


IDEA2ACT : HG Infra

Reco Price	12-months Target Price
BUY @ ₹ 317-333	₹ 394

HG Infra is a leading Indian highway contractor based out of Jaipur, Rajasthan. The company is executing 33 projects across seven states in India. Almost 78% of the order book is from the government and 22% from the private sector (IRB and Adani projects). EPC projects constitute 59% of the overall order book with the balance 41% being HAM projects. The company has also a presence in civil construction, water pipelines, runways, railways, land development, etc

Strong 4Q performance as execution ramps up: HG Infra's 4QFY21 revenues at Rs10.3bn (+65% YoY) and Ebitda at Rs1.7bn (16.2% margin) beat estimates. FY21 revenue grew 15% YoY to Rs25.3bn despite weak 1Q amid covid disruption. Despite Covid19 disruption, management guided to 25-30% YoY growth for FY22 as normalcy is likely to return soon which will aid execution. Excluding the three recently won HAM projects, the entire order book is under execution. Management expects execution for the 3 new HAM projects worth Rs18.4bn to commence in 4QFY22. Margins are expected to remain healthy with the company targeting at least Rs5bn of Ebitda in FY22. We upgrade FY22-23 estimates by 3-8%.

Jump in order inflows to be watched: While FY21 order inflow at Rs19.33bn missed guidance, the company is targeting new wins worth Rs50-60bn in FY22 with 10- 15% from new sectors (railways, water, airports). Meeting this target will be key to sustaining growth visibility beyond FY22.

Balance sheet improving on healthy collection efficiency: Strong profitability, healthy cash generation, and lower working capital (from 80 days to 44 days have led to standalone net debt reducing to Rs306m from Rs2.53bn in FY20. We estimate that the balance Rs 4.66bn equity commitment can be easily met from the internal cash flows. The unsecured loan from promoters has been paid off.

Attractive Valuations: We expect HG Infra to post robust FY22ii profit growth of ~32%, 9.7% higher than the consensus estimate. The stock is currently trading at 7.8x FY22ii PE & at 1.7x price/book value. We recommend a Buy rating on the stock with a target price of Rs 394.

Technically, the stock is trading in a strong higher top higher bottom chart structure, indicating a positive bias according to the dow theory. The stock has given a bullish flag pattern breakout on the daily chart and is showing positive signs on the MACD Histogram. If the current impulse move





accentuates the way it should, we expect HG Infra to trend higher and test our immediate target price of Rs394 during the next 1-Year.

Previous Recommendations:

Date	Stock Name	Reco Price	Target Price	P & L %	Status
26-May-20	Emami Limited	205	241	18%	Target Achieved
2-Jul-20	ITC	201	235	17%	Target Achieved (₹225 + Dividend ₹10.15 exdate 6th Jul 2020)
2-Jul-20	NHPC	19.5	24	23%	Target Achieved
15-Jul-20	HCL Tech	610	695	14%	Target Achieved
30-Jul-20	INDIGO	920	1074	17%	Target Achieved
11-Aug-20	JB Chemicals & Pharmaceuticals	750	867	16%	Target Achieved
13-Aug-20	UPL	480	555	16%	Target Achieved
18-Aug-20	Crompton Consumer	256	299	17%	Target Achieved
28-Aug-20	Sudarshan Chemical	474	557	18%	Target Achieved
14-Sep-20	Apollo Tyres	114.5	138	21%	Target Achieved
1-Oct-20	Manappuram Finance Ltd	155.5	186	-3%	Open
16-Oct-20	Cyient Ltd	370	440	19%	Target Achieved
28-Oct-20	Amara Raja Batteries	770	898	17%	Target Achieved
2-Nov-20	SIS (I) Ltd	363	423	17%	Target Achieved
3-Dec-20	Bharat Electronics	112	139.0	24%	Target Achieved
16-Dec-20	RBL Bank	233	273	17%	Target Achieved
6-Jan-21	Alembic Pharmaceuticals	1075	1252	-13%	Open
15-Jan-21	Hindustan Petroleum Corporation Ltd	229	274	11%	Open
5-Feb-21	State Bank of India	351.5	429	3%	Open
1-Mar-21	Cummins India	772	914	18%	Target Achieved
10-Mar-21	HCL Tech	962	1140	-5%	Open
10-Mar-21	Eicher Motors	2635	2940	-8%	Open
07-Apr-21	Cyient Ltd	669	789	18%	Target Achieved
03-May-21	Persistent Systems Ltd	1990	2400	14%	Open
04-May-21	SBI Life Insurance Company Ltd	945	1144	4%	Open



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Disclaimer:

Recommendation Parameters for Fundamental/Technical Reports:

Buy – Absolute return of over +10%

Accumulate – Absolute return between 0% to +10%

Reduce – Absolute return between 0% to -10%

Sell – Absolute return below -10%

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