



## KEY HIGHLIGHTS

### 1. RESULTS OVERVIEW:

- Consolidated revenue rose by 11.14% on YoY basis and 3.91% on QoQ basis to Rs. 1061 cr.
- Operating EBITDA came in at ₹ 142 cr. Which is flat on both YoY and QoQ basis.
- EBITDA margins stood at 13.39% down by 126 bps and 129 bps on YoY and QoQ basis respectively.
- Net Profit stood at ₹ 69 cr. Up by 287% and 181% on YoY and QoQ basis respectively.
- Net profit includes an exceptional gain of ₹ 52cr on receipt of an award from an international arbitral tribunal.

### 2. MANAGEMENT COMMENTARY:

- Management is confident of maintaining 15% revenue growth for FY25.
- Operating margins are expected to remain in 13-14% range going forward.
- Aiming to raise funds worth ₹ 500 cr through QIP for working capital needs for large projects which are expected to come out post elections.
- Company incurred an exceptional loss of ₹ 15.97 cr in a real estate project in Hyderabad due to delay in registration process. This is a onetime loss only and the company is not pursuing any other real estate project as of now.
- Management is aiming to grow order book at around 15-20% next year.

### 3. PRICE PERFORMANCE (%)

Particulars	3 M	1 Y
Patel Engineering Ltd	-0.4%	248.60%
Nifty Small cap 250	5.01%	68.08%
Nifty 500	4.83%	38.41%

### 4. CONCALL SUMMARY:

- Order book as on 31<sup>st</sup> December 2023 stands at ₹ 19,134 cr. This includes projects in which they have been declared lowest bidders.
- Order inflow has been muted in this quarter owing to general elections. Order awarding is likely to pick up post elections.
- Lot of pump storage hydro projects are expected to come up as they are small in size which leads to lower construction cost and time.
- Company has received LOAs worth ₹ 3700 cr in FY24.
- Term debt of ₹ 800 cr is expected to be repaid in next 3-4 years.
- Margins are slightly on the lower side due to change in mix of the projects executed.
- Segment wise order book: Hydroelectric (61.09%), Irrigation (21.01%), Tunnel (11.06%), road (2.98%) and others (3.86%).
- Around 27,000 megawatt of hydro power projects are expected to be announced in the coming few years. These projects are currently at various stages of survey and investigation and under final clearance stage.
- 39 Hydro PSPs of 47 GW are being pursued to be commissioned by the year 2029-30.
- Tunneling segment has a huge pipeline of at least 875 tunnels, spanning a length of 2600 km.

### 5. VALUATION AND OUTLOOK:

- We expect company to post decent numbers going forward on the back of increased execution. Order inflows are expected to increase post general elections. Patel being the leader in hydroelectric EPC projects is expected to get good amount of orders in this space.
- We initiate BUY rating on the stock and value the scrip at 18x FY25E EPS to arrive at a target price of ₹ 80.**

## RECOMMENDATION – BUY

CMP –65

TARGET – 80 (+23%)

Industry	Construction- Real Estate
NSE CODE	PATELENG
BSE CODE	531120
Market Cap (₹ Cr)	4975
Shares outstanding (in Cr)	77.36
52 wk High/Low (₹)	79 / 17.05
P/E	24.7
P/BV	1.69
Face Value (₹)	1.00
Book Value (₹)	38.14
EPS (₹)	2.16
Dividend Yield (%)	0.00
Debt / Equity	0.62
Interest coverage	1.56

## SHAREHOLDING PATTERN

	Mar 24	Dec 23	Sept 23
Promoters	39.41	39.42	39.41
FIIIs	3.37	2.83	2.36
DIIIs	4.48	5.59	6.25
Public	47.93	47.37	47.18
Promoter Pledging	0.00	0.00	0.00

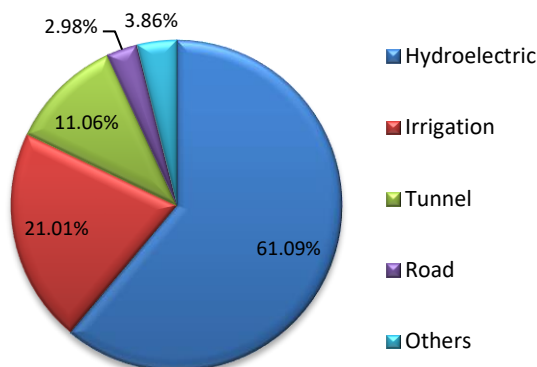
## FINANCIAL SNAPSHOT (₹ Cr)

Y/E March	2023A	2024E	2025E
<b>Core</b>			
Sales	4202	4500	5220
Sales Gr. (%)	24.31	7	17
EBITDA	625	630	783
EBITDA mrg. (%)	15	14	15
PAT	183	225	344
EPS (₹)	2.37	2.9	4.43
EPS Gr. (%)	173	22.36	52.75
<b>Ratios</b>			
RoE (%)	6.96	7.5	10.47
RoCE (%)	14.23	10.78	13.34
<b>Valuation</b>			
P/E (x)	7.45	21	13.76
Debt/ equity	0.62	0.65	0.55

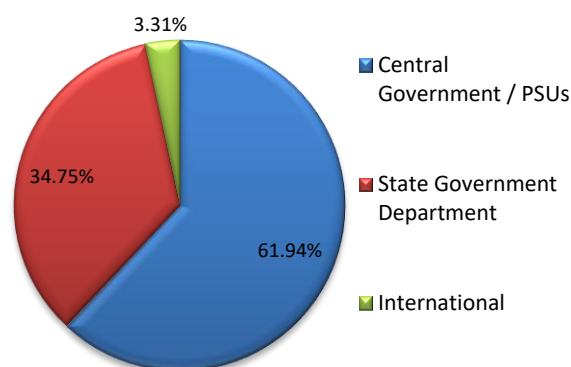
Particulars	TTM	5 Yr Avg
Historical P/E :	19.4	19.95
Industry P/E :	40	
Historical P/B :	1.5	0.3
Industry P/B :	5.4	

## ORDER BOOK SPLI (Q3 FY24)

### Segment wise Order book



### Client Wise Order book



## QUARTERLY PERFORMANCE (CONSOLIDATED)

(₹ Cr)

Y/E March	FY22		FY23				FY24				FY23	FY24E*
	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE*			
<b>Net sales</b>	<b>1,112</b>	<b>901</b>	<b>830</b>	<b>955</b>	<b>1,205</b>	<b>1,119</b>	<b>1,021</b>	<b>1,061</b>	<b>1299</b>	<b>4202</b>	<b>4500</b>	
YoY change (%)	51.5%	35.2%	14.6%	8.7%	8.4%	24.1%	23%	11.1%	7.8%	24.31	7	
<b>Total Expenditure</b>	<b>957</b>	<b>767</b>	<b>712</b>	<b>814</b>	<b>1,036</b>	<b>948</b>	<b>881</b>	<b>919</b>	<b>1122</b>	<b>3577</b>	<b>3870</b>	
<b>EBITDA</b>	<b>155</b>	<b>134</b>	<b>119</b>	<b>140</b>	<b>169</b>	<b>171</b>	<b>140</b>	<b>142</b>	<b>177</b>	<b>625</b>	<b>630</b>	
Margins (%)	14%	15%	14%	15%	14%	15%	14%	13%	13.62%	15%	14	
Depreciation	21	19	20	21	21	22	23	23	23	93	91	
Interest	104	99	104	105	104	88	92	89	91	418	360	
Other income	24	39	31	26	35	12	24	52	15	119	103	
<b>PBT</b>	<b>54</b>	<b>55</b>	<b>25</b>	<b>40</b>	<b>80</b>	<b>72</b>	<b>49</b>	<b>82</b>	<b>78</b>	<b>233</b>	<b>282</b>	
Tax	16	18	2	16		29	11	13	4	50	57	
Rate (%)	30%	33%	8%	40%	0%	40%	22%	16%	5.12%	21.5%	20%	
<b>Adjusted PAT</b>	<b>38</b>	<b>37</b>	<b>23</b>	<b>24</b>	<b>82</b>	<b>43</b>	<b>38</b>	<b>69</b>	<b>74</b>	<b>183</b>	<b>225</b>	
YoY change (%)			229%	-11%	116%	16%	65%	188%	-9.75%	154	23	
<b>Key Performance Indicator</b>												
RM Cost (% of Sales)	24.03%	25.12%	25.76%	21.74%	21.41%	21.14%	15.60%	15.21%	16%	18%	25%	
Staff Cost (% of Sales)	7.24%	7.72%	9.66%	9.13%	7.39%	7.97%	9.03%	8.43%	8%	8%	8%	
EBITDA Margin (%)	14%	15%	14%	15%	14%	15%	14%	13%	13.6%	15%	14%	
PAT Margin (%)	3%	4%	3%	3%	7%	4%	4%	7%	5.7%	4.35%	5%	

Source: Company, Hem Securities Research.

### \*Insights into the assumptions:

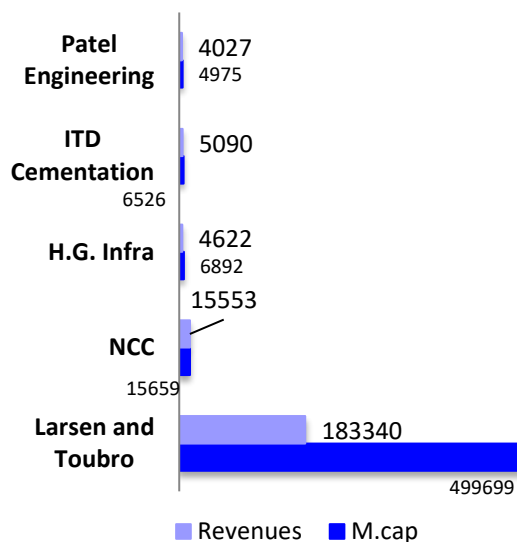
- Company is expected to post good number in Q4FY24 on the back of improved execution. Order inflow is expected to remain muted due to general elections.
- Order inflow in FY25 is expected to be robust. Strong order inflows are expected post general elections.



## INDUSTRY OVERVIEW

- Infrastructure sector has been in a sweet spot from last couple of years on the back of continuous government support. In the recently concluded Interim budget Government of India announced a significant increase in the outlay for infrastructure to Rs.11.11 lakh Crores for the upcoming financial year, which is an 11% increase over the last year accounting for around 3.4% of the total GDP of India.
- Patel engineering is mainly into Hydroelectric projects. Hydro power currently accounts for around 47 gigawatt which is about 11% of the total installed power capacity in India. Around 27,000 megawatt of hydro power projects are expected to be announced in the coming few years. These projects are currently at various stages of survey and investigation and under final clearance stage.
- The Central Electricity Authority (CEA) estimates India's power requirement to grow to reach 817 GW by 2030.
- Hydro Pumped Storage Projects are necessary to achieve Government of India's commitment of 500 GW installed capacity from non-fossil fuel sources by the year 2030 and Net Zero carbon emissions by the year 2070. At present, 39 Hydro PSPs of 47 GW are being pursued to be commissioned by the year 2029-30.
- The Central Electricity Authority (CEA) estimates India's power requirement to grow to reach 817 GW by 2030

## KEY PLAYERS



## PEER PERFORMANCE

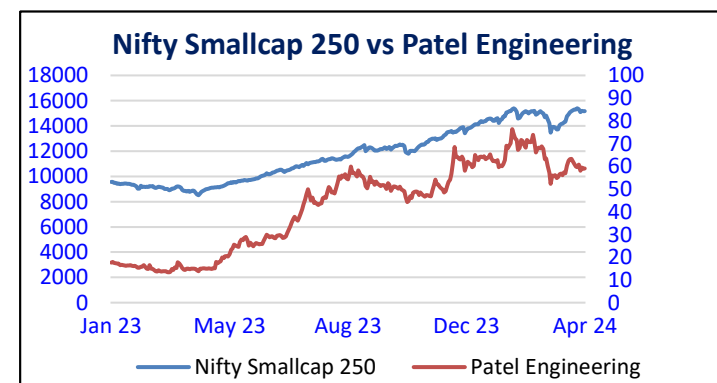
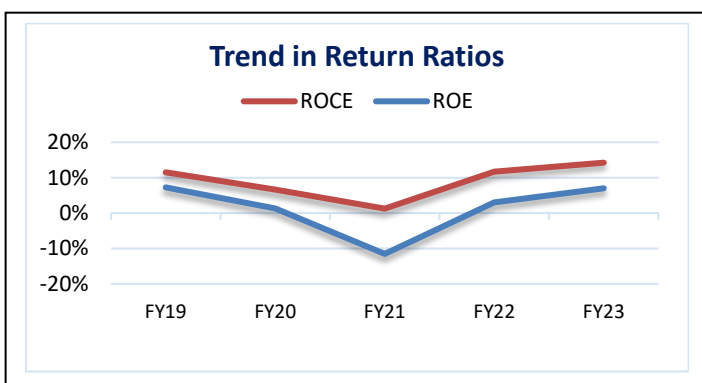
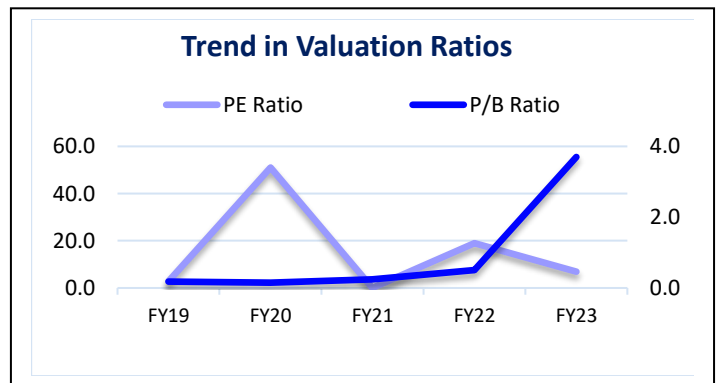
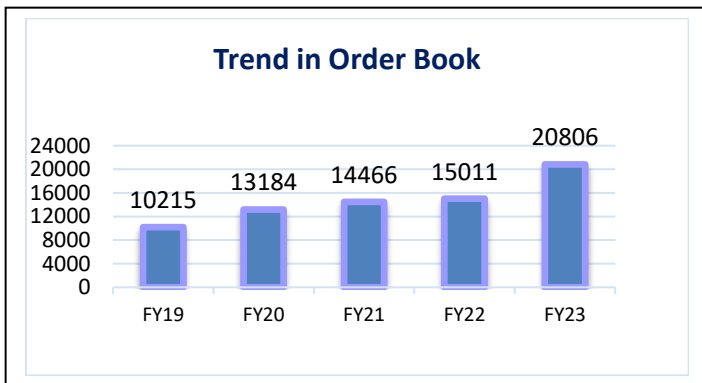
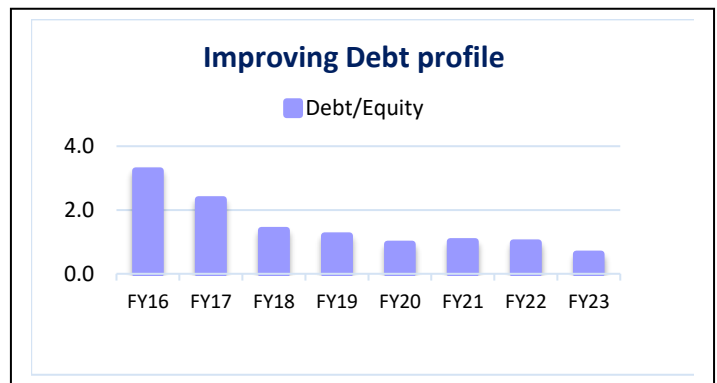
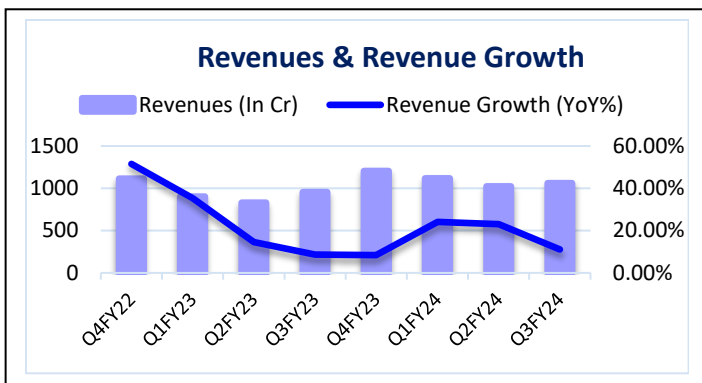
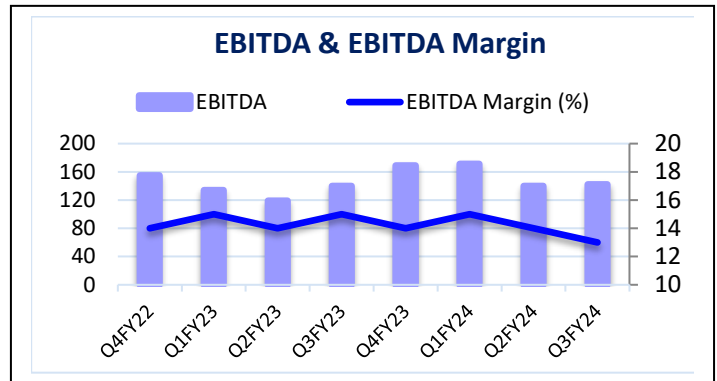
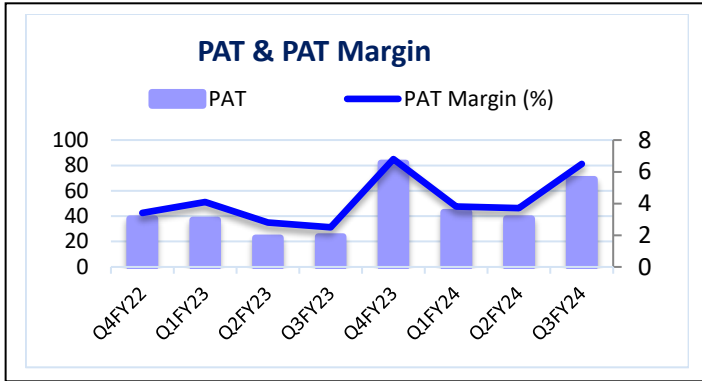
(₹ Cr)

Particulars	Patel Engineering	NCC	Larsen and Toubro	H.G. Infra Engineering	ITD Cementation
Market Cap	4975	15659	499699	6892	6526
Net Sales	4027.57	15553.41	183340.70	4622.01	5090.91
EBITDA	624.88	1458.99	24403.85	895.37	399.89
PAT	178.80	646.21	12624.87	493.19	124.73
EPS (Rs)	2.16	9.70	74.50	75.68	7.00
EBITDA MARGIN %	18.50	10.33	16.49	19.77	8.42
PAT MARGIN %	4.44	4.15	6.89	10.67	2.45
ROCE %	14.23	19.94	12.98	25.38	19.36
ROE %	6.96	11.01	14.78	29.38	10.53
P/E	24.7	23.3	39.5	13.6	29.4
P/B	1.69	2.49	6.37	3.2	4.92
EV/EBITDA	9.54	9.03	5.90	7.85	9.51
Dividend Yield	0.00	0.910.88	0.68	0.12	0.21
Mcap/Sales	1.13	0.81	2.28	1.32	0.92

Source: Company, Hem Securities Research.



**STORY IN CHARTS**





## INVESTMENT RATIONALE:

- Patel Engineering is one of the major construction and infrastructure company in India. They have a robust order book of ₹ 19,134 cr across various segments as on 31st December 2023. The book-to-bill ratio of the company stands at 4.3x which provides multiyear revenue visibility to the company.
- Hydro power currently accounts for around 47 gigawatt which is about 11% of the total installed power capacity in India. Moreover 42 hydropower projects with an aggregate capacity of 18,034 MW are under construction. Out of this 18034 MW, Patel Engineering is involved in construction of around 8,200 MW of projects which is 45% of the entire hydropower project being executed at present. This shows company's clear dominance in hydropower space.
- Around 27,000 megawatt of hydro power projects are expected to be announced in the coming few years. These projects are currently at various stages of survey and investigation and under final clearance stage. Looking at the strong credentials of the company in this space, it is expected that company will major orders from this pipeline.
- Order inflow has been muted in this quarter mainly due to general elections. Management is confident that order awarding will be robust post general election. They have guided for 15-20% growth in order book for FY25.
- Future pipeline for the company stays strong. GOI is planning to commission 39 hydro PSPs of 47 GW by 2029-30. In the tunnel space, they have a strong pipeline of at least 875 tunnels spanning a length of 2600km. This augurs well for the company.
- Management has guided for 15% revenue growth for FY25.

## RISK FACTORS:

- Slowdown in infrastructure activities.
- Muted order awarding.

## COMPANY RECAP

- Patel Engineering Limited, founded in 1949 and headquartered in Mumbai, is a prominent player in the civil engineering construction segment. With over seven decades of experience, the company has successfully constructed various heavy civil engineering works such as dams, bridges, tunnels, roads, piling works, and industrial structures.
- Patel Engineering Limited is majorly involved in Hydropower, Irrigation and tunneling segments which constitute around 90% of the Company's Orderbook. Currently, the company's order book as of 31st December 2023 stands at about ₹ 19,134 cr (Including L1 Orders).
- Company has presence in over 14 states, with major order backlog from Jammu and Kashmir (5925 cr) followed by Madhya Pradesh (3149 cr).
- Order book split as on 31<sup>st</sup> December 2023 : Hydroelectric (61.09%), Irrigation (21.01%), Tunnel (11.06%), Road (2.98%) and others (3.86%).
- Patel Engineering has executed hydro projects worth 15000+ MW, tunnel projects over 300+ kms and road projects over 1200+ km.
- They are currently executing Sela Pass Tunnel Project, which on completion, would be the longest bi lane road tunnel in the world at an altitude above 13,000 ft. The project is being executed for Border Roads Organization (BRO) and the tunnel once commissioned will provide all-weather connectivity in the region of Tawang, Arunachal Pradesh.
- Key Managerial people: Mr. Pravin Patel (Chairman Emeritus), Mr. Rupen Patel (Chairman and Managing Director), Mr. Kavita Shirvaikar (Whole time director & CFO), Mr. Tirth Nath Singh (Whole time director – Project and Corporate affairs)

## ANNUAL PERFORMANCE

### Financials & Valuations

Income Statement							(₹ Cr)	
March	2018	2019	2020	2021	2022	2023	2024E	2025E
<b>Revenue from operations</b>	<b>2,275</b>	<b>2,362</b>	<b>2,617</b>	<b>1,995</b>	<b>3,380</b>	<b>4,202</b>	<b>4500</b>	<b>5220</b>
Growth YoY (%)	(41)	4	11	(24)	69	24	7	17
<b>Total Expenditure</b>	<b>1,743</b>	<b>1,985</b>	<b>2,432</b>	<b>1,750</b>	<b>2,850</b>	<b>3,577</b>	<b>3870</b>	<b>4437</b>
(%) of sales	77	84	93	88	84	85	86	85
<b>EBITDA</b>	<b>532</b>	<b>377</b>	<b>185</b>	<b>245</b>	<b>530</b>	<b>625</b>	<b>630</b>	<b>783</b>
EBITDA Growth (%)	26	(29)	(51)	32	116	18	0.8	24
EBITDA Margin (%)	23	16	7	12	16	15	14	15
Depreciation	54	50	66	72	82	93	91	95
<b>EBIT</b>	<b>478</b>	<b>327</b>	<b>119</b>	<b>173</b>	<b>448</b>	<b>532</b>	<b>539</b>	<b>688</b>
Growth (%)		(32)	(64)	45	159	19	1.31	28
Interest Expenses	489	370	266	401	420	418	360	350
Other Income	106	247	202	(115)	83	119	103	120
<b>Earnings before Taxes</b>	<b>95</b>	<b>204</b>	<b>55</b>	<b>(343)</b>	<b>111</b>	<b>233</b>	<b>282</b>	<b>458</b>
Growth (%)		115	(73)	(724)	(132)	109	21	62
EBT Margin (%)	4	9	2	(17)	3	6	6	9
Tax-Total	(10)	50	44	52	39	50	57	114.5
Rate of tax (%)	(11)	22	43	21	39	23	20	25
<b>Net Profit</b>	<b>105</b>	<b>154</b>	<b>11</b>	<b>(291)</b>	<b>72</b>	<b>183</b>	<b>225</b>	<b>343.5</b>
Growth (%)		47	(93)	(2745)	(125)	154	23	52
PAT Margin (%)	5	7	0	(15)	2	4	5	6.58
<b>EPS</b>	<b>1.85</b>	<b>2.61</b>	<b>0.18</b>	<b>(4.16)</b>	<b>1.00</b>	<b>2.37</b>	<b>2.90</b>	<b>4.43</b>
EPS Growth (%)		41.08	(93.10)			137.00	22.36	52.75

### Balance Sheet

Y/E March	2018	2019	2020	2021	2022	2023
Equity Share Capital	16	16	41	47	48	77
Reserves & Surplus	2,144	2,260	2,506	2,273	2,336	2,811
<b>Total Shareholder's Funds (A)</b>	<b>2,160</b>	<b>2,276</b>	<b>2,547</b>	<b>2,320</b>	<b>2,384</b>	<b>2,888</b>
Long Term Borrowings	1,332	1,305	919	753	761	535
Non-Controlling Interest	56	57	33	61	71	88
<b>Total Non-Current Liabilities (B)</b>	<b>1,388</b>	<b>1,362</b>	<b>952</b>	<b>814</b>	<b>832</b>	<b>623</b>
Advance from customers	524	501	723	560	754	760
Trade Payables	1,095	1,093	1,370	1,210	1,324	1,552
Other Liability Items	2,247	2,968	2,736	3,183	3,216	2,928
<b>Total Current Liabilities (C)</b>	<b>3,866</b>	<b>4,562</b>	<b>4,829</b>	<b>4,953</b>	<b>5,294</b>	<b>5,240</b>
<b>Total Equity and Liabilities (A+B+C)</b>	<b>7,414</b>	<b>8,200</b>	<b>8,328</b>	<b>8,087</b>	<b>8,510</b>	<b>8,751</b>
Property, Plant & Equipment	556	578	607	683	1,181	1,294
Capital Work in progress	792	1,063	1,141	679	283	294
Investments	140	116	79	68	82	124
<b>Total Non-Current Assets (A)</b>	<b>1,488</b>	<b>1,757</b>	<b>1,827</b>	<b>1,430</b>	<b>1,546</b>	<b>1,712</b>
Inventory	3,162	3,546	3,566	3,630	3,591	3,744
Debtors	241	230	328	434	562	531
Cash and Bank Balance	132	124	114	196	261	212
Loans and advances	4	2	2	4	3	4
Other Current Assets	2,387	2,541	2,491	2,393	2,547	2,548
<b>Total Current Assets (B)</b>	<b>5,926</b>	<b>6,443</b>	<b>6,501</b>	<b>6,657</b>	<b>6,964</b>	<b>7,039</b>
<b>Total Assets(A+B)</b>	<b>7,414</b>	<b>8,200</b>	<b>8,328</b>	<b>8,087</b>	<b>8,510</b>	<b>8,751</b>

Source: Company, Hem Securities Research.



<b>Ratios</b>						
<b>Y/E March</b> (Basic (INR))	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>
<b>Profitability and return ratios</b>						
Net profit margin (%)	5	7	0	(15)	2	4
EBITDA margin (%)	23	16	7	12	16	15
EBIT margin (%)	21	14	5	9	13	13
ROE (%)	4.92	7.25	1.32	-11.40	3.02	6.96
ROCE (%)	9.59	11.48	6.58	1.23	11.69	14.23
<b>Working Capital &amp; liquidity ratios</b>						
Payables (Days)	215	-2672	-8218	-2823	0.00	-3009
Inventory (Days)	371	553.80	507.86	718.46	387.88	332.33
Receivables (Days)	22.94	38.87	39.78	75.99	53.48	49.54
Current Ratio (x)	1.27	1.27	1.24	1.46	1.41	1.44
<b>Valuations Ratios</b>						
EV/sales (x)	0.95	1.35	1.00	1.43	0.94	0.67
EV/EBITDA (x)	4.82	5.59	7.15	7.61	4.94	3.62
P/E (x)	9.65	2.82	6.00	0.00	19.02	6.94
P/BV (x)	0.45	0.18	0.15	0.24	0.51	0.41
Dividend Yield (%)	0.00	0.00	0.00	0.00	0.00	0.00
Return on Assets (%)	1.23	2.02	0.38	-3.39	0.85	2.12
<b>Leverage Ratio</b>						
Debt/Equity (x)	1.37	1.19	0.93	1.01	0.97	0.62

<b>Cash Flow Statement</b>						
<b>Y/E March</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>
<b>CF from Operating activities (A)</b>	<b>403</b>	<b>836</b>	<b>407</b>	<b>389</b>	<b>514</b>	<b>693</b>
<b>CF from Investing Activities (B)</b>	<b>245</b>	<b>-327</b>	<b>-47</b>	<b>7</b>	<b>-121</b>	<b>-217.286</b>
<b>CF from Financing Activities (C)</b>	<b>-578</b>	<b>-513</b>	<b>-367</b>	<b>-311</b>	<b>-340</b>	<b>-536</b>
Net Cash Flow	70	-4.451	-6.81	84.812	53.789	-60
Add: Opening Bal.	61	132	124	113	195	261
<b>Closing Balance</b>	<b>131</b>	<b>127</b>	<b>118</b>	<b>198</b>	<b>249</b>	<b>200</b>

Source: Company, Hem Securities Research.



## RATING CRITERIA

INVESTMENT RATING	EXPECTED RETURN
BUY	>=15%
ACCUMULATE	5% to 15%
HOLD	0 to 5%
REDUCE	-5% to 0
SELL	<-5%

## RECOMMENDATION SUMMARY

DATE	RATING	TARGET
24 <sup>th</sup> April	BUY	80

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