

Highway Infrastructure Ltd– IPO Investment Note

Issue Open	Issue Close	Price Band (₹)	Rating
05 August 2025	07 August 2025	₹65-70	MAY APPLY

Company Overview

Highway Infrastructure Limited (HIL) is an integrated infrastructure development and management company operating across three primary business segments: toll way collection, EPC (Engineering, Procurement, and Construction) infrastructure, and real estate. The toll way collection segment forms the core of its revenue and financial performance, followed closely by the EPC infrastructure division. Under its EPC Infra-business, the company undertakes a wide range of construction and development projects, including roads, bridges, water tanks, irrigation structures, and civil buildings, catering to both government and private clients.

As of May 31, 2025, HIL reported a consolidated order book of ₹666.30 crore, comprising ₹59.53 crore from toll way collection and ₹606.78 crore from ongoing and upcoming EPC Infra-projects. In FY25, 77.1% of its revenue came from toll way collection, primarily from NHAI contracts, followed by 21.3% from EPC Infra and 1.6% from real estate. Their toll business remains the dominant revenue stream across FY23–FY25, contributing over 75% consistently. Given their reliance on NHAI, any contract loss or shift in their awarding strategy could materially impact its financial performance. The company is recognized as one of the few toll operators in India to have successfully implemented toll way collection using ANPR (Automatic Number Plate Recognition) technology, specifically on the Delhi–Meerut Expressway. It has also managed toll operations across several prominent inter-state and intra-state expressways spanning 11 states and one Union Territory.

Highway Infrastructure Limited (HIL), incorporated in 2001, is headquartered in Hyderabad, India. The company is led by a seasoned leadership team with extensive experience in infrastructure development, toll operations, and project management. Mr. Ravi Kumar serves as the Managing Director, bringing strategic direction and over two decades of industry expertise. The leadership team has been instrumental in expanding HIL's footprint across 11 states and a Union Territory, with a strong focus on adopting digital tolling technologies and executing high-value EPC projects efficiently.

HIL employs advanced Electronic Toll Collection (ETC) systems that utilize RFID (Radio Frequency Identification) tags along with digital payment platforms, allowing for seamless and contactless toll payments. This digital tolling model minimizes traffic congestion at toll plazas, reduces transaction times and manual errors, and significantly enhances overall operational efficiency.

To support its project execution and toll operations, the company relies on a mix of fund-based and non-fund-based banking facilities to meet working capital needs. Fund-based facilities help manage day-to-day operating expenses, while non-fund-based instruments such as bank guarantees serve as essential bid security measures, particularly in securing EPC and toll way contracts.

Business Model

Highway Infrastructure Limited (HIL) operates a diversified infrastructure business model with three key segments: tollway collection, EPC infrastructure, and real estate. The company's core revenue driver is tollway collection, where it manages toll plazas across 11 states and a Union Territory, using advanced technologies such as ANPR (Automatic Number Plate Recognition), RFID-based ETC (Electronic Toll Collection), and digital payment platforms to ensure efficient, contactless toll operations. In its EPC segment, HIL undertakes infrastructure projects such as roads, bridges, irrigation systems, tanks, and civil buildings executing government and private contracts on project milestone basis. The real estate division, though smaller, adds strategic diversification through development of land parcels or joint ventures. HIL finances its operations using a mix of fund-based (for working capital needs) and non-fund-based (such as bank guarantees) banking facilities. This integrated model ensures recurring cash flows from tolling and order-book-driven growth from EPC projects, while leveraging operational synergies and efficient capital management.

Investment Rationale

1. Robust Execution Track Record with Technology Adoption

Highway Infrastructure Limited has nearly three decades of proven experience in executing infrastructure and toll way projects across 12 Indian states and a Union Territory. The company is among the first to adopt ANPR-based toll collection on high-traffic corridors like the Delhi–Meerut Expressway, showcasing its ability to integrate cutting-edge technologies. It leverages RFID-enabled Electronic Toll Collection (ETC) systems and digital payment platforms to streamline toll operations, reducing congestion, transaction time, and errors. This strategic use of technology not only enhances operational efficiency but also strengthens HIL’s reputation as a modern, future-ready infra operator capable of managing complex transport corridors efficiently.

2. Strong and Visible Order Book Ensuring Revenue Continuity

As of May 31, 2025, HIL reported a consolidated order book of ₹666.30 crore, providing strong visibility into future revenue streams. Of this, ₹606.78 crore comes from EPC infrastructure projects and ₹59.53 crore from toll operations each backed by executable contracts. The healthy order pipeline reflects the company’s competitive bidding capabilities, client confidence, and geographic diversification. This visibility allows for better financial planning, resource deployment, and cash flow predictability, while insulating the company from short-term market volatility in new project awards. It establishes a strong foundation for sustained top-line growth over the next 12–24 months.

3. Strong Financial Performance with Margin Expansion

Between FY23 and FY25, HIL’s revenue from operations grew at a steady CAGR of 4.4%, from ₹455.13 crore to ₹495.72 crore. More impressively, profit after tax surged at a CAGR of 27.4%, from ₹13.80 crore to ₹22.39 crore, indicating robust bottom-line expansion. This was supported by an EBITDA CAGR of 6.4% and healthy ROE and ROCE margins of 19% and 16.5% respectively, reflecting improved operating efficiencies, cost control, and better execution discipline. The faster growth in profits relative to revenues suggests a transition towards higher-margin projects and greater maturity in project management.

4. Diversified Business Model Reduces Segment Risk

HIL’s business spans three major verticals—toll way collection, EPC infrastructure, and real estate—providing a well-balanced and resilient operating model. This diversification reduces dependency on any single segment and allows the company to weather cyclical downturns or policy-related disruptions in individual sectors. Furthermore, ancillary income from leasing spare equipment and selling surplus materials adds to cash flow stability. The mix of recurring toll revenues and milestone-based EPC inflows ensures smoother earnings and better working capital management. This multi-pronged business model strengthens HIL’s financial health while enabling it to tap into multiple growth vectors in India’s infrastructure landscape.

5. Strategic Entry into HAM and Highway Amenity Projects

HIL is strategically expanding into Hybrid Annuity Model (HAM) projects, which offer long-term government-backed annuity income post-construction, reducing exposure to traffic and revenue risks. This move aligns with the company’s EPC strengths while offering capital-efficient, low-risk recurring cash flows. Additionally, HIL is evaluating entry into highway-side amenities such as EV charging stations, food courts, medical facilities, and retail outlets—segments with rising demand due to India’s growing expressway network.

Financial Snapshot

Metric	FY23	FY24	FY25
Revenue (₹ Cr)	455.13	573.50	495.72
EBITDA (₹ Cr)	27.70	38.40	31.30
Net Profit (₹ Cr)	13.90	21.40	22.40
EBITDA Margin (%)	6.1%	6.7%	6.3%
PAT Margin (%)	3.0%	3.7%	4.5%
EPS (Basic) (₹)	1.9	2.98	3.1

IPO Details and Use of Proceeds

Parameter	Details
Issuer	Highway Infrastructure Limited
IPO Structure	Book-built issue (Fresh Issue + Offer for Sale)
Issue Size	₹130.00 crore (₹97.52 Cr fresh issue + ₹32.48 Cr offer for sale)
Price Band	₹65 – ₹70 per equity share
Face Value	₹5 per share
Post-Issue Market Cap	₹502.04 crore (based on upper band valuation)
IPO Opening Date	5 August 2025
IPO Closing Date	7 August 2025
Listing	NSE & BSE (SME/Main Board)
Promoter Holding (Pre/Post-)	94.95% pre-issue; 76.5% post-issue
Book Running Lead Manager(s)	Pantomath Capital Advisors Pvt. Ltd
Use of Proceeds	Funding working capital needs (65 Cr) and general corporate purposes

Valuation and Outlook

At the upper price band, Highway Infrastructure Limited is valued at a FY25 P/E of 22.5x, with a post-issue market capitalization of ₹502 crore. The company offers a niche opportunity in India's toll way and EPC infrastructure sectors, backed by a healthy order book and consistent financial performance. Its adoption of ANPR technology in toll operations provides a technological edge and enhances operational efficiency. The dual presence in toll collection and EPC construction ensures diversified and stable revenue streams. While the IPO appears fully priced at current valuation, the business fundamentals remain strong.

Recommendation

Highway Infrastructure Limited, with nearly 30 years of experience in toll collection and EPC infrastructure execution across multiple Indian states, has established itself as a reliable player in the sector. Its strong order book and execution capabilities offer visibility for sustained revenue and timely project delivery. As the government continues to prioritize road infrastructure development, the tolling network is expected to expand, creating additional growth opportunities. The company's focus on strengthening its core businesses and improving financial performance adds to its long-term appeal. Given these strengths and sector tailwinds, the IPO appears fully priced but fundamentally sound. A **"May Apply"** recommendation is suitable for investors with a long-term investment horizon.

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