H.G. Infra Engineering Limited

September 03, 2026

Facilities/Instruments	Name of the Regulator[1]	Amount (₹ crore)	Rating[2]	Rating Action
Long-term bank facilities	RBI	140.00	CARE AA; Negative	Reaffirmed; Outlook revised from Stable

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

CARE Ratings Limited (CareEdge Ratings) has reaffirmed the rating assigned to the long-term bank facilities of H.G. Infra Engineering Limited (HGIEL) and revised the outlook from 'stable' to 'negative'. The outlook has been revised considering expected moderation in leverage and debt coverage indicators in case of delay in realisation of stretched current assets and improvement in profitability to estimated levels.

Total operating income (TOI) declined significantly in Q4FY26 (refers to January 01 to March 31) and Q1FY27 (refers to April 01 to June 30) considering delay in commencement of large new orders and cancellation of two large engineering, procurement and construction (EPC) Maharashtra State Road Transport Corporation (MSRTC) projects in Maharashtra. Decline in scale of operations, cost escalations in solar projects housed under special purpose vehicles (SPVs) and increase in commodity prices owing West Asia crisis led to decline in profit before interest, lease rentals, depreciation and taxation (PBILDT) margins from 14.49% in 9MFY26 to 9.84% in Q4FY26 and further to 8.78% in Q1FY27.

Gross current asset (GCA) days elongated from 218 days in FY25 to 277 days in FY26 due to increase in unbilled revenue for hybrid annuity model (HAM) projects, pending realisation of change of scope payment from few large EPC projects and increase in receivables from a solar EPC owing to pending debt tie up. Stretched current assets and decline in profitability led to higher-than-envisaged debt levels as on March 31, 2026, and June 30, 2026. However, majority projects have already achieved provisional completion certificate or are under advance stage of completion as of August 2026 and therefore HGIEL expects realisation of sizeable cash flow of ~₹800-1,000 crore from these projects by FY27-end, which shall be utilised to reduce debt levels. PBILDT margins are also expected to improve significantly from Q3FY27 post ramp up in execution of large projects and completion of legacy solar project.

Going forward, further delay in realisation of envisaged stretched current assets and slower-than-expected improvement in profitability leading to total debt/PBILDT exceeding 1.5-1.6x or total outside liabilities to tangible net worth (TOL/TNW) exceeding 1x on a sustained basis is key negative rating sensitivities.

The rating also take cognisance of share purchase agreement (SPA) signed with Neo Infra Income Opportunities Fund for monetisation of five HAM projects for an aggregate purchase consideration of ₹1,384 crore, of which ~₹659 crore has been received till June 2026 and the balance of ~₹729 crore is expected to be received in FY27. Timely realisation is also crucial considering large equity commitments of ₹785 crore for FY27.

The rating continues to derive strength from established track record of over two decades in the construction sector, experienced promoters, strong execution capabilities across geographies and past track record of asset monetisation. Ratings also reflect HGIEL's segmentally diversified outstanding order book position as of June 30, 2026, which provides adequate revenue visibility in the medium term.

However, these strengths are partially offset by the working-capital-intensive nature of operations, exposure to public private partnership (PPP) projects and heightened execution challenges as well competition in the construction sector. While the company has demonstrated a strong track record of timely execution in the road segment, its ability to deliver projects within stipulated timelines in the solar and battery energy storage system (BESS) segments, while effectively managing risks related to land acquisition or right-of-way (RoW), battery sourcing, foreign exchange volatility, technology obsolescence, and operating performance—remains to be established.

[1]SEBI: Securities and Exchange Board of India; RBI: Reserve Bank of India; MCA: Ministry of Corporate Affairs; IRDAI: Insurance Regulatory and Development Authority of India; PFRDA: Pension Fund Regulatory and Development Authority.

[2]Complete definitions of ratings assigned are available at www.careratings.com and in other CARE Ratings Limited's publications.

CareEdge Ratings also takes note of the investigation initiated by the Central Bureau of Investigation (CBI) and Anti-Corruption Bureau (ACB), Patna, in January 2026, involving certain railway project-related matters, pursuant to which search operations were conducted at select company locations. Per the company's management, HGIEL is fully cooperating with investigating authorities and has stated that operations, project execution and banking arrangements continue without disruption, with no quantified financial or tax liability crystallised as on date. CareEdge Ratings will continue to closely monitor developments in this matter and assess potential impact on the company's operational and financial profile.

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

- Inability of the company to rationalize debt, or moderation in operating margins leading to deterioration to total debt to PBILDT breaching 2x on a sustained basis.
- Inability to reduce gross current assets days below 220 days on a sustained basis.
- 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.

Analytical approach: Standalone

CareEdge Ratings has considered standalone financials of HGIEL while factoring the equity commitments, and support requirements towards its under-construction projects. Financial flexibility from operational portfolio has also been factored in. Entities whose equity commitments and support are factored are listed below:

Sr. No.	Name of the SPV
1	Varanasi Kolkata Pkg-10
2	Varanasi Kolkata Pkg-13
3	Chennai Tirupati II
4	Narol Sarkhej
5	84 Kosi Parikrama
6	Bhubneshwar Ring Road- Odisha
7	H.G. Gujarat Bess Private Limited
8	H.G. Banaskantha Bess Private Limited
9	H.G. Choraniya BESS Private Limited
10	Transmission-Angul Sundergarh

Outlook: Negative

The Negative outlook is considering expected moderation in leverage and debt coverage indicators in case of delay in realisation of stretched current assets and improvement in profitability to estimated levels. Outlook can be revised to stable in case of rationalisation of debt levels through realisation of stretched assets and significant improvement in profitability.

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 having over four decades of experience. The company has demonstrated strong execution capabilities, completing majority projects within the envisaged time frame. Currently, HGIEL has a portfolio of eight HAM projects as on June 30, 2026. Of the eight HAM projects, one HAM project has received provisional commercial operations date (PCOD) and is under monetisation, one HAM project is at an advanced stage of completion with 99% physical progress, four HAM projects are at intermediate stages with physical progress ranging from 35.7% to 59.6%, one HAM project is at a nascent stage with 15.5% physical progress, and one HAM project is awaiting AD. HGIEL has consistently shown its ability to bid for and win large-scale projects from government departments and authorities. HGIEL has a team of experienced professionals to support promoters in day-to-day operations.

Comfortable order book position and segmental and geographical diversification
As on June 30, 2026, HGIEL had an outstanding order book of ₹14,502 crore, indicating good revenue visibility of 2.56x of FY26 TOI. The company has secured large orders in roads EPC, transmission and railways in the last one year. The order book is diversified with roads contributing 65%, Railways 21%, Transmission 10%, BESS 3% and Solar 1%.

Order book is geographically diversified across multiple states. However, ~41% of the order book, comprising one HAM project, one EPC project and two transmission projects, was not executable as of June 30, 2026, due to pending land availability, appointed dates and related approvals. Timely receipt of appointed date, there was leading to expected growth in TOI from Q3FY27 onwards remains crucial from credit perspective.

Moderation in capital structure despite improvement expected by FY27-end
Sustained high working capital intensity led to increase in total debt (including mobilization advances) from ₹1,486 crore as on March 31, 2025, to ₹2,104 crore as on March 31, 2026. This led to moderation in capital structure with with TOL/TNW at 1.26x and total debt/PBILDT at 2.82x as on March 31, 2026. Consequently, interest coverage moderated, despite remaining comfortable at 4.19x in FY26. HGIEL expects rationalisation of debt levels in FY27 through realisation of stretched current asset days and expansion in profitability. Going forward, delay in realisation of envisaged stretched current assets and slower-than-expected improvement in profitability leading to total debt/PBILDT exceeding 1.5x-1.6x or TOL/TNW exceeding 1x on sustained basis is key rating sensitivities.

Demonstrated track record of asset monetisation
HGIEL has a successful history of monetising its road assets. The company monetised its four National Highway (NH) HAM projects in FY24 and FY25. In FY26, HGIEL signed a SPA with Neo Infra Income Opportunities Fund to monetise its five near-completion HAM projects at a total consideration of ₹1,384 crore, of which ~₹659 crore has been received till June 2026 and the balance of ~₹729 crore is expected to be received in FY27.

Key weaknesses

Moderation in operating profitability in Q4FY26 and Q1FY27
TOI declined significantly in Q4FY26 (refers to January 01 to March 31) and Q1FY27 (refers to April 01 to June 30) considering delay in commencement of large new orders and cancellation of few large EPC projects in Maharashtra.

Decline in scale of operations, cost escalations in solar projects housed under SPVs and increase in commodity prices owing West Asia crisis led to decline in PBILDT margins from 14.49% in 9MFY26 to 9.84% in Q4FY26 and further to 8.78% in Q1FY27. Going forward, ramp-up in scale of operations as envisaged and improvement in profitability shall remain key rating sensitivity.

Exposure to PPP projects
As on June 30, 2026, HGIEL has a portfolio of eight NH-HAM projects. Of these, one has received PCOD and is under monetisation, one is at an advanced stage of completion with 99% progress, four are at intermediate stages of execution, one is at a nascent stage with 15.5% progress, and one HAM project is awaiting appointed date. HGIEL has an equity commitment of ₹1,228 crore towards seven HAM projects, solar and BESS project (excluding the project under monetisation), of which ~₹202 crore had been infused as of June 2026. The balance equity requirement is ₹583 crore in 9MFY27 and ₹443 crore in FY28. The equity commitment also includes the recently awarded HAM project, for which the appointed date is expected in Q3FY27.

The balance equity commitment is expected to be met through internal accruals and asset monetisation. Going forward, addition of large projects in HAM/Solar/BESS/Transmission segment entailing significant equity commitment there by impacting its capital structure and liquidity shall be key rating monitorable.

HGIEL is exposed to inherent project execution risks related to its HAM, solar, BESS and transmission projects. HGIEL has forayed in transmission segment with award of one project, where risks related to time and cost overruns are relatively higher due to tariff-based competitive bidding and responsibility of RoW lying with the 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. 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 achieved for one project and awaited for another two. As HGIEL diversifies into emerging segments, it is exposed to risks related to battery sourcing, technology, and operating performance. Significant support required from HGIEL towards its HAM, solar and BESS projects, impacting its leverage position beyond threshold levels, will be a key rating monitorable.

Sustained high working capital intensity

HGIEL's operations are working capital intensive owing to the inherent nature of the construction industry. The gross current asset days steadily increased from 171 days in FY24 to 277 days in FY26. It is considering increase in unbilled revenue for HAM projects, pending realisation of change of scope payment from few large EPC projects and increase in receivables from solar EPC projects owing to pending debt tie up. HGIEL expects realisation of ₹700-1,000 crore in FY27 from these stretched current assets, which shall ease its working capital intensity. Its rationalisation same as envisaged shall remain key rating monitorable.

Heightened execution challenges as well competition in the construction sector

The pace of construction for NHs steadily declined from 34 km in FY24 to 25 km per day in FY26 and estimated to decline further to 21 km per day in FY27. It is considering execution woes and sustained decline in project awarding. Competition has intensified in the last three years. Competition has also intensified in other sectors such as transmission and railways. Revenue visibility of EPC companies is also susceptible to execution hurdles and land acquisition issues beyond the company's control. Profitability of construction players is also susceptible to commodity prices and impact of geopolitical factors including the West Asia crisis.

Liquidity: Strong

HGIEL had free cash and cash equivalent of ₹27 crore as on March 31, 2026. Average utilisation of fund-based working capital limits remained moderately high at 80-85% for last 12 months ended July 2026. HGIEL is expected to generate healthy cash accruals against repayment of ~₹540 crore in FY27. Further, expected inflow from asset monetisation and realisation of stretched current asset days shall also aid the company's liquidity position.

Assumptions/Covenants: Not applicable

Environment, social, and governance (ESG) risks:

Environmental	The company drives sustainability by using alternative raw materials, grid and renewable electricity, effective waste management practices, and upgraded BS-VI compliant vehicles at its project sites. The company continues to replace soil with inert materials, establish sewage treatment plants (STPs) at construction sites, and use recycled materials such as fly ash and pond ash in road construction. In FY26, the company planned 181,688 plantations under the HG Green Drive, strengthening its focus on biodiversity and long-term ecological balance.
Social	At HGIEL, employee and worker safety remains a top priority, with sustained focus on robust EHS systems, regular risk assessments and emergency response planning across projects. These practices have earned recognition from marquee clients including the National Highways Authority of India (NHAI) and Delhi Metro Rail Corporation Limited (DMRC). The company's CSR approach continues to focus on positively impacting communities through the HG Foundation, supporting education, healthcare, animal welfare and environmental sustainability initiatives to create meaningful social outcomes. In FY26, the company spent ₹13.50 crore on CSR initiatives across 24 states and 75 villages, benefiting over 100,000 people.
Governance	The company's Board continues to comprise over 50% independent directors, with five independent directors representing 62.5% of the eight-member Board, reinforcing diversity, independence and effective oversight. HGIEL adheres to strict corporate governance standards, supported by comprehensive disclosures, a detailed Corporate Governance Report and a compliance certificate issued by a 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

HGIEL was incorporated in 2003 by Hodal Singh in Jodhpur, Rajasthan. HGIEL is a leading infrastructure development company with over 23 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 India across 15+ states, executing numerous projects for esteemed clients such as the NHAI, Ministry of Road Transport & Highways (MoRTH), Indian Railways, and DMRC. The company has also collaborated with industry leaders such as Adani Group, Tata Projects, and IRB.

Brief Financials (₹ crore)	March 31, 2025 (A)	March 31, 2026 (A)	Q1FY27 (UA)
Total operating income	6052	5667	907
PBILDT*	957	747	80
PAT	577	369	28
Overall gearing (times)	0.52	0.65	NA
Interest coverage (times)	8.28	4.19	1.86

A: Audited; UA: Unaudited; Note: these are latest available financial results
*PBILDT: Profit before interest, lease rentals, depreciation and tax.

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

For complexity level of instruments rated refer to Annexure-1

Lender details: Annexure-4

Disclosure on facilities/instruments and name of regulators:
A list of facilities / instruments falling under the purview of financial sector regulators (FSRs) along with the names of respective FSRs has been duly disclosed by CareEdge Ratings on its website. A link to the same has been provided below for ready reference:

https://www.careratings.com/activities_and_regulators

Note: For facilities or instruments falling under the purview of FSRs other than Securities and Exchange Board of India (SEBI), the grievance / dispute redressal mechanisms and investor protection mechanisms provided by SEBI shall not be available.

Annexure-1: Details of instruments/facilities

Name of the Instrument	Name of the Regulator	Complexity Level	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	RBI	Simple	-		-	31-03-2028	140.00	CARE AA; Negative

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 2026-2027	Date(s) and Rating(s) assigned in 2025-2026	Date(s) and Rating(s) assigned in 2024-2025	Date(s) and Rating(s) assigned in 2023-2024
1	Fund-based - LT-Term Loan	LT	140.00	CARE AA; Negative	1)CARE AA; Stable (02-Apr-26)	1)CARE AA; Stable (04-Apr-25)	-	-

LT: Long term; ST: Short term; LT/ST: Long term/Short term

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

Annexure-4: Lender details

To view lender-wise details of bank facilities please click here

Note on complexity levels of rated instruments: CareEdge 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.

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About us:
Established in 1993, CareEdge 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 Reserve Bank of India. With an equitable position in the Indian capital market, CareEdge 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, CareEdge 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. CareEdge Ratings has played a pivotal role in developing bank debt and capital market instruments, including commercial papers, corporate bonds and debentures, and structured credit. For more information: www.careratings.com

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