

RESEARCH
HG Infra Engineering | Target: Rs 390 | +65% | BUY

Gurgaon-Sohna site visit indicates steady execution progress

SUMMARY
HG Infra Engineering

We visited HG Infra's (HGIEL) Gurgaon-Sohna NHAI HAM project site and also met CMD Harendra Singh. The visit reinforces our belief in the company's execution capabilities. Appointed dates for the balance two HAM projects are expected by mid-Jan'20, which should bolster execution. FY20 order inflow guidance stands at Rs 30bn-40bn and management expects NHAI order ramp-up by early-Jan'20. We revise FY20-FY22 EPS by -7% to +4% to bake in changes in revenue and margin expectations – our TP moves to Rs 390 (vs. Rs 385). BUY.

[Click here for the full report.](#)

TOP PICKS
LARGE-CAP IDEAS

Company	Rating	Target
Cipla	Buy	570
ONGC	Buy	210
Petronet LNG	Buy	400
Reliance Industries	Buy	1,670
TCS	Add	2,230

MID-CAP IDEAS

Company	Rating	Target
Alkem Labs	Buy	2,290
Future Supply	Buy	680
Greenply Industries	Buy	210
Laurus Labs	Buy	480
PNC Infratech	Buy	245

Source: BOBCAPS Research

DAILY MACRO INDICATORS

Indicator	Current	2D (%)	1M (%)	12M (%)
US 10Y yield (%)	1.93	1bps	16bps	(81bps)
India 10Y yield (%)	6.57	(3bps)	7bps	(72bps)
USD/INR	71.18	(0.1)	0.7	(1.5)
Brent Crude (US\$/bbl)	66.39	0.4	4.7	31.5
Dow	28,552	0.3	2.4	31.0
Shanghai	2,963	(1.4)	2.7	17.2
Sensex	41,643	(0.1)	3.2	17.4
India FII (US\$ mn)	20 Dec	MTD	CYTD	FYTD
FII-D	(449.8)	(996.3)	3,248.4	2,703.8
FII-E	66.4	661.3	14,033.7	7,188.5

Source: Bank of Baroda Economics Research

BOBCAPS Research

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BUY

TP: Rs 390 | ▲ 65%

**HG INFRA
ENGINEERING**

Infrastructure

24 December 2019

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Jiten Rushi

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Strong execution momentum from Q4: Execution at the Gurgaon-Sohna project was halted for 40 days in Q3FY20 due to a construction ban in Delhi-NCR. The ban led to a Rs 0.7bn-1bn loss in revenue, prompting management to revise its FY20 revenue guidance down to ~Rs 24bn (from ~Rs 25bn). The ban has now been lifted partially and work has commenced. With appointed dates (AD) for the remaining two NHAI HAM projects likely by mid-Jan'20, for Goa airport project by end-Jan'20 and for Adani road EPC project by end-Feb'20, we expect execution to scale up from Q4 (100% executable backlog).

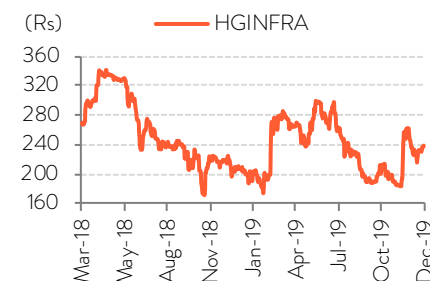
Bid pipeline remains healthy: Management expects NHAI to award 3,000-4,000km worth of projects in FY20. HGIEL's current outstanding bid pipeline stands at ~Rs 47bn (Delhi-Vadodara section worth Rs ~43bn and Rewari Bypass in Haryana worth ~Rs 4bn), where bids are likely to open soon. Further, in Q4, the company plans to participate in bids worth ~Rs 140bn. Accordingly, the order inflow guidance for FY20 stands at Rs 30bn-40bn (YTD inflow at Rs 9.5bn).

Maintain BUY: We revise our FY20/FY21/FY22 EPS estimates by -7%/-2%/+4% to factor in changes in revenue and margin expectations as well as higher interest cost. Reiterate BUY with a revised Sep'20 TP of Rs 390.

Ticker/Price	HGINFRA IN/Rs 237
Market cap	US\$ 216.4mn
Shares o/s	65mn
3M ADV	US\$ 0.2mn
52wk high/low	Rs 308/Rs 173
Promoter/FPI/DII	74%/0%/16%

Source: NSE

STOCK PERFORMANCE



Source: NSE

KEY FINANCIALS (STANDALONE)

Y/E 31 Mar	FY18A	FY19A	FY20E	FY21E	FY22E
Total revenue (Rs mn)	13,927	20,098	23,943	30,070	34,563
EBITDA (Rs mn)	2,081	3,032	3,588	4,517	5,191
Adj. net profit (Rs mn)	843	1,236	1,795	2,330	2,722
Adj. EPS (Rs)	20.3	19.0	27.5	35.8	41.8
Adj. EPS growth (%)	(31.7)	(6.4)	45.3	29.8	16.8
Adj. ROAE (%)	23.5	20.6	24.0	24.5	22.7
Adj. P/E (x)	11.7	12.5	8.6	6.6	5.7
EV/EBITDA (x)	8.0	5.6	4.9	4.1	3.5

Source: Company, BOBCAPS Research



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Recommendations and Absolute returns (%) over 12 months

BUY – Expected return >+15%

ADD – Expected return from >+5% to +15%

REDUCE – Expected return from -5% to +5%

SELL – Expected return <-5%

Note: Recommendation structure changed with effect from 1 January 2018 (Hold rating discontinued and replaced by Add / Reduce)

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