

## Order inflows key for growth acceleration ahead...

**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 ₹16,285 crore as of Q1FY26, implying 3.3x book to bill.

**Q1FY26 Performance:** Patel Engineering reported consolidated revenue of ₹1,233 crore, up 12% YoY led by healthy execution across key projects. Operating EBITDA came in at ₹165.3 crore with EBITDA margin at 13.4%, was down 191 bps YoY, but within guided range. PAT stood at ₹80.9 crore, up 50.8% YoY aided by lower finance costs and higher other income.

### Investment Rationale

- Revenue guidance marginally raised for FY26; to accelerate in FY27:** The order book stood at ₹ 16,285 crore as of Q1FY26, implying 3.3x book to bill. ~60% of order book comprises of hydropower projects, ~20% from irrigation sector, ~7% from tunnelling sector, and remaining from roads and others. After muted awarding due to elections throughout FY25, the company bagged projects worth in excess of ₹2250 in Q1FY26. The company has indicated that it has submitted tenders of around ₹11,000 crores which are yet under evaluation and further identified projects of around ₹40,000-50,000 crore across hydro power/PSH, irrigation and tunnelling sectors, for which bids are expected to be submitted in FY26. Thus, for FY26, the company expects inflows of ~₹10000 crore for FY26. The company has also revised its topline guidance for FY26 to 5%-10% revenues growth (vs. flat earlier), while FY27 revenue growth pegged at 10-15%. Consequently, we now expect revenue CAGR of ~9% (vs. ~5.8%, earlier) over FY25-27E to ₹ 6037 crore.
- Stable margins and interest costs to drive earnings ahead:** The company expects similar levels of margins at 13-14%, going ahead. With strong execution, stabilised raw material prices, we expect margins to remain stable at 13.5%/13.7% in FY26/FY27, respectively. Topline growth coupled with stable margins and interest expense is likely to drive earnings growth ahead.

### 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 ₹ 55 (vs. 50, earlier), thereby valuing it at 12x on FY27 EPS

### 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	5,366.7	6,047.1	9.0
EBITDA	527.7	561.6	690.3	733.2	31.7	725.1	829.0	6.3
EBITDA Margin (%)	15.6	14.4	15.2	14.4		13.5	13.7	
Rep Net Profit	62.2	167.2	281.8	242.1	102.0	315.8	391.9	27.2
EPS (₹)	1.3	2.2	3.6	2.9		3.7	4.6	
P/E (x)	49.0	18.3	10.8	13.8		10.5	8.5	
EV/EBITDA (x)	9.6	8.2	6.7	5.8		5.0	4.3	
RoCE (%)	12.4	13.2	13.8	15.2		13.0	14.1	
RoE (%)	3.4	4.8	6.9	9.3		7.7	8.7	

Source: Company, ICICI Direct Research



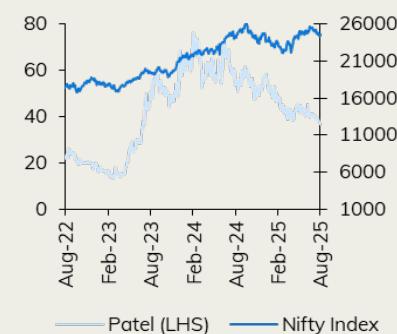
### Particulars

Particular	Amount
Market Cap (₹ crore)	3,053
Debt (FY25) (₹ crore)	1,615
Cash (FY25) (₹ crore)	405
EV (₹ crore)	4,263
52 week H/L (₹)	63 / 36
Equity capital (₹ crore)	77.4
Face value (₹)	1.0

### Shareholding pattern

	Sep-24	Dec-24	Mar-25	Jun-24
Promoters	36.1	36.1	36.1	36.1
DII	4.5	4.5	4.5	4.9
FII	3.1	4.7	4.7	2.7
Other	56.4	54.6	54.6	56.3

### Price Chart



### Key risks

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

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## Performance highlights and outlook

- **Guidance** – The company has guided for topline growth of 5-10% in FY26 and 10-15%, in FY27. It maintained EBITDA margins in the range of 13-14% going forward. The order inflow guidance is pegged at ₹10,000-12,000 crore.
- **Hydro-power and Irrigation opportunity** – The company indicated that the government is looking to fast-track the clearance of large hydro-power projects and is also considering accelerating work on existing projects and exploring ways to maximize its hydro power potential and improve the storage of water by construction of larger dams.
  - Hydro Power: The management indicated opportunity of 30+ GW in this segment. India has 13.5 GW of hydroelectric projects under construction, 18 GW currently under survey & investigation stage and 21 GW concurred by CEA but to be taken up for construction. The total hydro capacity is expected to reach 67 GW by 2032.
  - Pumped Storage Capacity: The management indicated opportunity of 66+ GW in this segment, in the long term. India needs at least 18.8 GW of pumped storage capacity by 2032 to support wind and solar integration, with potential for more if other energy storage systems are unavailable. CEA aims to approve at least 13 PHSs of about 22GW in FY26. Currently, 8 projects of 10 GW are under construction and DPR has been concurred for 3 projects of ~3 GW.
- **Orderbook and bid pipeline** – As of Q1FY26, the orderbook stood at ₹16,285 crore, 3.3x book to bill, with 61.5% coming from hydro power, 19.6% from irrigation, 7.1% from tunnelling and balance 11.8% from urban infra and other segments. However, the company expects strong inflows from large-scale projects in FY26, having indicated a bid pipeline of ₹40000-50000 crore of projects across hydro power/PSH, irrigation and tunnelling sectors. After muted awarding due to elections throughout FY25, the company bagged projects worth in excess of ₹2250 in Q1FY26. Thus, the company expects order inflows to the tune of ₹10000 crore in FY26.
- **Debt and Working Capital** – The consolidated debt stood at ₹1527.2 crore as of Q1FY25, up 4.7% QoQ from previous levels of ₹1603 crore in Q4FY25. Hence, the D/E ratio now stands at 0.4 as on Q1FY26. The debt includes around ₹596 crore of term debt, repayable over the next 2-3 years and balance of around ₹981 crore is working capital debt. The net working capital days after adjusting for investments, bank borrowings, arbitration claims and bank balances is around 110 days.
- **Claims and receipts** - The management has indicated that arbitration claim in of the company are at ₹3000 crore. It expects to receive 50%-60% of claims with cash flow of ~₹150-200 crore for the year.

## Financial Summary

Exhibit 1: 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>5,367</b>	<b>6,047</b>
Growth (%)	16.8	12.1	5.4	12.7
Construction Expenses	3,292	3,695	3,945	4,445
Employee Cost	354	383	403	454
Other Expenditure	208	283	295	320
Total Operating Exp.	3,854	4,360	4,642	5,218
<b>EBITDA</b>	<b>690</b>	<b>733</b>	<b>725</b>	<b>829</b>
Growth (%)	22.9	6.2	(1.1)	14.3
<b>EBITDA Margin (%)</b>	<b>15.2</b>	<b>14.4</b>	<b>13.5</b>	<b>13.7</b>
Other income	89	166	133	160
Depreciation	98	100	107	114
EBIT	682	800	751	875
Interest	362	322	331	346
PBT	405	326	420	528
Tax	104	90	110	138
<b>Rep. PAT</b>	<b>282</b>	<b>242</b>	<b>316</b>	<b>392</b>
Growth (%)	69%	-14%	30%	24%
<b>EPS (₹)</b>	<b>3.6</b>	<b>2.9</b>	<b>3.7</b>	<b>4.6</b>

Source: Company, ICICI Direct Research

Exhibit 2: Cash flow statement					₹ crore
(₹ Crore)	FY24	FY25	FY26E	FY27E	
Profit after Tax	282	242	316	392	
Depreciation	98	100	107	114	
Interest	362	322	331	346	
Others	30	(200)	(133)	(160)	
Cash Flow before wc changes	772	465	621	693	
Net Increase in CA	(180)	(524)	20	(708)	
Net Increase in CL	(73)	251	369	530	
<b>Net CF from op. activities</b>	<b>519</b>	<b>192</b>	<b>1,011</b>	<b>514</b>	
Net purchase of Fixed Assets	(60)	(47)	(182)	(150)	
Others	(7)	154	101	78	
<b>Net CF from Inv. Activities</b>	<b>(68)</b>	<b>107</b>	<b>(81)</b>	<b>(72)</b>	
Proceeds from share capital	(16)	389	0	(0)	
Proceeds/Repayment of Loan	133	(283)	228	-	
Interest paid	(362)	(322)	(331)	(346)	
Other	(80)	(16)	-	-	
<b>Net CF from Fin Activities</b>	<b>(325)</b>	<b>(232)</b>	<b>(104)</b>	<b>(346)</b>	
<b>Net Cash flow</b>	<b>127</b>	<b>66</b>	<b>826</b>	<b>96</b>	
Opening Cash	212	339	405	1,231	
<b>Closing Cash</b>	<b>339</b>	<b>405</b>	<b>1,231</b>	<b>1,327</b>	

Source: Company, ICICI Direct Research

Exhibit 3: 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	4,016	4,408
Networth	3,154	3,785	4,101	4,492
Non Controlling interests	8	(8)	(8)	(8)
Loan Funds	1,885	1,602	1,830	1,830
Deferred Tax liability	(94)	(128)	(128)	(128)
<b>Total Liabilities</b>	<b>4,953</b>	<b>5,251</b>	<b>5,795</b>	<b>6,187</b>
<b>Assets</b>				
Net Block	1,265	1,283	1,358	1,394
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
Other non-current assets	995	983	1,014	1,096
Inventories	3,792	4,387	4,403	4,962
Trade Receivables	855	1,081	1,038	1,170
Cash & Bank Balances	339	405	1,231	1,327
Loans & Advances	85	98	98	98
Other current assets	1,129	819	826	843
Total current assets	6,199	6,790	7,595	8,399
Total Current liabilities	3,949	4,200	4,569	5,099
Net Current Assets	2,251	2,589	3,026	3,300
<b>Total Assets</b>	<b>4,953</b>	<b>5,251</b>	<b>5,795</b>	<b>6,187</b>

Source: Company, ICICI Direct Research

Exhibit 4: Key ratios				
(Year-end March)	FY24	FY25	FY26E	FY27E
<b>Per share data (₹)</b>				
Reported EPS	3.6	2.9	3.7	4.6
Cash EPS	4.9	4.0	5.0	6.0
BV per share	40.8	44.8	48.6	53.2
<b>Operating Ratios (%)</b>				
EBITDA Margin	15.2	14.4	13.5	13.7
EBIT/ Net Sales	13.0	12.4	11.5	11.8
PAT Margin	4.8	6.9	5.9	6.5
Inventory days	304.6	314.4	299.4	299.5
Debtor days	68.6	77.5	70.6	70.6
Creditor days	201.1	206.2	218.1	219.4
<b>Return Ratios (%)</b>				
RoE	6.9	9.3	7.7	8.7
RoCE	13.8	15.2	13.0	14.1
RoIC	13.7	13.6	14.2	15.4
<b>Valuation Ratios (x)</b>				
P/E	10.8	13.8	10.5	8.5
EV / EBITDA	6.7	5.8	5.0	4.3
EV / Net Sales	1.0	0.8	0.7	0.6
Price to Book Value	1.0	0.9	0.8	0.7
<b>Solvency Ratios (x)</b>				
Debt / EBITDA	2.7	2.2	2.5	2.2
Net Debt / Equity	0.5	0.3	0.1	0.1

Source: Company, ICICI Direct Research

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Hold: -5% to 15%;

Reduce: -15% to -5%;

Sell: <-15%



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