H.G. Infra Engineering Limited

April 04, 2025

Facilities/Instruments	Amount (₹ crore)	Rating[1]	Rating Action
Long-term bank facilities	200.00	CARE AA; Stable	Assigned

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

Ratings assigned to bank facilities of H.G. Infra Engineering Limited (HGIEL) consider its established track record of over two decades in the construction sector, experienced promoters, and execution capabilities across geographies. Ratings also reflect HGIEL's healthy and segmentally diversified outstanding order book and favourable outlook for diversified engineering, procurement, and construction (EPC) companies due to a large pipeline of projects from government in roads, renewable energy, battery storage, transmission and distribution (T&D), railways and metro rails.

Ratings highlight HGIEL's successful asset monetisation, where the company has freed up significant capital, receiving ₹502 crore against an equity investment of ₹344 crore in its four HAM projects. As on December 31, 2024, HGIEL had an outstanding order book of ₹15,080 crore, indicating healthy revenue visibility at 2.94x the FY24 (refers to April 01 to March 31).

Ratings favourably consider the healthy growth in HGIEL's total operating income (TOI) and its ability to maintain profitability. HGIEL's TOI registered a year-over-year (y-o-y) growth of 22% in FY23 and 16% in FY24. In the first nine months of FY25, HGIEL achieved a y-o-y growth of 17%. With the addition of orders from other segments, healthy growth in the scale of operations is expected to sustain in the medium term. HGIEL has consistently reported healthy profit before interest, lease rentals, depreciation, and taxation (PBILDT) margins of ~16% in the last three years.

Ratings derive strength from HGIEL's comfortable capital structure, low leverage and strong debt coverage indicators. Total outside liabilities/tangible net worth (TOL/TNW) stood low at 0.77x as on March 31, 2024. Debt levels though increased as on December 31, 2024, expected to be reduced by March 31, 2025, owing reduction in debtors through term debt disbursement in project special purpose vehicles (SPVs). Total debt/PBILDT stood at 0.91x in FY24 and not expected to exceed 1.5x on a sustained basis.

These strengths are tempered by HGIEL's working capital intensive operations, exposure to HAM and renewable energy projects, and risks related to intense competition in the industry. Funding requirement for HGIEL is expected to increase in the medium term due to impending equity commitment for ongoing HAM and renewable energy projects. Further 48% of the order book consisting of four HAMs and two EPC contracts, are awaiting the appointed date (AD) or letter of award (LOA). Nevertheless, HGIEL has attained physical progress of 68-85% in its five ongoing NH-HAM projects till December 31, 2024 and plans to monetise this for meeting future funding requirements. Past track record of asset monetisation demonstrated execution capability of HGIEL and assured cash flow visibility in HAM projects augur well from asset monetisation perspective. Moreover, HGIEL also has an option to avail top up loan to free up its capital in solar projects SPV post satisfactory payment and generation track record. Going forward, achievement of meaningful progress in asset monetisation by H2FY26 shall be a key rating monitorable.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Significant growth in its scale of operations while diversifying its business segments and corresponding improvement in TOL/TNW below 0.5x on a sustained basis.

Negative factors

- Higher than envisaged increase in the debt levels, leading to deterioration to total debt to PBILDT over 1.5x-1.6x on a sustained basis.
- Increasing working capital intensity or indebtedness leading TOL/ TNW exceeding 1x on a sustained basis.
- Going forward, significant delays in the project execution leading to reduction in the PBILDT margins on a sustained basis.
- Non-meaningful progress in asset monetisation beyond H2FY26.
- Aggressive addition of new HAM or renewable energy projects, resulting in the high exposure of its investments and advances against the net-worth on a sustained basis.

[1]Complete definition of ratings assigned are available at www.careedge.in and other CARE Ratings Limited's publications.

Analytical approach: Standalone

CARE Ratings Limited (CARE Ratings) has considered standalone financials of HGIEL while factoring the equity commitments, corporate guarantee and support requirements if any towards its under-construction projects. Financial flexibility from operational portfolio has also been factored in.

Outlook: Stable

The outlook is expected to remain stable supported by the company's demonstrated execution capabilities, healthy orderbook position of the company and low leverage.

Detailed description of key rating drivers:

Key strengths

Established track record and experienced management

HGIEL has a track record of over two decades in the construction industry, with promoters boasting over four decades of experience. The company has demonstrated strong execution capabilities, completing majority projects within the envisaged time frame and receiving bonuses for early completion on some projects. HGIEL has consistently shown its ability to bid for and win large-scale projects from government departments and authorities. HGIEL has team of experienced professionals to support promoters in day-to-day operations.

Healthy order book position along with segmental and geographical diversification

As on December 31, 2024, HGIEL had an outstanding order book of ₹15,080 crore, indicating healthy revenue visibility at 2.94x the FY24 TOI. The order book strengthened from ₹12,434 crore as on March 31, 2024, due to healthy order additions in the roads segment and new orders in the solar segment. The order book is diversified with roads contributing 75%, railways 15%, and solar 10%. The company has also secured letter of award for battery energy storage system (BESS) project of ~₹1,100 crore on build, operate and transfer basis. Order book is also geographically diversified in 13 states. However, ~48% order book, consisting of four HAMs and two EPC contracts, are awaiting the appointed date (AD) or letter of award (LOA). AD of four HAM projects and LOA of two EPC projects are expected by Q1FY26. Going forward, TOI is expected to grow with execution of these projects. However, receipt of appointed date for these projects within envisaged timeline is crucial from credit perspective.

Steady growth in scale of operations with healthy profitability

HGIEL's TOI registered a healthy year-over-year (y-o-y) growth of 22% in FY23 and 16% in FY24, reaching ₹5,122 crore at the end of FY24 from ₹3,615 crore at the end of FY22. In the first nine months of FY25, HGIEL achieved a y-o-y growth of 17%. This growth in TOI is attributed to the strong execution of road segment orders. With the addition of orders from other segments and execution thereof, healthy growth in the scale of operations is expected to sustain in the medium term. HGIEL has consistently reported healthy PBILDT margins of ~16% in the last three years.

Comfortable capital structure, low leverage and strong debt coverage indicators

HGIEL's capital structure remained comfortable, with TOL/TNW at 0.77x as on March 31, 2024. Debt levels increased as on December 31, 2024, considering increase in debtors from solar project impending term debt disbursement in SPV. However, this is expected to be reduced by March 31, 2025, owing term debt disbursement in project special purpose vehicles (SPVs). Total debt/PBILDT stood at 0.91x in FY24 and not expected to exceed 1.5x on a sustained basis even after increase in working capital intensity and impending equity commitment. Interest coverage also remained healthy ~9-11x in the past.

Track record of asset monetisation

HGIEL has a successful history of monetising its road assets. The company monetised its four NH-HAM projects following the signing of share purchase agreement (SPA) with the Highways Infrastructure Trust in May 2023. HGIEL transferred its stake in three HAM projects in November 2023 and the stake in the fourth HAM project in February 2025. The company invested a total equity of ₹344 crore in these four projects and received ₹502 crore, including GST change in law. Through the stake sale, HGIEL was able to free up its invested capital and deploy it in new projects.

Government thrust on infrastructure development

Continued government thrust on the infrastructure sector augurs well for HGIEL's growth prospects in the medium term. Under the government's National Infrastructure Pipeline (NIP), a substantial outlay of ₹185 trillion as of March 2025 is expected to provide necessary impetus to companies operating in this segment. There is a significant traction in T&D projects supported by governments focus on electrifying and upgrading the grid infrastructure and adopting renewables. Thus, increased focus of the government of India (GOI) on overall Infrastructure development is expected to benefit players such as HGIEL given its strong execution track record.

Key weaknesses

Exposure to HAM and solar energy projects

HGIEL has a portfolio of 11 under-construction HAM projects. Of these, five are at an advanced stage of completion, one is at a nascent stage, one is at an intermediate stage and four are awaiting appointed date. HGIEL has an equity commitment of ₹1,657 crore towards these 11 HAM projects, of which ₹855 crore has been infused as of December 31, 2024. Additionally, HGIEL has won solar projects under the PM-KUSUM component-C for feeder-level solarisation, requiring an equity commitment of ₹721 crore, with ₹129 crore infused as on December 31, 2024. HGIEL has also won two Battery Energy Storage System (BESS) projects, which may require an equity commitment of ~₹300 crore. The total pending equity commitment towards all its HAM and solar energy projects is ~₹2,000 crore for FY25-FY27; of which ₹365 crore is already infused in 9MFY25.

The balance equity commitment is expected to be met through internal accruals, receipt of funds from one HAM stake sale in February 2025, and the proposed stake sale of its five HAM projects. Moreover, HGIEL has attained physical progress of 68-85% in its five ongoing NH-HAM projects till December 31, 2024, and plans to monetise this for meeting future funding requirements. Past track record of asset monetisation demonstrated execution capability of HGIEL and assured cash flow visibility in HAM projects augur well from asset monetisation perspective. HGIEL has also option to avail top up loan to free up its capital in solar projects SPV post satisfactory payment and generation track record. Going forward, achievement of meaningful progress in asset monetisation by H2FY26 shall be a key rating monitorable. Sustained leverage beyond a total debt to PBILDT ratio of 1.5x will be a key rating sensitivity.

The project SPVs in solar is also exposed to counterparty risk but this is partly mitigated by a longer power purchase agreement (PPA) tenor of 25 years, higher PPA rates, and central finance assistance (CFA) under the PM-KUSUM scheme.

Project risk

HGIEL is exposed to inherent project execution risks related to its HAM, solar, and BESS projects. HGIEL also plans to foray in transmission space where risk related to time and cost overrun is relatively higher due to tariff based competitive bidding and responsibility of right of way lies with developer. As the developer and EPC contractor, HGIEL assumes full implementation risk and is responsible for covering cost overruns. With over two decades of experience in the road segment, HGIEL's concerns for HAM projects are alleviated. Project execution risk in solar projects is relatively lower compared to roads and transmission. According to management, physical progress for the solar projects stands at ~50% as on March 2025, mitigating project execution risks. For the BESS projects, HGIEL has signed 12-year contracts with NTPC Limited (rated CARE AAA; Stable / CARE A1+) and Gujarat Urja Vikas Nigam Limited (GUVNL; Rated CARE AA+; Stable / CARE A1+), for which financial closure is awaited. As HGIEL diversifies in emerging segments, it is exposed to risks related to battery sourcing, technology, and operating performance. Significant support required from HGIEL towards its HAM and solar energy projects, impacting its leverage position beyond threshold levels, will be a key rating monitorable.

Working capital intensive operations

HGIEL’s operations are working capital intensive owing to the inherent construction industry. The gross current asset days (GCA) have moderated but remained comfortable at 171 days as on March 31, 2024, compared to 158 days as on March 31, 2023. The moderation is due to increase in receivables and unbilled revenue aligned with increase in scale of operations and pending term debt disbursement in project SPVs.

Heightened execution challenges and intense competition in the roads sector

According to CARE Ratings estimates for the financial year 2023-24, the pace of construction for National Highways saw a notable increase of 20%, reaching 34 km/day on a y-o-y basis. However, this pace is below the 37 km/day achieved in FY21, attributed to execution challenges and increased competitive bidding, bringing in weaker contractors. The highway sector faced a combination of rising project complexities, participation from sponsors with moderate capabilities, projects awarded at limited premium or discount over NHAI cost for the last few years and significant delays in receiving appointed dates after projects were awarded, contributing to a slower construction pace. CARE Ratings forecasts ~7-10% decline in the pace of national highways construction in FY25 compared to FY24. The construction rate is expected to slow from 12,350 km in FY24 to 11,100-11,500 km in FY25. Slow awarding from NHAI is also a concern.

Liquidity: Strong

HGIEL had free cash and cash equivalent of ₹52 crore as on December 31, 2024. Average utilisation of fund based working capital limits remained moderate at 75% in the last 12 months ended January 2025. HGIEL is expected to generate healthy cash accruals against repayment of ~₹357 crore in FY26.

Assumptions/Covenants: Not applicable

Environment, social, and governance (ESG) risks

Environmental	The company drives sustainability by using alternative raw materials, grid electricity, effective waste management, and upgraded vehicles at their sites. The company replaces soil with inert materials, establishes STPs at construction sites, and uses recycled materials in road construction. The company planted over 100,000 saplings in FY24.
Social	At HG Infra, employee and worker safety is their top priority, earning them awards from the National Highways Authority of India and Delhi Metro Rail Corporation Limited. They conduct regular risk assessments and implement emergency response plans. Their CSR approach focuses on positively impacting the community through the HG Foundation. They support education, healthcare, animal welfare, and environmental sustainability to make a meaningful difference.
Governance	The company's board comprises over 50% independent directors, emphasising diversity and effective oversight. They adhere to strict corporate governance standards, including a comprehensive report and a compliance certificate from the Practising Company Secretary.

Applicable criteria

[Definition of Default](#)
[Factoring Linkages Parent Sub JV Group](#)
[Liquidity Analysis of Non-financial sector entities](#)
[Rating Outlook and Rating Watch](#)
[Financial Ratios – Non financial Sector](#)
[Construction Sector](#)
[Infrastructure Sector Ratings](#)

About the company and industry

Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Industrials	Construction	Construction	Civil construction

H.G. Infra Engineering Limited was incorporated in 2003 by Hodal Singh in Jodhpur, Rajasthan. HGIEL is a leading infrastructure development company with over 22 years of expertise in roads and highways. Initially focusing on highways, roads, and bridges, HGIEL has diversified in sectors such as railways, metro and solar.

HGIEL has established a strong presence spanning PAN India across 15+ states, executing numerous projects for esteemed clients such as the NHAI, Ministry of Road Transport & Highways (MoRTH), Indian Railways, and Delhi Metro Rail Corporation (DMRC). The company has also collaborated with industry leaders such as Adani Group, Tata Projects, and IRB.

Brief Financials (₹ crore)	March 31, 2023 (A)	March 31, 2024 (A)	9MFY25 (UA)
Total operating income	4,419	5,122	4,079
PBILDT	710	822	668
PAT	421	545	365
Overall gearing (times)	0.49	0.32	0.61
Interest coverage (times)	11.23	10.15	8.96

A: Audited UA: Unaudited; Note: these are latest available financial results

Status of non-cooperation with previous CRA: Not applicable

Any other information: Not applicable

Rating history for last three years: Annexure-2

Detailed explanation of covenants of rated instrument / facility: Annexure-3

Complexity level of instruments rated: Annexure-4

Lender details: Annexure-5

Annexure-1: Details of instruments/facilities

Name of the Instrument	ISIN	Date of Issuance (DD-MM-YYYY)	Coupon Rate (%)	Maturity Date (DD-MM-YYYY)	Size of the Issue (₹ crore)	Rating Assigned and Rating Outlook
Fund-based - LT-Term Loan	-	-	-	06-08-2027	200.00	CARE AA; Stable

Annexure-2: Rating history for last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2024-2025	Date(s) and Rating(s) assigned in 2023-2024	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022
1	Fund-based - LT-Term Loan	LT	200.00	CARE AA; Stable				

LT: Long term

Annexure-3: Detailed explanation of covenants of rated instruments/facilities: Not applicable

Annexure-4: Complexity level of instruments rated

Sr. No.	Name of the Instrument	Complexity Level
1	Fund-based - LT-Term Loan	Simple

Annexure-5: Lender details

To view details of bank facilities please click here

Note on complexity levels of rated instruments: CARE Ratings has classified instruments rated by it based on complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for clarifications.

Contact us

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About us:
Established in 1993, CARE Ratings is one of the leading credit rating agencies in India. Registered under the Securities and Exchange Board of India, it has been acknowledged as an External Credit Assessment Institution by the RBI. With an equitable position in the Indian capital market, CARE Ratings provides a wide array of credit rating services that help corporates raise capital and enable investors to make informed decisions. With an established track record of rating companies over almost three decades, CARE Ratings follows a robust and transparent rating process that leverages its domain and analytical expertise, backed by the methodologies congruent with the international best practices. CARE Ratings has played a pivotal role in developing bank debt and capital market instruments, including commercial papers, corporate bonds and debentures, and structured credit.

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