

Muted Quarter; Order inflows key ahead!

About the stock: Patel Engineering is an EPC player which specialises in technology-intensive areas like hydro, tunnelling, irrigation, water supply, urban infrastructure and transport.

- It has an order book of ₹15,123 crore as of Q3FY26, implying 2.9x book to bill.

Q3FY26 Performance: Patel Engineering reported consolidated revenue of ₹1,239 crore, up 2.8% YoY, reflecting subdued execution. Operating EBITDA came in at ₹145 crore, with an EBITDA margin of 11.7%, down 357 bps YoY. PAT stood at ₹71.6 crore, down 10.3% YoY, due to a ₹43 crore provision arising from labour code changes.

Investment Rationale

- Order-Inflows remain crucial; we anticipate pickup post FY27:** The order book stood at ₹15,123 crore as of Q3FY26, translating to a book-to-bill ratio of 2.9x. We note that the management has guided for a flattish topline in FY26, citing muted order inflows in FY25. For FY27, topline growth guidance was trimmed to 10%, down from the previous ~10-15%, citing an anticipated slow pickup in newly awarded projects while EBITDA margin guidance has been maintained at 13-14%. Order wins in 9MFY26 totalled ~₹3,200 crore. With submitted bids for projects worth ₹12,000 crore and an identified bid pipeline of nearly ₹50,000 crore, **the company is targeting inflows of ₹8,000-10,000 crore in FY27.** We expect revenue CAGR of ~4.3% over FY25-27E to ₹5545 crore. We expect margins to remain stable at 13%/13.6% in FY26/FY27, respectively.
- Easing of debt position:** The company raised ₹400 crore through a rights issue in Q3FY26. The management noted that out of the total rights issue of ₹400 crore, it intends to utilise ₹300 crore for debt repayment. Furthermore, the company stated that proceeds from arbitration awards and targeted non-core asset monetization worth ~₹200 crore per annum will be utilized for debt reduction. With this strategy, **the company aspires to pay down long term debt by FY27/FY28.**

Rating and Target Price

- Order inflows will be the key near term trigger for the overall growth trajectory. A healthy inflow could drive revenues and earnings recovery ahead, with stable balance sheet, largely stable.
- We maintain BUY rating and assign a target price of ₹ 36 (vs. 45, earlier), thereby valuing it at 10x on FY27 EPS.

Key Financial Summary

(₹ Crore)	FY22	FY23	FY24	FY25E	5 Year CAGR (FY20-25)	FY26E	FY27E	2 Year CAGR (FY25-27E)
Net Sales	3,380.3	3,891.1	4,544.1	5,093.4	14.2	5,021.9	5,544.7	4.3
EBITDA	527.7	561.6	690.3	733.2	31.7	652.9	754.7	1.5
EBITDA Margin (%)	15.6	14.4	15.2	14.4		13.0	13.6	
Rep Net Profit	62.2	167.2	281.8	242.1	102.0	304.6	360.4	22.0
Adj. Net Profit	81.0	139.0	218.0	352.0	LP	335.5	360.4	1.2
EPS (₹)	1.3	2.2	3.6	2.9		3.1	3.6	
P/E (x)	35.5	13.2	7.8	10.0		9.3	7.9	
EV/EBITDA (x)	8.0	6.7	5.4	4.6		4.0	3.3	
RoCE (%)	12.4	13.2	13.8	15.2		12.1	13.4	
RoE (%)	3.4	4.8	6.9	9.3		7.4	7.4	

Source: Company, ICICI Direct Research



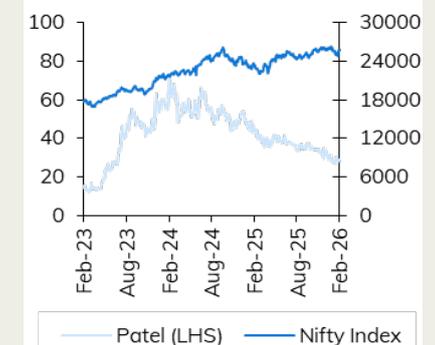
Particulars

Particular	Amount
Market Cap (₹ crore)	2,207
Debt (FY25) (₹ crore)	1,615
Cash (FY25) (₹ crore)	405
EV (₹ crore)	3,417
52 week H/L (₹)	60 / 35
Equity capital (₹ crore)	77.4
Face value (₹)	1.0

Shareholding pattern

	Mar-25	Jun-25	Sep-25	Dec-25
Promoters	36.1	36.1	36.1	31.5
FIIIs	4.7	2.7	2.5	2.5
DII	4.5	4.9	4.8	5.8
Other	54.6	56.3	56.6	60.2

Price Chart



Key risks

- Lower than expected order inflows
- Heightened competitive intensity impacting margins

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Performance highlights and outlook

- **Guidance:** The company has guided for ₹5,000 crore in revenue for FY26, while trimming its topline growth guidance for FY27 to 10% (down from the previous 10-15% range), citing an anticipated slow pickup in newly awarded projects. It also reiterated its EBITDA margin guidance in the 13-14% range going forward.
- **Project level update:**
 - Subansiri HEP (2,000 MW), Arunachal Pradesh: Units 2 and 3 were fully commissioned in December and February respectively, adding 500MW of clean energy. The project is expected to be completed in CY26.
 - Gongri Hydropower Project (144 MW): Valued at ~₹1,700 crore, the project follows a 40-year BOOT (Build-Own-Operate-Transfer) model. The company's scope covers the full life cycle from DPR preparation and design to construction, installation, and O&M. Post-completion revenue is projected at ₹300 crore/annum.
 - Kwar HEP (540 MW), J&K: The company has successfully completed the excavation works.
 - Parnai Hydropower Project: The company has successfully achieved a breakthrough between HRT Face-5 and Face-6, marking significant progress in the tunnelling works of the 9.2 km Head Race Tunnel (HRT).
 - PGRW Water Tunnel Project: The company has successfully achieved a NATM breakthrough at the PGRW Project, marking the completion of the second section; with this, the entire NATM work has been completed.
- **Orderbook and bid pipeline:** Order inflows for 9MFY26, stood at ₹3,200 crore. As of Q3FY26, the orderbook stood at ₹15,123 crore, 2.9x book to bill, with 57% coming from hydro power, 23% from irrigation, 13% from tunnelling and balance 8% from urban infra and other segments. The company is targeting order inflows of ₹6000-7000 crore till Q2FY27 and ₹8000-10000 crore in FY27. The company has already submitted bid for projects worth ₹12,000 crore and has identified order pipeline of ₹50,000 crore.
- **Cost reduction initiatives:** The company has initiated pilot projects applying IoT technology to various projects for cost optimization, such as saving on input costs (e.g., diesel) and improving equipment efficiency. It intends to implement these measures across all projects.
- **Debt and Working Capital:** Consolidated debt stood at ₹1,433 crore as of Q3FY26, a reduction of ~₹110 crore from ₹1,543.2 crore in Q2FY26. The D/E ratio now stands at 0.3x as of Q3FY26. Total debt includes approximately ₹983 crore of term debt, with the balance of around ₹450 crore being working capital debt. Management noted that no further rights issues are planned at this time; however, it may raise capital for the Gongri hydropower project in FY27. **Net working capital days after adjusting for current investments, bank borrowings, arbitration claims, and cash/bank balances remained flat QoQ at 114 days.**
- **Rights Issue:** The company raised ₹400 crore through a rights issue; The rights issue was subscribed 1.15x. Of this, ₹100 crore was allocated for general corporate purposes and ₹300 crore for debt repayment. As of Q3FY26, the company has utilised ~₹250 crore of these funds.
- **Assets Monetisation and Arbitrations:** The company's total land bank is valued at ₹800 crore. It has set an annual asset monetization target of ~₹200 crore, the proceeds of which will be used for debt reduction. **In 9MFY26, the company realized ₹185 crore from these efforts. Furthermore, we also note that claims worth ₹2,300 crore are currently under various stages of arbitration.**

- **Capex:** Considering requirements of the current order book, the company has planned for a ₹150 crore capex in FY27.

Exhibit 1: Quarter Performance

Particulars	Q3FY26	Q3FY25	YoY (%)	Q2FY25	QoQ (%)	Comments
Sales	1239.4	1205.5	2.8	1174.3	5.5	Muted topline due to subdued execution and low executable order book
Raw material consumed	336.8	212.1	58.8	177.6	89.6	
Personnel Costs	101.3	90.6	11.8	91.7	10.5	
Other expense	62.6	70.9	-11.7	64.5	-2.9	
Operating Profit	144.8	184.0	-21.3	162.2	-10.7	
EBITDA Margin(%)	11.7	15.3	-358 bps	13.8	-213 bps	
Other Income	29.5	59.6	-50.5	56.7	-48.0	
Depreciation	-26.3	-24.2	8.5	-23.7	10.8	
Interest	-68.0	-80.2	-15.2	-79.3	-14.3	
Pre-tax Profit	36.9	89.5	-58.7	101.1	-63.5	
Tax	56.3	-9.2	-709.2	-27.7	-303.3	
Reported Net Profit	71.6	79.8	-10.3	73.0	-2.0	

Source: Company, ICICI Direct Research

Exhibit 2: Change in Estimates

(₹ Crore)	FY26E			FY27E			Comments
	Old	New	% Change	Old	New	% Change	
Revenue	5,098	5,022	-1.5	5,718	5,545	-3.0	
EBITDA	688	653	-5.1	801	755	-5.8	
EBITDA Mar	13.5	13.0	-50 bps	14.0	13.6	-40 bps	
PAT	325	305	-6.3	383	360	-5.9	
Diluted EPS	3.8	3.1		4.5	3.6		

Source: Company, ICICI Direct Research

Financial Summary

Exhibit 3: Profit and loss statement				
	₹ crore			
(Year-end March)	FY24	FY25	FY26E	FY27E
Operating Revenues	4,544	5,093	5,022	5,545
Growth (%)	16.8	12.1	(1.4)	10.4
Construction Expenses	3,292	3,695	3,691	4,053
Employee Cost	354	383	377	416
Other Expenditure	208	283	301	321
Total Operating Exp.	3,854	4,360	4,369	4,790
EBITDA	690	733	653	755
Growth (%)	22.9	6.2	(11.0)	15.6
EBITDA Margin (%)	15.2	14.4	13.0	13.6
Other income	89	166	155	171
Depreciation	98	100	104	112
EBIT	682	800	704	813
Interest	362	322	272	331
PBT	405	326	400	482
Tax	104	90	105	126
Rep. PAT	282	242	305	360
Growth (%)	69%	-14%	26%	18%
EPS (₹)	3.6	2.4	3.1	3.6

Source: Company, ICICI Direct Research

Exhibit 4: Cash flow statement				
	₹ crore			
(₹ Crore)	FY24	FY25	FY26E	FY27E
Profit after Tax	282	242	305	360
Depreciation	98	100	104	112
Interest	362	322	272	331
Others	30	(200)	(155)	(171)
Cash Flow before wc changes	772	465	526	633
Net Increase in CA	(180)	(524)	70	(564)
Net Increase in CL	(73)	251	49	419
Net CF from op. activities	519	192	644	488
Net purchase of Fixed Assets	(60)	(47)	(182)	(150)
Others	(7)	154	164	109
Net CF from Inv. Activities	(68)	107	(19)	(41)
Proceeds from share capital	(16)	389	431	0
Proceeds/Repayment of Loan	133	(283)	(172)	(100)
Interest paid	(362)	(322)	(272)	(331)
Other	(80)	(16)	-	-
Net CF rom Fin Activities	(325)	(232)	(14)	(431)
Net Cash flow	127	66	612	16
Opening Cash	212	339	405	1,017
Closing Cash	339	405	1,017	1,032

Source: Company, ICICI Direct Research

Exhibit 5: Balance Sheet				
	₹ crore			
(Year-end March)	FY24	FY25	FY26E	FY27E
Liabilities				
Equity capital	77	84	99	99
Reserves & Surplus	3,076	3,700	4,421	4,781
Networth	3,154	3,785	4,520	4,881
Non Controlling interests	8	(8)	(8)	(8)
Loan Funds	1,885	1,602	1,430	1,330
Deferred Tax liability	(94)	(128)	(128)	(128)
Total Liabilities	4,953	5,251	5,815	6,075
Assets				
Net Block	1,265	1,283	1,361	1,399
Capital WIP	233	171	171	171
Right of use asset	28	22	22	22
Intangible assets	26	23	23	23
Non-current Investments	155	181	181	181
Othe non-current assets	995	983	974	1,036
Inventories	3,792	4,387	4,334	4,777
Trade Receivables	855	1,081	1,066	1,175
Cash & Bank Balances	339	405	1,017	1,032
Loans & Advances	85	98	98	98
Other current assets	1,129	819	817	830
Total current assets	6,199	6,790	7,332	7,912
Total Current liabilities	3,949	4,200	4,249	4,668
Net Current Assets	2,251	2,589	3,083	3,244
Total Assets	4,953	5,251	5,815	6,075

Source: Company, ICICI Direct Research

Exhibit 6: Key ratios				
(Year-end March)	FY24	FY25	FY26E	FY27E
Per share data (₹)				
Reported EPS	3.6	2.9	3.1	3.6
Cash EPS	4.9	4.0	4.1	4.8
BV per share	40.8	44.8	45.6	49.2
Operating Ratios (%)				
EBITDA Margin	15.2	14.4	13.0	13.6
EBIT/ Net Sales	13.0	12.4	10.9	11.6
PAT Margin	4.8	6.9	6.7	6.5
Inventory days	304.6	314.4	315.0	314.4
Debtor days	68.6	77.5	77.5	77.3
Creditor days	201.1	206.2	213.5	215.8
Return Ratios (%)				
RoE	6.9	9.3	7.4	7.4
RoCE	13.8	15.2	12.1	13.4
RoIC	13.7	13.6	12.0	13.3
Valuation Ratios (x)				
P/E	7.8	10.0	9.3	7.9
EV / EBITDA	5.4	4.6	4.0	3.3
EV / Net Sales	0.8	0.7	0.5	0.5
Price to Book Value	0.7	0.6	0.6	0.6
Solvency Ratios (x)				
Debt / EBITDA	2.7	2.2	2.2	1.8
Net Debt / Equity	0.5	0.3	0.1	0.1

Source: Company, ICICI Direct Research

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