Sector: Civil Construction **RESULT REVIEW Q4&FY25** **Declared On: 13 May 2025**

Patel Engineering Limited

RECOMMENDATION SNAPSHOT				
*CMP	MCap (Rsbn)	Recommendation	Target	Potential Upside
Rs42	35.5	Accumulate	Rs55	31%

as on 14th May, 2025

About the Company:

Incorporated in 1949, Patel Engineering Ltd (PEL) is one of the oldest and established players in the civil engineering and construction segment. Over the years, PEL has successfully constructed various heavy civil engineering works such as dams, bridges, tunnels, roads, piling works and industrial structures. As on date, the company has completed construction of around 87+ dams, 15,000MW+ hydro projects, 300+kms of tunnels and irrigated over 5.5+ lakhs acres of land. PEL has been awarded IMS certificates (ISO 9001:2008 Quality Management System, ISO 14001: 2004 Environmental Management System, and OHSAS 18001:2007 Occupational, Health and Safety Management System) by UK based BSI, and is committed to the highest standards of quality, safety, health, and environment. Mrs. Kavita Shirvaikar is the Managing Director of the company.

Results: Quick Glance:

- The net sales for the quarter reported a growth of 20.0% to Rs16.12bn as compared to Rs13.43bn in Q4FY24
- The Ebitda margins for the quarter under review stood at 13.5% as compared to 17.7% in the comparative quarter last year
- The net profit stood at Rs0.38bn in Q4FY25 as compared to Rs1.40bn in Q4FY24
- The EPS for the quarter stood at Rs0.43 as compared to Rs1.62 in the corresponding period of last year
- For the full year, the revenue grew by 12.1% and PAT de-grew by 18.0%; the Ebitda margins stood at 14.4%

Conference Call Highlights:

- The order book position as on March 2025 stood at Rs152bn (FY25 order book excludes one L1 project worth Rs4,581mn as well as projects worth Rs20,368mn received post the year-end); the segment wise order book stands as: Hydro: 66.2%, Irrigation: 22.9%, Tunnel: 7.7%, Road: 1.9% and Others: 1.2%. The order inflow for FY25 stood at ~Rs5,500mn. The overall order book position was subdued in FY25 on account of elections. However, going forward the Management expects FY26E orders to be good with the company already having received an LoA and L1 in Q1FY26. In addition to this, the Management anticipates projects worth Rs1lk-cr to come up for bidding
- On the basis of client breakup, contribution from Central govt., State and International stands at 63.4%, 32.3% and 4.1% respectively. PEL has ~9 projects worth Rs8,431mn under the 90-100% completion stage, Rs54,448mn under the 30-50% stage and Rs25,629mn below the 10% stage
- The revenue contribution for Q4FY25 stood as Hydro: 48%, Irrigation: 37%, Tunnel: 11%, Road and Others: 4%
- **Project update: FY25:** (i) the company received an LoA for Jigoan irrigation project for a contract value worth Rs3,176mn (with PEL's share of ~35% in the JV), (ii) the company was declared as an L1 bidder for Teesta V hydropower project for a contract value of Rs2,400mn, (iii) L1 bidder for Nira Deoghar right bank main canal for a contract value of Rs10,905mn (with PEL's share in the JV at ~20%). Post FY25, the company was declared as an L1 bidder for a 240MW hydropower project for a contract value of Rs7,180mn and received an LoA for construction of Kondhane Dam for contract value of Rs13,189mn
- In terms of opportunities for pumped storage projects (PSPs), for India approx. 13 PSPs projects are expected to be approved in FY26E (for 22,000MW). Additionally, around 30,000MW PSP projects are expected to come up for bidding over the next 1-2 years. For hydropower projects in specific, there are multiple opportunities from central PSUs like SJVN (~7000MW projects under survey), NHPC (~4000MW projects awaiting clearance and ~5500MW under investigation stages)
- On a consolidated basis, the debt as on March 2025 stood at Rs16,025mn (term debt: Rs6,010mn and WC debt: Rs10,015mn) as against Rs18,855mn in March 2024. Out of the term loan debt of ~Rs6,010mn, the Management intends to reduce the same by ~Rs2000mn in FY26E. The net working capital days in FY25 stood at 169 days whereas adjusted net working days (excluding borrowings, arbitration claims, current investment, cash and bank balance and stock of land) stood at 110 days
- The company received approx. Rs3,500mn from Vivad se Vishwas scheme in FY25; as the scheme stands closed and ended there are no further one-offs expected from the same going forward
- As a part of non-core asset monetisation, the Management expects ~Rs2000mn on a y-o-y basis from land bank parcels and arbitration awards over next couple of years (the total land bank value as on date is ~Rs8-10bn). As far as arbitration claims and awards are concerned, ~Rs7500mn are awarded claims and ~Rs20-25bn are under arbitration

Financials:

Performance (Q4&FY25)									
Q4&FY25 Result (Rs mn)	**Mar-25**	**Mar-24**	**y-o-y**	**Dec-24**	**q-o-q**	**FY25**	**FY24**	**y-o-y**	**FY26E**
Total Revenue	16119	13432	20.0%	12055	33.7%	50934	45441	12.1%	55008
EBITDA	2183	2376	(8.1%)	1840	18.7%	7332	6903	6.2%	7976
Other Income	254	312	(18.5%)	596	(57.3%)	1663	889	-	1213
Interest	788	931	(15.3%)	802	(1.6%)	3224	3621	(11.0%)	2911
Depreciation	259	290	(10.6%)	242	7.2%	998	976	2.2%	1012
Exceptional Items	(871)	434	-	497	-	(1516)	856	-	(1015)
Tax	172	492	(65.1%)	92	-	895	1035	(13.5%)	1318
Net Profit	**382**	**1403**	**-**	**815**	**(53.2%)**	**2479**	**3022**	**(18.0%)**	**3049**

Outlook and Recommendations:

The company has reported revenue growth of 20% on a y-o-y basis for the quarter under reference. The gross margins for the quarter stood at 24.0% as against 28.5% in Q4FY24. Though the construction costs seem to be slightly elevated, the Management indicated that the type of projects/work executed typically has some effect on the Ebitda margins which stood at ~13.5% in Q4FY25. This has been reflected in the lower profits at Rs382mn for the quarter. Going forward, the Management expects to maintain the margins in the range of 13-14%. For FY25, it is the first time that the company has surpassed the topline of ~Rs50bn. The order book position as on March 2025 stood at Rs152bn; and in addition to this, the company has further orders of ~Rs25bn for which the company is either declared as an L1 bidder or expects to receive the same subsequently. The order inflow and overall order book position was subdued during the year primarily due to elections but going forward the bid pipeline appears to be strong for PEL and the Management expects to bid for approx.Rs400-500bn projects. Apart from this, the recent LoAs and L1 bids are also expected to start contributing which will enhance the overall order book position of the company. The hydropower and PSPs project opportunities are quite substantial for PEL in times to come (expects around Rs40-50bn worth of projects for PSPs both from private and public sector). As far as orders related to tunneling are concerned; lot of projects are expected wherein the Management will be selective in terms of bidding to garner the required margins from such projects. The focus continues to remain on hydropower projects; this segment being the top revenue as well as order book contributor for PEL. Backed by the govt.'s continued emphasis on renewable energy and reduction in carbon emissions; all of this is expected to boost the demand for hydropower, PSPs as well as tunneling projects wherein the company has a strong presence. The company has not indicated any concerns for its projects in the North-eastern states. Given the subdued order inflow in FY25; the Management anticipates flat to stable growth on the topline in FY26E and ~10-15% in FY27E. Monetisation of non-core assets has always been the strategy adopted by the company; the Management anticipates the realisations from these (inclusive of land parcels and arbitration awards) to be in the range of ~Rs2,000mn over the next couple of years. PEL has been working on reducing its debt and strengthening the overall balance sheet which is evident from the reduction seen in the finance costs (to the tune of ~Rs400mn in FY25) and intends to repay the long term debt over a span of 2-3 years. Overall, PEL is pacing on track and is prepared for a gradual uptick through its execution capabilities (once the roll out/winning of tenders happens). Considering the order slowdown witnessed and lower than expected margins, we have toned down our numbers and continue to maintain an accumulate on the stock for a revised target of Rs55.

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