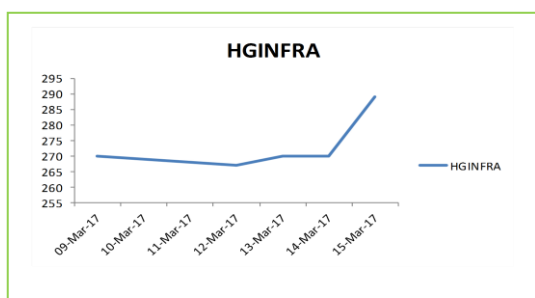


Rating:	BUY
Ticker:	HGINFRA
CMP:	Rs. 227
Target:	Rs. 370
Upside:	37%

Key Stock Data	
Sector	Construction & Engineering
No. of shares	5.4 Crs
FV (Rs)	10
MCAP (Rs)	1,494 Crs
MCAP (\$)	20 Crs

Key Financials (Rs. in Crs)			
Y/E March	FY18 A	FY19 E	FY20 E
Revenue	1397	1911	2389
EBITDA	213	292	365
PAT	84	113	141
EPS /sh.	15.39	17.38	21.73
BV /sh.	48	96	111
P/BV (x)	4.68	2.34	2.02
PE (x)	14.62	12.94	10.36
ROE (%)	16%	18%	19%

Shareholding Pattern	
Promoters	73.74%
FIIs	0%
DIIIs	0%
Others	26.26%



Research Analyst
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H.G. Infra Engineering Ltd. – HGINFRA

1QFY19 Result Update

HGINFRA reported a stellar set of numbers on a yearly basis. Its Revenues grew by 37% Y-o-Y to Rs. 453 Crs in 1QFY19 as against Rs. 331 Crs in 1QFY18. Its EBITDA grew by 53% Y-o-Y to Rs. 69 Crs in 1QFY19 as against Rs. 45 Crs in 1QFY18. Its PAT grew by 42% Y-o-Y to Rs. 27 Crs in 1QFY19 as against Rs. 19 Crs in 1QFY18. HGINFRA's EBITDA Margin increased by 163 bps Y-o-Y to 15.23% in 1QFY19 as against 13.60% in 1QFY18 and PAT Margin increased by 22 bps on a yearly basis to 5.96% in 1QFY19 as against 5.74% in 1QFY18.

Background & Operations

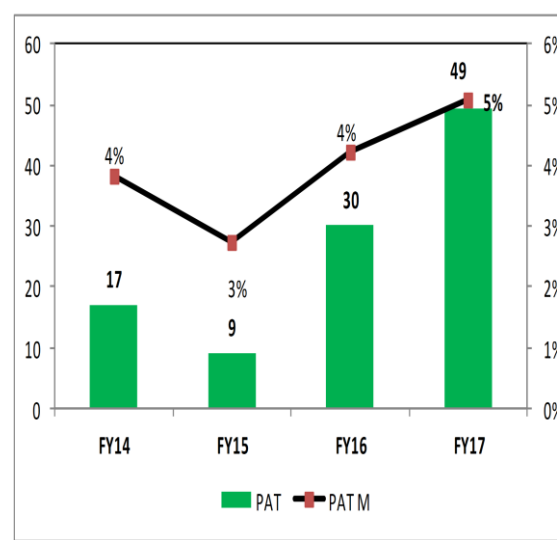
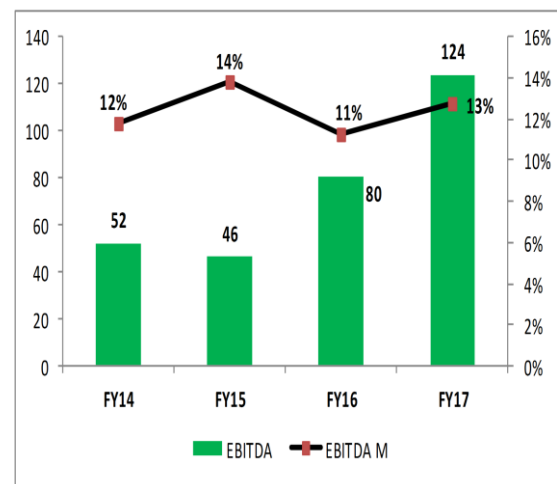
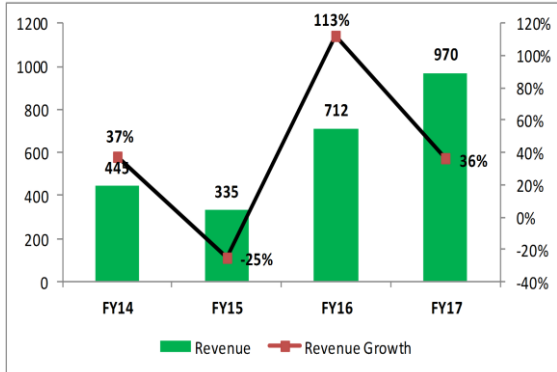
HGINFRA is executing projects across various states in India covering Rajasthan, Uttar Pradesh Haryana, Uttarakhand, Maharashtra and Arunachal Pradesh. During the last five years, it has completed 13 projects above the contract value of Rs 40 Crs. in the roads and highways sector aggregating to a total contract value of Rs 1,674 Crs, which included construction, improving, widening, strengthening of two and four lane highways etc. as on November 30, 2017.

Outlook & Valuation

HG infra has a strong order-book of over Rs. 3500 Crs as on date and the company expects a CAGR growth of 25% on its top-line over the period of next 3 years. The management wants to take conscious efforts to cut down its debt and settle its D/E ratio at 0.3x in FY19. At CMP, HGINFRA is valued at P/E multiple of mere 10.35x for FY20E. On account of its growth trajectory, we would like to allot a PE multiple of 17x on an FY20E EPS which is in-line with the industry to arrive at target price of Rs. 370 per share.

Quarterly Financial Highlight Table (Rs. In Crs)

Particulars	1QFY19	4QFY18	1QFY18	Q/Q	Y/Y
Revenue	453	504	331	-10%	37%
EBITDA	69	80	45	-14%	53%
PAT	27%	36%	19%	-25%	42%
EPS	4.14	6.57	3.58	36.99%	15.64%
EBITDA M	15.23%	15.87%	13.60%	(64) bps	163 bps
PAT M	5.96%	7.14%	5.74%	(118) bps	22 bps



Investment Rationale

1. Established roads and highways sector focused construction developer

HGINFRA has an experience of over 14 years in construction and development of major infrastructure road projects including highways, bridges, flyovers and other related infrastructure activities, across various states in India covering Rajasthan, Uttar Pradesh Haryana, Uttarakhand, Maharashtra and Arunachal Pradesh. HGINFRA’s primary focus is on the roads and highways sector which has helped the company in gaining technical expertise of undertaking projects of different sizes and involving varying degree of complexity while simultaneously helping them to develop quality control systems, acquire a fleet of modern construction equipment and employ manpower to supplement the growth of their construction business.

2. Efficient business mode

HGINFRA’S growth is largely attributable to the efficient business model of the company which involves careful identification of the projects and cost optimization which is a result of executing projects with careful planning and strategy. This model has facilitated HGINFRA in maximizing their efficiency and increasing their profit margins. Additionally, the fleet of modern construction equipment ensures better control over execution and timely completion of projects augurs well for the company.

3. Visible growth through its growing order book and improved prequalification credentials.

HGINFRA’s Order Book consists of estimated revenue from unexecuted or uncompleted portions of their ongoing projects, i.e., the total contract value of such ongoing projects as reduced by the value of construction work billed until such date. The order book has grown significantly over the last three years, from Rs. 1,068 Crs as of March 31, 2015, to Rs.1,446 Crs as of March 31, 2016 and Rs. 4,019 Crs as of March 31, 2017, respectively. As of November 30, 2017, HGINFRA’s total order book was ₹ 3,708 Crs. With government contracts accounting for 67.71% and private contracts accounting for 32.29% of the Order Book

HGINFRA Engineering Ltd., incorporated in 2003, is a Jaipur; Rajasthan based infrastructure construction, development and Management Company

HGINFRA's main business operations include providing engineering, procurement and construction (EPC) services on a fixed-sum turnkey basis and undertaking civil construction.

HGINFRA has completed 13 large projects in the roads and highways sector aggregating to a total contract value of 1,675 Crs.

At CMP HGINFRA is valued at P/E multiple of mere 10.35x for FY20E. On account of its growth trajectory, we would like to allot a PE multiple of 17x on an FY20E EPS which is in-line with the industry to arrive at target price of Rs. 370 per share.

Company Background

HGINFRA Engineering Ltd., incorporated in 2003, is a Jaipur; Rajasthan based infrastructure construction, development and Management Company. Company focus area is road projects, including highways, bridges and flyovers. Company's main business operations include providing engineering, procurement and construction (EPC) services on a fixed-sum turnkey basis and undertaking civil construction and related infrastructure projects. HGINFRA is also engaged in executing water pipeline projects and are currently have two water supply projects in Rajasthan.

HGINFRA has completed 13 large projects in the roads and highways sector aggregating to a total contract value of 1,675 Crs, which included construction, improving, widening, strengthening of two and four lane highways, construction of high level bridge and construction of earthen embankment, culverts and cart track underpasses

Risk & Concerns

1. Business and financial conditions would be materially and adversely affected if HG Infra fails to obtain new contracts.
2. Delays in the completion of construction of current and future projects could lead to termination of EPC contracts or cost overruns or claims for damages, which could have an adverse effect on cash flows, business, results of operations and financial condition.

Outlook & Valuations

HG infra has a strong order-book of over Rs. 3500 Crs as on date and the company expects a CAGR growth of 25% on its top-line over the period of next 3 years. The management wants to take conscious efforts to cut down its debt and settle its D/E ratio at 0.3x in FY19. At CMP, HGINFRA is valued at P/E multiple of mere 10.35x for FY20E. On account of its growth trajectory, we would like to allot a PE multiple of 17x on an FY20E EPS which is in-line with the industry to arrive at target price of Rs. 370 per share.

September 25, 2018

Analyst Stock Rating	
Ratings	Expected absolute returns over 12 months
BUY	>15%
HOLD	10- 15%
REDUCE	<10%

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Indiabulls Ventures Limited is a SEBI Registered Research Analyst having registration number: INH100004906

Disclosure:

We /I,Foram Parekh author(s) hereby certify that all of the views expressed in this research report accurately reflect my/our views about the subject issuer(s) or securities. We/I, also certify that no part of our/my compensation was, is, or will be directly or indirectly related to the specific recommendation(s) or view(s) in this report.

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