

## Order Inflows key for growth!

**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 ₹15,119 crore as of Q4FY26, implying 2.9x book to bill.

**Q4FY26 Performance:** Patel Engineering reported consolidated revenue of ₹1,421 crore, down 11.8% YoY due to higher base and lower executable order book. Operating EBITDA came in at ₹215 crore, with an EBITDA margin of 15.1%, up 160 bps YoY. Given one off of ₹88 crore including write off of group assets and advances, PAT stood at ₹73.6 crore, up 124.4% YoY. For FY25, consolidated revenue stood at ₹5102.7 crore, flat YoY. EBITDA stood at ₹684 crore with margins at 13.4%, down 100 bps YoY. PAT for the year stood at ₹294 crore, up 21.6% YoY.

### Investment Rationale

- Muted order inflow restricts topline growth:** As of Q4FY26, the company's unexecuted order book stood at ₹15,119 crore, implying 2.9x book to bill. Order inflows for FY26 stood at ~₹4,400 crore. The management has an order inflow target of ₹8,000 crore for FY27, with a visibility pipeline that includes ₹6,000 crore in already submitted bids, an active bid pipeline of ₹20,000 crore, and the anticipated opening of tenders worth ₹40,000 crore, all while sustainably maintaining their historical bid-to-award conversion success rate at ~13%. The Management reiterated the FY27 topline guidance of 10% revenue growth over FY26, with momentum expected to strengthen meaningfully from H2FY27 onwards. **Consequently, we now expect revenue CAGR of 8.9% over FY26-28E to ₹6051 crore.**
- Stable finance cost to aid margins:** Management indicated stable finance costs going forward. **Consequently, we expect margins to remain steady at 13.4% in FY27 and FY28.**

### 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 maintain BUY rating given the inexpensive valuations and assign a target price of ₹33 (vs 36, earlier), thereby valuing it at 8x on FY28 EPS.

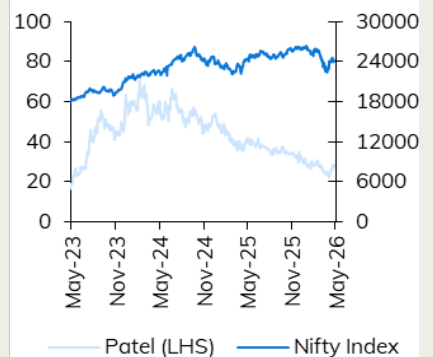
### Particulars

Particular	Amount
Market Cap (₹ crore)	2,006
Debt (FY26) (₹ crore)	1,187
Cash (FY26) (₹ crore)	540
EV (₹ crore)	2,653
52 week H/L (₹)	44.8 / 22
Equity capital (₹ crore)	99.2
Face value (₹)	1.0

### Shareholding pattern

	Jun-25	Sep-25	Dec-25	Mar-26
Promoters	36.1	36.1	31.5	31.5
FII	2.7	2.5	2.5	2.9
DII	4.9	4.8	5.8	6.2
Other	56.3	56.6	60.2	59.5

### Price Chart



### Key risks

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

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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	738.3	810.9	8.9
EBITDA Margin (%)	15.2	14.4	13.4		13.4	13.4	
Rep Net Profit	281.8	242.1	260.7	LP	367.2	414.4	26.1
Adj. Net Profit	218.0	352.0	380.3	LP	367.2	414.4	4.4
EPS (₹)	3.6	2.9	2.6		3.7	4.2	
P/E (x)	7.2	9.1	10.0		7.1	6.3	
EV/EBITDA (x)	5.2	4.4	3.9		3.1	2.2	
RoCE (%)	13.8	15.2	13.6		13.5	13.9	
RoE (%)	6.9	9.3	8.6		7.6	7.9	

## Performance highlights and outlook

- **Guidance:** For FY27, Management has **guided for 10% revenue growth over FY26, with momentum expected to strengthen meaningfully from H2FY27 onwards.**
- Project level update:
  - Subansiri HEP (2,000 MW), Arunachal Pradesh: Following the recent activation of Unit 4, the project now operates 4 units that collectively supply 1,000 megawatts of clean energy to the national grid. Development remains firmly on schedule across the remaining phases, with civil works successfully finalized up through Unit 6. Moving forward smoothly, the entire 8 unit facility is projected to be fully operational within the current financial year.
  - CIDCO treated water tunnel project: The company executed 812 metres of excavation in January 2026, contributing to a total quarterly tunnelling production of approximately 6.2 kilometres with achieving breakthrough at the site.
  - Kiru & Kwar HEP (540 MW), J&K: The projects advanced significantly during the quarter, highlighted by large-scale concreting activities moving forward at full capacity.
- **Orderbook and bid pipeline: Order inflows for FY26 stood at ₹4,400 crore. As of Q4FY26, the orderbook stood at ₹15,119 crore, 2.9x book to bill, with 63% coming from hydro power, 16% from irrigation, 5% from tunnelling, 10% from urban infra and balance 6% from roads and other segments.** The company has submitted bids worth ₹6,000 crore and indicated a visible bid pipeline of ₹20,000 crore. Looking ahead, management expects the opening of bids for projects worth an additional ₹40,000 crore during the fiscal year. **Driven by these opportunities, the company targets total order inflows of ₹8,000 crore in FY27. It further indicated that as of Q1FY27, the company holds the L-1 position for projects worth ₹1,600 crore.**
- **Debt and Working Capital:** As of Q4FY26, **consolidated gross debt was reduced by ₹458 crore YoY to ₹1,187 crore.** This comprises ₹847 crore in working capital and ₹340 crore in term debt, which includes zero-coupon bonds (ZCBs), non-convertible debentures (NCDs), and project-specific borrowings. The management noted that the debt repayment was primarily funded by proceeds from the rights issue. During the quarter, the D/E ratio improved to 0.27 vs. 0.43 in Q4FY25, while **net adjusted working capital days stood at 106 days vs. 110 days in Q4FY25.**
- **Assets Monetisation and Arbitrations:** The company exceeded its annual target of monetising approximately ₹ 150 crore of non-core assets for FY26, realizing a total of ₹ 185 crore. The capital inflow comprised ₹135 crore generated from land divestments and ₹50 crore secured through arbitration awards.
- **Promoters' Pledge:** It has a target of reducing the promoters' pledge by 15-20% going forward. The management indicated that it will contact lenders in Q1 and may provide an update, thereafter.

**Exhibit 1: Quarter Performance**

Particulars	Q4FY26	Q4FY25	YoY (%)	Q3FY26	QoQ (%)	Comments
Sales	1421.5	1611.9	-11.8	1239.4	14.7	Topline degrew YoY due to broader base year
Raw material consumed	379.8	296.0	28.3	336.8	12.8	
Personnel Costs	110.7	109.3	1.3	101.3	9.2	
Other expense	85.2	59.3	43.8	62.6	36.0	
Operating Profit	215.2	218.3	-1.4	144.8	48.6	Stable finance cost to provide cushion to margins
EBITDA Margin(%)	15.1	13.5	160 bps	11.7	346 bps	
Other Income	34.6	25.4	36.0	29.5	17.3	
Depreciation	-25.8	-25.9	-0.7	-26.3	-2.0	
Interest	-79.4	-78.8	0.7	-68.0	16.8	
Pre-tax Profit	56.6	51.9	9.2	36.9	53.4	
Tax	-24.8	-17.2	44.3	56.3	-143.9	
Profit After Tax	31.9	34.7	-8.1	93.3	-65.8	

Source: Company, ICICI Direct Research

**Exhibit 2: Change in Estimates**

(₹ Crore)	FY27E			FY28E		Comment
	Old	New	Change	New		
Revenue	5,545.0	5,509.4	-0.6	6,051.3		Realign estimates
EBITDA	755.0	738.3	-2.2	810.9		
EBITDA Margin (%)	13.6	13.4	-22 bps	13.4		
PAT	360.0	367.2	2.0	414.4		
Diluted EPS (₹)	3.6	3.7	2.8	4.2		

Source: Company, ICICI Direct Research

## Financial Summary

Exhibit 3: Profit and loss statement				
	₹ crore			
(Year-end March)	FY25	FY26	FY27E	FY28E
<b>Operating Revenues</b>	<b>5,093</b>	<b>5,103</b>	<b>5,509</b>	<b>6,051</b>
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	331	363
Total Operating Exp.	4,360	4,419	4,771	5,240
<b>EBITDA</b>	<b>733</b>	<b>684</b>	<b>738</b>	<b>811</b>
Growth (%)	6.2	(6.7)	7.9	9.8
<b>EBITDA Margin (%)</b>	<b>14.4</b>	<b>13.4</b>	<b>13.4</b>	<b>13.4</b>
Other income	166	166	179	193
Depreciation	100	104	107	114
EBIT	800	746	810	890
Interest	322	296	313	333
PBT	326	288	498	557
Tax	90	18	130	146
<b>Rep. PAT</b>	<b>242</b>	<b>261</b>	<b>367</b>	<b>414</b>
Growth (%)	-14%	8%	41%	13%
<b>EPS (₹)</b>	<b>2.4</b>	<b>2.6</b>	<b>3.7</b>	<b>4.2</b>

Source: Company, ICICI Direct Research

Exhibit 4: Cash flow statement				
	₹ crore			
(₹ Crore)	FY25	FY26	FY27E	FY28E
Profit after Tax	242	261	367	414
Depreciation	100	104	107	114
Interest	322	296	313	333
Others	(200)	(168)	(179)	(193)
Cash Flow before wc changes	465	493	608	668
Net Increase in CA	(524)	1,122	(164)	(219)
Net Increase in CL	251	(307)	252	405
<b>Net CF from op. activities</b>	<b>192</b>	<b>1,307</b>	<b>696</b>	<b>854</b>
Net purchase of Fixed Assets	(47)	(69)	(150)	(150)
Others	154	(795)	139	140
<b>Net CF from Inv. Activities</b>	<b>107</b>	<b>(864)</b>	<b>(11)</b>	<b>(10)</b>
Proceeds from share capital	389	395	0	-
Proceeds/Repayment of Loan	(283)	(416)	143	-
Interest paid	(322)	(296)	(313)	(333)
Other	(16)	10	-	-
<b>Net CF rom Fin Activities</b>	<b>(232)</b>	<b>(308)</b>	<b>(169)</b>	<b>(333)</b>
<b>Net Cash flow</b>	<b>66</b>	<b>136</b>	<b>515</b>	<b>511</b>
Opening Cash	339	405	540	1,055
<b>Closing Cash</b>	<b>405</b>	<b>540</b>	<b>1,055</b>	<b>1,567</b>

Source: Company, ICICI Direct Research

Exhibit 5: Balance Sheet				
	₹ crore			
(Year-end March)	FY25	FY26	FY27E	FY28E
<b>Liabilities</b>				
Equity capital	84	99	99	99
Reserves & Surplus	3,700	4,341	4,708	5,122
Networth	3,785	4,440	4,807	5,222
Non Controlling interests	(8)	2	2	2
Loan Funds	1,602	1,187	1,330	1,330
Deferred Tax liability	(128)	(130)	(130)	(130)
<b>Total Liabilities</b>	<b>5,251</b>	<b>5,499</b>	<b>6,009</b>	<b>6,424</b>
<b>Assets</b>				
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	1,055	1,567
Loans & Advances	98	117	117	117
Other current assets	819	3,300	3,317	3,340
Total current assets	6,790	5,804	6,483	7,213
Total Current liabilities	4,200	3,893	4,145	4,550
Net Current Assets	2,589	1,911	2,338	2,663
<b>Total Assets</b>	<b>5,251</b>	<b>5,499</b>	<b>6,009</b>	<b>6,424</b>

Source: Company, ICICI Direct Research

Exhibit 6: Key ratios				
(Year-end March)	FY25	FY26	FY27E	FY28E
<b>Per share data (₹)</b>				
Reported EPS	2.9	2.6	3.7	4.2
Cash EPS	4.0	3.7	4.8	5.3
BV per share	44.8	44.8	48.5	52.6
<b>Operating Ratios (%)</b>				
EBITDA Margin	14.4	13.4	13.4	13.4
EBIT/ Net Sales	12.4	11.4	11.5	11.5
PAT Margin	6.9	7.5	6.7	6.8
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
<b>Return Ratios (%)</b>				
RoE	9.3	8.6	7.6	7.9
RoCE	15.2	13.6	13.5	13.9
RoIC	13.6	12.2	13.3	15.0
<b>Valuation Ratios (x)</b>				
P/E	9.1	10.0	7.1	6.3
EV / EBITDA	4.4	3.9	3.1	2.2
EV / Net Sales	0.6	0.5	0.4	0.3
Price to Book Value	0.6	0.6	0.5	0.5
<b>Solvency Ratios (x)</b>				
Debt / EBITDA	2.2	1.7	1.8	1.6
Net Debt / Equity	0.3	0.1	0.1	(0.0)

Source: Company, ICICI Direct Research

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Hold: -5% to 15%;

Reduce: -15% to -5%;

Sell: <-15%

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