May 13, 2025

H.G. Infra Engineering Limited: Ratings reaffirmed and rated amount enhanced

Summary of rating action

Instrument*	Previous rated amount (Rs. crore)	Current rated amount (Rs. crore)	Rating action
Long-term – Fund-based – Cash credit	400.00	700.00	[ICRA]AA- (Positive); reaffirmed and assigned for the enhanced amount
Long-term/Short-term – Non-fund based – Bank guarantee	2,600.00	3,800.00	[ICRA]AA- (Positive)/[ICRA]A1+; reaffirmed and assigned for the enhanced amount
Total	**3,000.00**	**4,500.00**	

**Instrument details are provided in Annexure-I*

Rationale

The ratings reaffirmation for H.G. Infra Engineering Limited (HGIEL) factors in its large scale of operations (with expected YoY revenue growth of ~ 15%), a sizeable order book (OB) of Rs. 15,080 crore (as on December 31, 2024) providing medium-term revenue visibility and a healthy financial profile. The Positive outlook on the long-term rating reflects ICRA's expectations that the credit profile of HGIEL will benefit from improved diversification in other segments, along with sustenance of its revenue growth even as profitability may moderate due to changing segment mix in the near to medium term. Further, the outlook underlines ICRA's belief that the company will fund its incremental capex and investment requirements in a manner that allows it to maintain low leverage and comfortable debt protection metrics.

HGIEL saw new construction order additions, aggregating ~Rs. 11,650 crore from October 2023 to December 2024, along with further segmental (into railways, solar power generation and Battery Energy Storage Systems (BESS)), geographical and client diversification, which is expected to help mitigate volatility in order inflows and provide revenue stability over the medium term. The company's comfortable financial profile is reflected in its stable and healthy operating margins (~16%) and comfortable debt coverage metrics. The ratings continue to draw comfort from the promoters' long track record in the civil construction business and reputed client base, consisting of Government bodies like the National Highways Authority of India (NHAI, rated [ICRA]AAA(Stable)/A1+), the Ministry of Road Transport and Highways (MoRTH), the Indian Railways and private road developers like Adani Road Transport Limited (ARTL), among others. Its track record of timely delivery garners repeat projects (from private sector clients) and early-completion bonus reflects its strong execution capabilities.

HGIEL had 11 road projects under hybrid annuity mode (HAM) in its portfolio as on December 31, 2024, of which seven are under construction and four are yet to receive appointed date (AD). These assets entail total equity commitment of ~Rs. 1,657 crore, of which ~Rs. 855 crore had been infused as of December 2024. In addition, equity requirement towards solar and BESS projects are estimated at ~Rs. 1,270 crore, of which Rs. 129 crore had been funded as of December 2024. The entire pending infusion will be incurred over the next 2-2.5 years. The estimated cash flow from operations, coupled with monetisation of its completed HAM assets, is expected to meet the equity commitments towards these new projects and the scheduled debt repayments. ICRA notes that the company completed the successful divestment of the four operational HAM projects during FY2024-FY2025 and has indicated plans to further monetise five HAM assets, which are nearing completion, by the end of FY2026. By monetising these assets, HGIEL will be able to recycle its capital, which could be deployed to fund its next phase of growth, while supporting improvement in its leverage and liquidity. However, any significant addition of developmental projects in the OB, entailing disproportionately high equity commitments and potentially impacting its liquidity profile, would remain a key rating sensitivity.

The long-term rating is, however, constrained by the execution risks for projects across segments. While the company has a strong track record of timely completion in the road segment, its ability to timely deliver the projects in the solar and BESS segments, while managing risks associated with land acquisition (or right-of-way/RoW), battery sourcing, foreign exchange movement, technology obsolescence and operating performance, remains to be seen. While these new segments add to diversification in cash flows, HGIEL's ability to complete the projects in a timely manner along with timely realisation of payments, will remain a key monitorable in the near to medium term.

ICRA notes that the debt levels for the company increased significantly during 9M FY2025 (Rs. 1,336 crore as of December 2024 over Rs. 460 crore as of March 2024), on account of increased working capital requirements owing to – a) milestone-based billing mechanism (partly on account of discontinuation of Atmanirbhar Bharat concessions w.e.f. Apr 1, 2024), which elongated the billing cycle; b) delay in financial closure for solar projects and bridge funding undertaken to accelerate the progress in the same and c) project-related debt from lenders (in lieu of customer advances due to lower financing cost). The company had high unbilled revenues and receivables outstanding as on December 31, 2024, translating into an increased working capital intensity, with NWC/OI at 37% against 21% as on March 31, 2024. However, the same are expected to moderate as of March 2025, supported by completion of project milestones (in Ganga Expressway & HAM assets) and sanction (and disbursement) of project debt in solar SPVs. Any material write-off of unbilled revenues remains monitorable. While its leverage and coverage indicators are expected to moderate on a YoY basis in FY2026, the dip will likely be transitory. Given the increasing scale of operations, diversification into new segments and sizeable equity commitments, HGIEL's ability to judiciously manage its working capital cycle and maintain its execution ramp-up remain important from the credit perspective.

The ratings continue to factor in the stiff competition in the construction sector, which could put pressure on the new order inflows and the company's exposure to sizeable contingent liabilities in the form of bank guarantees, mainly for contractual performance, mobilisation advance and retention money. Nonetheless, ICRA draws comfort from its execution track record and absence of invocation of guarantees in the past.

Key rating drivers and their description

Credit strengths

Large scale of operations with unexecuted OB providing medium-term revenue visibility – ICRA notes the healthy execution ramp-up in FY2025e, with estimated revenues of Rs. 5,900-6,000 crore (~15% YoY growth over FY2024) and likely increase of 12-15% YoY over the medium term. The order book of Rs. 15,080 crore as on December 31, 2024, translates into OB/OI (FY2025e revenues) of 2.6 times, providing medium-term revenue visibility. Moreover, a geographically diversified order book (across 13 states in India) mitigates the risk of any adverse regional developments impacting the execution pace. HGIEL has also witnessed segment diversification of its OB in the last two to three years, with the share of non-highway works increasing to 25% by end of December 2024 (from nil in FY2022). In its current OB, 75% share is of the highways segment, followed by railways at 15% and the rest from solar EPC projects. Around 94% of the order book comprises works awarded by various Government authorities (NHAI, MoRTH, Indian Railways, RVNL, Delhi Metro, etc.) and the rest from reputed private parties. As the Government bodies occupy a high share of the order book, the counterparty risk remains low.

Healthy financial profile with comfortable debt coverage metrics – HGIEL's financial profile remains healthy, evident from a revenue CAGR of ~18% over FY2022-FY2025e, stable and healthy operating margins (~16%) and a conservative capital structure translating into healthy leverage (TOL/TNW of 0.5-1.0 times) and debt coverage metrics (interest cover of >8 times), at a standalone level. While the company's indebtedness increased in 9M FY2025, with TOL/TNW inching up to 1.1 times (from 0.8 times as on March 31, 2024), the same is expected to be transitory. ICRA expects HGIEL's credit metrics to improve over the medium term, backed by normalisation of the working capital cycle and supported by monetisation of five-six of its completed HAM projects.

Experienced management; track record of timely completion of projects – HGIEL has an operational track record of over 20 years and its promoters have over four decades of experience in the Indian civil construction business. Its healthy record of timely delivery has led to repeat orders in the past (from private sector clients) and early-completion bonus, which reflects its strong execution capabilities.

Credit challenges

Exposed to execution as well as funding risks related to HAM and renewable energy projects – HGIEL is exposed to execution risk with ~70% of its order book, either in the nascent stages (~22% with less than 20% progress) or yet to commence (48% of OB, comprising four HAM and two EPC projects) as on December 31, 2024. Also, given its entry into new segments – solar energy production (EPC followed by 25-year O&M) and BESS (EPC followed by 12-year O&M), and planned entry into the power transmission segment – the company will be exposed to risks associated with land acquisition (or right-of-way), battery sourcing, forex fluctuations, technology obsolescence and operating performance. In terms of funding requirements, HGIEL had 11 HAM projects in its portfolio as on December 31, 2024, of which 7 are under construction and four are yet to receive AD. In addition, it had solar-power EPC projects aggregating to Rs. 1,556 crore (unexecuted as on December 31, 2024). These assets cumulatively entail equity commitment of ~Rs. 2,378 crore of which, ~Rs. 983 crore had already been infused as of December 2024, and the balance is expected to be infused over the next two to three years. Also, the company added three BESS projects, which will require further equity funding of Rs. 500-550 crore, over the next 1.5-2 years. The estimated cash flow from operations, coupled with monetisation proceeds from completed HAM assets, is likely to be sufficient for meeting the equity commitments towards the current OB and scheduled debt repayments. However, it is to be noted that any significant addition of new BOT (HAM)/solar/BESS projects requiring materially higher funding commitments could have a bearing on leverage levels and liquidity. Hence, timely divestment of stake in completed HAM projects remains critical.

Working capital-intensive operations – As inherent to the construction industry, the company has large working capital-intensive operations, given the dependence on the Government authorities for timely receipt of payments. The working capital intensity (as reflected in NWC/OI) increased in 9M FY2025 to 37% over 21% in FY2024, on account of elongation of receivable cycle and inventory build-up for the ramp-up in execution of newly awarded solar projects (which saw some delay in project debt sanction and consequently payment to HGIEL), Ganga Expressway (one of the largest single projects executed; high execution pace, given the likely completion in Q1 FY2026) and several HAM assets (five nearing PCOD within H1 FY2026). While ICRA expects the NWC/OI to moderate from December 2024 levels, following debt disbursals and operationalisation of solar SPVs and completion of the Ganga Expressway project, the overall levels will likely remain higher than the historic low levels, due to changing segmental/counterparty mix. The improvement in billing and receivable cycle and, hence, the working capital cycle will remain a key monitorable.

Environment and social consideration

Environmental consideration: HGIEL operates across multiple project sites at any point of time and, therefore, the risk of business disruptions on account of physical climate risks is low. However, the cluster approach (which provides operational efficiencies leading to time and cost saving) might increase the risk to some extent, compared to other engineering, procurement, and construction (EPC) players. Given that construction activity generates air pollution, entities like HGIEL remain vulnerable to the risk of temporary bans on operations in cities that are more sensitive to deteriorating air quality, which exposes the company to the price-escalation risk. Nevertheless, most of its projects have price-escalation clauses and it seeks compensation from the client if there is delay on account of environmental issues, geographical issues, etc.

Social consideration: Construction entities like HGIEL face social risks stemming from the health and safety concerns of its workers, which could invite regulatory or legal action, besides reputational harm. However, it has a track record of maintaining healthy relationships with its workers/employees, including contractual labour with no material incidents of a slowdown in execution because of workforce management issues.

Liquidity position: Adequate

HGIEL's liquidity remains adequate with healthy cash flows from operations, supported by a stable working capital cycle, free cash on books (Rs. 51 crore) and undrawn fund-based working capital limits of ~Rs. 150 crore as on December 31, 2024 (~Rs. 530 crore undrawn against available drawing power). The average utilisation of its fund-based limits during the twelve months that ended in January 2025 was 80%. While the company has principal repayments of ~Rs. 360 crore, equity commitment of ~Rs. 910 crore (for existing HAM and renewable energy projects) and planned capex of Rs. 70-80 crore in FY2026, the estimated cash flows from operations along with existing cash balances are expected to be sufficient to meet its financial obligations. The planned monetisation of five HAM assets, nearing completion in H1 FY2026, could provide additional liquidity support.

Rating sensitivities

Positive factors – The rating may be upgraded, if the company demonstrates a sustained improvement in its scale of operations, backed by healthy order book addition and execution. Moreover, the company's ability to sustain low leverage and robust debt coverage metrics, supported by realisation of proceeds from divestment of BOT (HAM) projects leading to substantial improvement in liquidity, will also remain vital for a rating upgrade.

Negative factors – Pressure on the ratings could arise, if there is a slowdown in order addition and project execution or moderation in profitability, or if there is any deterioration in the working capital cycle. The ratings may be downgraded if delays in execution of the ongoing BOT (HAM)/ developmental projects, or a significant increase in the commitment towards the BOT (HAM)/ developmental projects weaken the liquidity position. A specific credit metric which could result in rating downgrade is an interest cover of less than 7 times on a sustained basis.

Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology Construction
Parent/Group support	Not Applicable
Consolidation/Standalone	For arriving at the ratings, ICRA has applied limited consolidation approach for road HAM, Solar and BESS segment special purpose vehicles (SPVs), factoring in the equity commitments and support towards meeting any cash flow mismatches (e.g. equity/cost overrun support/ operational shortfall). Refer Annexure II for the list of entities considered for consolidated analysis.

About the company

H.G. Infra Engineering Limited (HGIEL/company) was incorporated in 2003 by Mr. Hodal Singh Choudhary, Mr. Girish Pal Choudhary, Mr. Vijendra Singh Choudhary and Mr. Harendra Singh Choudhary in Jodhpur, Rajasthan. The company is primarily involved in the infrastructure construction activities pertaining to roads and highways, along with its 11 hybrid annuity mode (HAM) SPVs (excluding four assets already monetised), and has diversified into railways, solar power and battery energy storage system (BESS) projects in recent years. It is present across states including Maharashtra, Jharkhand, Uttar Pradesh, Andhra Pradesh, Gujarat, Rajasthan, etc. The company has been listed on the Bombay Stock Exchange (BSE) and the National Stock Exchange (NSE) since March 09, 2018.

Key financial indicators (audited)

HGIEL Standalone	FY2023	FY2024	9M FY2025
Operating income (Rs. crore)	4,419	5,122	4,079
PAT (Rs. crore)	421	545	365
OPBDIT/OI (%)	16.1%	16.0%	16.4%
PAT/OI (%)	9.5%	10.7%	8.9%
Total outside liabilities/Tangible net worth (times)	1.0	0.8	-
Total debt/OPBDIT (times)	0.7	0.6	-
Interest coverage (times)	11.2	10.2	9.0

Source: Company, ICRA Research; All ratios as per ICRA's calculations; OI: Operating income; PAT: Profit after tax; OPBDIT: Operating profit before depreciation, interest, taxes and amortisation

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

	Current (FY2026)			Chronology of rating history for the past 3 years					
				FY2025		FY2024		FY2023	
Instrument	**Type**	**Amount rated (Rs. crore)**	**May 13, 2025**	**Date**	**Rating**	**Date**	**Rating**	**Date**	**Rating**
Fund-based – Cash credit	Long-term	700.00	[ICRA]AA- (Positive)	Jan 06, 2025	[ICRA]AA- (Positive)	Apr 25, 2023	[ICRA]AA- (Stable)	Apr 26, 2022	[ICRA]AA- (Stable)
						Feb 06, 2024	[ICRA]AA- (Positive)		
Letter of credit and bank guarantee	Short-Term	-	-	Jan 06, 2025	-	Apr 25, 2023	-	Apr 26, 2022	[ICRA]A1+
						Feb 06, 2024	-		
Non-fund based – Bank guarantee	Long-term/ Short-term	3,800.00	[ICRA]AA- (Positive)/ [ICRA]A1+	Jan 06, 2025	[ICRA]AA- (Positive)/ [ICRA]A1+	Apr 25, 2023	[ICRA]AA- (Stable)/ [ICRA]A1+	Apr 26, 2022	[ICRA]AA- (Stable)/ [ICRA]A1+
						Feb 06, 2024	[ICRA]AA- (Positive)/ [ICRA]A1+		
Non-convertible debentures	Long-term	-	-	Jan 06, 2025	[ICRA]AA- (Positive); Withdrawn	Apr 25, 2023	[ICRA]AA- (Stable)	Apr 26, 2022	[ICRA]AA- (Stable)
						Feb 06, 2024	[ICRA]AA- (Positive)		

Complexity level of the rated instruments

Instrument	Complexity indicator
Long-term – Fund-based – Cash credit	Simple
Long-term/Short-term – Non-fund based – Bank guarantee	Very Simple

The Complexity Indicator refers to the ease with which the returns associated with the rated instrument could be estimated. It does not indicate the risk related to the timely payments on the instrument, which is rather indicated by the instrument's credit rating. It also does not indicate the complexity associated with analysing an entity's financial, business, industry risks or complexity related to the structural, transactional or legal aspects. Details on the complexity levels of the instruments are available on ICRA’s website: Click Here

Annexure I: Instrument details

ISIN	Instrument name	Date of issuance	Coupon rate	Maturity	Amount rated (Rs. crore)	Current rating and outlook
NA	Long-term – Fund-based – Cash credit	NA	NA	NA	700.00	[ICRA]AA- (Positive)
NA	Long-term/Short-term – Non-fund based – Bank guarantee	NA	NA	NA	3,800.00	[ICRA]AA- (Positive)/ [ICRA]A1+

Source: Company data, ICRA Research

Please click here to view details of lender-wise facilities rated by ICRA

Annexure II: List of entities considered for consolidated analysis

Company name	Ownership	Consolidation approach
H.G. Infra Engineering Limited	100.00% (rated entity)	-
H.G. Khammam Devarapalle Pkg-1 Private Limited	100.00%	Limited Consolidation
H.G. Khammam Devarapalle Pkg-2 Private Limited	100.00%	Limited Consolidation
H.G. Raipur Visakhapatnam AP-1 Private Limited	100.00%	Limited Consolidation
H.G. Raipur Visakhapatnam OD-5 Private Limited	100.00%	Limited Consolidation
H.G. Raipur Visakhapatnam OD-6 Private Limited	100.00%	Limited Consolidation
H.G. Karnal-Ringroad Private Limited	100.00%	Limited Consolidation
H.G. Varanasi-Kolkata Pkg-10 Highway Private Limited	100.00%	Limited Consolidation
H.G. Varanasi-Kolkata Pkg-13 Highway Private Limited	100.00%	Limited Consolidation
H.G. Chennai-Tirupati Pkg (II) Highway Private Limited	100.00%	Limited Consolidation
H.G. Narol Sarkhej Highway Private Limited	100.00%	Limited Consolidation
H.G. Bahuvan Jagarnathpur Highway Private Limited	100.00%	Limited Consolidation
H.G. Green Energy Private Limited (Formerly known as 'H.G. Solar Project Private Limited')	100.00%	Limited Consolidation
H.G. Bikaner Solar Project Private Limited	51.00%	Limited Consolidation
H.G. Nokha Solar Project Private Limited	99.82%	Limited Consolidation
H.G. Sri Dungargarh Solar Project Private Limited	99.82%	Limited Consolidation
H.G. Mathania Solar Project Private Limited	99.83%	Limited Consolidation
H.G. Bilara Solar Project Private Limited	99.76%	Limited Consolidation
H.G. Bhopalgarh Solar Project Private Limited	99.80%	Limited Consolidation
H.G. Mangeriya Solar Project Private Limited	99.85%	Limited Consolidation
H.G. Barni Solar Project Private Limited	51.00%	Limited Consolidation
H.G. Rajlani Solar Project Private Limited	99.86%	Limited Consolidation
H.G. Hingoli Solar Project Private Limited	51.00%	Limited Consolidation
H.G. Khariya Solar Project Private Limited	51.00%	Limited Consolidation
H.G. Pichiyak Solar Project Private Limited	51.00%	Limited Consolidation
H.G. Matora Solar Project Private Limited	99.80%	Limited Consolidation
H.G. Chandelao Solar Project Private Limited	99.74%	Limited Consolidation
H.G. Gopasariya Solar Project Private Limited	99.68%	Limited Consolidation
H.G. Planchala Solar Project Private Limited	99.81%	Limited Consolidation

Company name	Ownership	Consolidation approach
H.G. Reeniya Solar Project Private Limited	99.74%	Limited Consolidation
H.G. Belarwa Solar Project Private Limited	99.83%	Limited Consolidation
H.G. Badu Solar Project Private Limited	99.68%	Limited Consolidation
H.G. Bhada Solar Project Private Limited	99.74%	Limited Consolidation
H.G. Jakhan Solar Project Private Limited	99.74%	Limited Consolidation
H.G. Kadwa Solar Project Private Limited	99.74%	Limited Consolidation
H.G. Kapuriya Solar Project Private Limited	99.83%	Limited Consolidation
H.G. Muknasar Solar Project Private Limited	51.00%	Limited Consolidation
H.G. Patiya Solar Project Private Limited	99.80%	Limited Consolidation
H.G. Bapini Solar Project Private Limited	51.00%	Limited Consolidation
H.G. Amala Solar Project Private Limited	99.67%	Limited Consolidation
H.G. Bhojakor Solar Project Private Limited	99.82%	Limited Consolidation
H.G. Chanpura Solar Project Private Limited	99.85%	Limited Consolidation
H.G. Kushlawa Solar Project Private Limited	51.00%	Limited Consolidation
H.G. Moolraj Solar Project Private Limited	51.00%	Limited Consolidation
H.G. Moriya Solar Project Private Limited	51.00%	Limited Consolidation
H.G. Ramsagar Solar Project Private Limited	51.00%	Limited Consolidation
H.G. Nayabera Solar Project Private Limited	99.74%	Limited Consolidation
H.G. Paleena Solar Project Private Limited	51.00%	Limited Consolidation
H.G. Peelwa Solar Project Private Limited	99.85%	Limited Consolidation
H.G. Jetpur Solar Project Private Limited	99.83%	Limited Consolidation
H.G. Suin Solar Project Private Limited	99.83%	Limited Consolidation
H.G. Kisnasar Solar Project Private Limited	99.81%	Limited Consolidation
H.G. Surnana Solar Project Private Limited	99.76%	Limited Consolidation
H.G. Hemera Solar Project Private Limited	51.00%	Limited Consolidation
H.G. Bachasar Solar Project Private Limited	51.00%	Limited Consolidation
H.G. Berasar Solar Project Private Limited	51.00%	Limited Consolidation
H.G. Dhingsari Solar Project Private Limited	51.00%	Limited Consolidation
H.G. Hiyadesar Solar Project Private Limited	99.74%	Limited Consolidation
H.G. Kishnasar Solar Project Private Limited	99.74%	Limited Consolidation
H.G. Manyana Solar Project Private Limited	99.74%	Limited Consolidation
H.G. Mukam Solar Project Private Limited	99.80%	Limited Consolidation
H.G. Raisar Solar Project Private Limited	99.74%	Limited Consolidation
H.G. Sindhu Solar Project Private Limited	99.83%	Limited Consolidation
H.G. Banaskantha Bess Private Limited	100.00%	Limited Consolidation
H.G. Gujarat Bess Private Limited	100.00%	Limited Consolidation
H.G. Foundation (Section 8 Company)	100.00%	Limited Consolidation
TPL JV	30.00%	Equity Method
Safety First Engineering Private Limited	26.00%	Equity Method
Safety First (Partnership Firm)	26.00%	Equity Method

Source: Company, ICRA Research

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