

March 19, 2018

Rating:	BUY
Ticker:	HGINFRA
CMP:	Rs. 302
Target:	Rs. 377
Upside:	25%

Key Stock Data

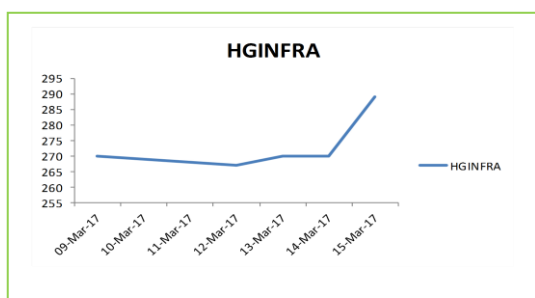
Sector	Construction & Engineering
No. of shares	5.4. Crs
FV (Rs)	10
MCAP (Rs)	1,934 Crs
MCAP (\$)	30 Crs

Key Financials (Rs. in Crs)

Y/E March	FY17 A	FY18 E	FY19 E
Revenue	970	1212	1455
EBITDA	120	158	203
PAT	49.3	72.75	101.85
EPS /sh.	27.38	13.47	18.86
BV /sh.	33	48	62
P/BV (x)	9	6.16	4.82
PE (x)	10.84	22.04	15.75
ROE (%)	23%	28%	30%

Shareholding Pattern

Promoters	73.74%
FII's	0%
DII's	0%
Others	26.26%



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H.G. Infra Engineering Ltd. – HGINFRA**H1FY18 Result Update**

HGINFRA reported a revenue growth of 31% CAGR from Rs. 325 Crs in FY13 to Rs. 970 Crs in FY17. In H1FY18, Revenue from Operations stood at Rs. 567 Crs. Its EBITDA grew at a CAGR of 28% and stood at Rs. 120 Crs in FY17 from Rs. 45 Crs in FY13. Its PAT grew by good 38% CAGR in a period of four years from Rs.13.5 Crs in FY13 to Rs. 49 Crs in FY17. Its H1FY18 PAT stood at Rs. 29 Crs which is 59% of the FY17 PAT. EBITDA Margin for H1FY18 stood at 14.1% and PAT Margin stood at 5.2% as compared to 11.4% and 4.7% respectively in FY17.

Background & Operations

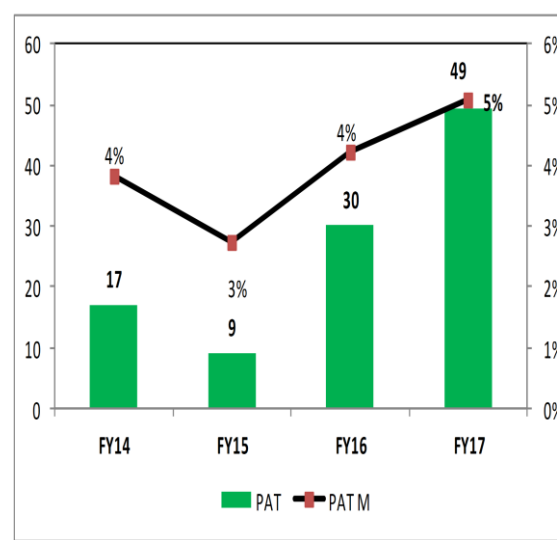
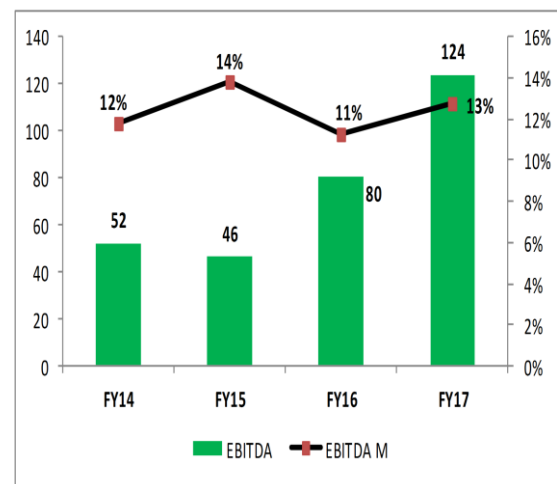
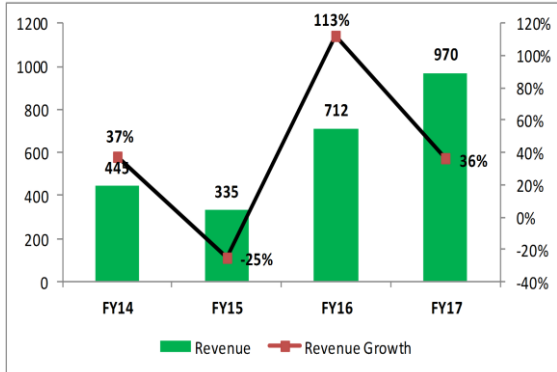
HGINFRA has executed and is executing projects across various states in India covering Rajasthan, Uttar Pradesh Haryana, Uttarakhand, Maharashtra and Arunachal Pradesh. During the last five years, it has completed 13 projects above the contract value of Rs 40 Crs. in the roads and highways sector aggregating 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

As on 30th Nov. 2017, the company had 21 ongoing projects in the roads and highways sectors amount to Rs.3,585 Crs which is 97% of the total order book of Rs. 3708 Crs. HGINFRA is also working on 4 civil construction projects and two water supply projects under execution. At CMP, HGINFRA is valued at P/E multiple of 15.75x for FY19E which is in line with the industry standards. On account of its growth trajectory, we would like to allot a PE multiple of 20x on an FY19E EPS of Rs. 18.86 per share to arrive at target price of Rs. 377 per share.

Quarterly Financial Highlight Table (Rs. In Crs)

Particulars	FY13	FY14	FY15	FY16	FY17
Revenue	325	447	338	718	970
EBITDA	45	51	44	78	120
PAT	13.5	17.2	9.2	30.2	49.3
EPS	8.82	11.24	6	16.7	27.38
EBITDA M	14%	11%	13%	11%	12%
PAT M	4%	4%	3%	4%	5%



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

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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 a PE multiple of 15.75x which is in-line with the industry standards and we would like to allot a PE multiple of 20x on FY19E EPS of Rs.18.86 per share to arrive at a target price of Rs. 377 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

As on 30 th Nov. 2017, the company had 21 ongoing projects in the roads and highways sectors amount to Rs.3, 585 Crs which is 97% of the total order book of Rs. 3708 Crs. HGINFRA is also working on 4 civil construction projects and two water supply projects under execution. At CMP, HGINFRA is valued at P/E multiple of 15.75x which is in line with the industry standards. On account of its growth trajectory, we would like to allot a PE multiple of 20x on FY19E EPS of Rs. 18.86 per share to arrive at target price of Rs. 377 per share.

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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:

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