>
Net purchase of Fixed Assets	(60)	(47)	(182)	(150)
Others	(7)	154	179	125
<b>Net CF from Inv. Activities</b>	<b>(68)</b>	<b>107</b>	<b>(3)</b>	<b>(25)</b>
Proceeds from share capital	(16)	389	31	0
Proceeds/Repayment of Loan	133	(283)	128	-
Interest paid	(362)	(322)	(305)	(375)
Other	(80)	(16)	-	-
<b>Net CF rom Fin Activities</b>	<b>(325)</b>	<b>(232)</b>	<b>(147)</b>	<b>(375)</b>
<b>Net Cash flow</b>	<b>127</b>	<b>66</b>	<b>482</b>	<b>73</b>
Opening Cash	212	339	405	887
<b>Closing Cash</b>	<b>339</b>	<b>405</b>	<b>887</b>	<b>960</b>

Source: Company, ICICI Direct Research

### Exhibit 5: Balance Sheet ₹ crore

(Year-end March)	FY24	FY25	FY26E	FY27E
<b>Liabilities</b>				
Equity capital	77	84	84	84
Reserves & Surplus	3,076	3,700	4,056	4,439
Networth	3,154	3,785	4,140	4,524
Non Controlling interests	8	(8)	(8)	(8)
Loan Funds	1,885	1,602	1,730	1,730
Deferred Tax liability	(94)	(128)	(128)	(128)
<b>Total Liabilities</b>	<b>4,953</b>	<b>5,251</b>	<b>5,735</b>	<b>6,118</b>
<b>Assets</b>				
Net Block	1,265	1,283	1,361	1,400
Capital WIP	233	171	171	171
Right of use asset	28	22	22	22
Intangible assets	26	23	23	23
Non-current Investments	155	181	181	181
Othe non-current assets	995	983	983	1,056
Inventories	3,792	4,387	4,400	4,926
Trade Receivables	855	1,081	1,082	1,211
Cash & Bank Balances	339	405	887	960
Loans & Advances	85	98	98	98
Other current assets	1,129	819	819	835
Total current assets	6,199	6,790	7,285	8,030
Total Current liabilities	3,949	4,200	4,291	4,765
Net Current Assets	2,251	2,589	2,994	3,265
<b>Total Assets</b>	<b>4,953</b>	<b>5,251</b>	<b>5,735</b>	<b>6,118</b>

Source: Company, ICICI Direct Research

### Exhibit 6: Key ratios

(Year-end March)	FY24	FY25	FY26E	FY27E
<b>Per share data (₹)</b>				
Reported EPS	3.6	2.9	3.8	4.5
Cash EPS	4.9	4.0	5.1	5.9
BV per share	40.8	44.8	49.0	53.6
<b>Operating Ratios (%)</b>				
EBITDA Margin	15.2	14.4	13.5	14.0
EBIT/ Net Sales	13.0	12.4	11.5	12.1
PAT Margin	4.8	6.9	7.0	6.7
Inventory days	304.6	314.4	315.0	314.4
Debtor days	68.6	77.5	77.5	77.3
Creditor days	201.1	206.2	212.5	213.8
<b>Return Ratios (%)</b>				
RoE	6.9	9.3	8.6	8.5
RoCE	13.8	15.2	13.3	14.5
RoIC	13.7	13.6	12.6	14.0
<b>Valuation Ratios (x)</b>				
P/E	9.6	12.2	9.1	7.7
EV / EBITDA	6.2	5.3	5.2	4.3
EV / Net Sales	0.9	0.8	0.7	0.6
Price to Book Value	0.9	0.8	0.7	0.7
<b>Solvency Ratios (x)</b>				
Debt / EBITDA	2.7	2.2	2.5	2.2
Net Debt / Equity	0.5	0.3	0.2	0.2

Source: Company, ICICI Direct Research

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Hold: -5% to 15%;

Reduce: -15% to -5%;

Sell: <-15%



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