



# HGIEL

*We Make People Move...*

Investor Presentation, Nov 2018



## H.G. Infra Engineering Ltd



**We make people move**

# Outline

01 ➤ Q2 & H1 FY19 Result Highlights

02 ➤ About the Company

03 ➤ Key Strengths and Drivers

04 ➤ Growth Strategy

05 ➤ Financial Highlights



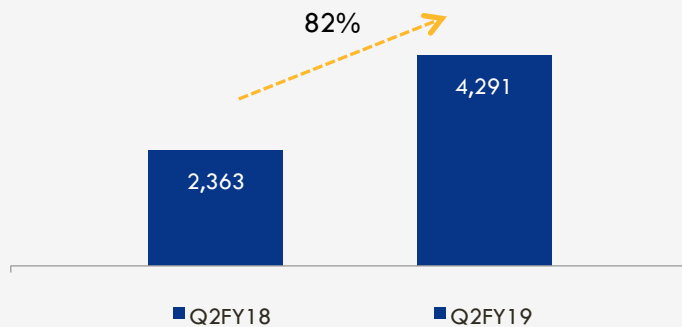
## 01 > Q2 & H1 FY19 Results Highlights

# Result Highlights Q2FY19

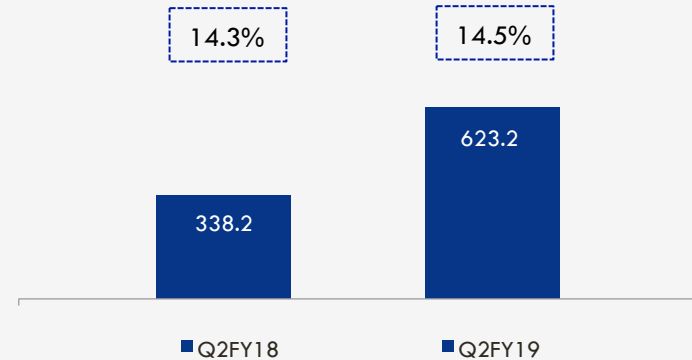
Robust growth in topline and profitability



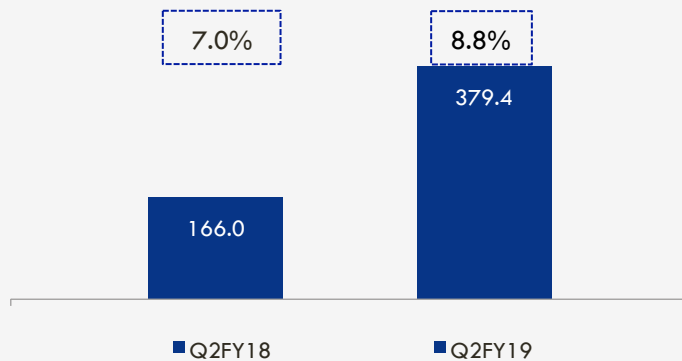
## Revenue



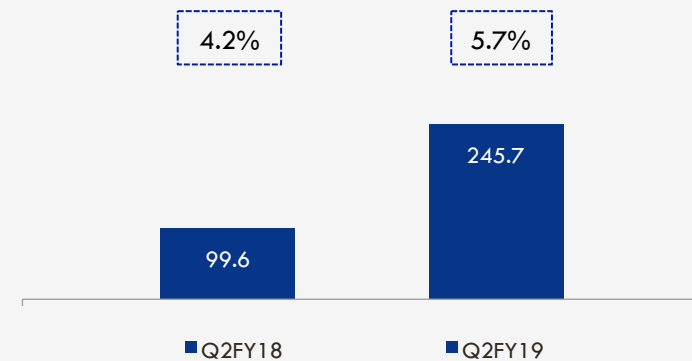
## EBITDA and EBITDA Margin



## PBT



## PAT and PAT Margin



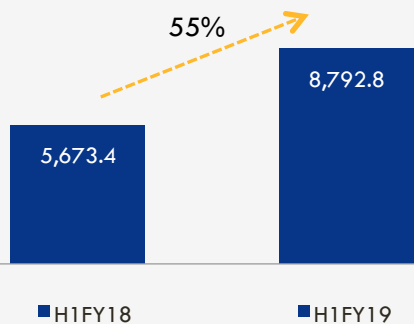
Financials in Rs mn

Revenue for Q2FY19 is net of GST, whereas for previous Quarters are gross numbers

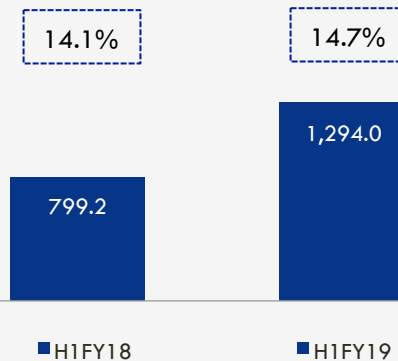
# Result Highlights H1FY19

55% growth in revenue; higher margin

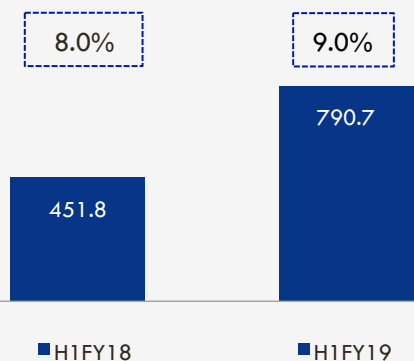
## Revenue



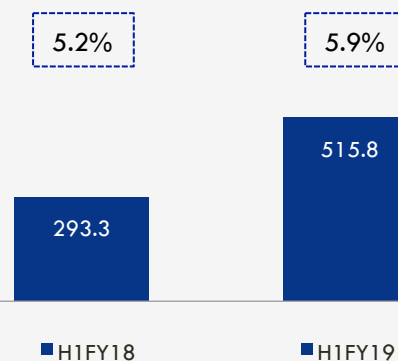
## EBITDA and EBITDA Margin



## PBT



## PAT and PAT Margin



Financials in Rs mn

Revenue for H1FY19 is net of GST, whereas for previous period are gross numbers

# Q2FY19 & H1FY19 Standalone Profitability Highlights

	Q2FY19	Q2FY18	YoY	H1FY19	H1FY18	YoY
<b>Revenue from operations</b>	4,291.1	2,363.4	81.6%	8,792.8	5673.4	55.0%
Cost of material consumed	1,999.1	986.7	102.6%	4,255.2	2464.5	72.7%
Contract and site expenses	1,331.0	833.2	59.7%	2,580.3	2020.1	27.7%
Employee expenses	291.3	172.9	68.5%	573.9	325.23	76.4%
Other expenses	46.5	32.5	42.9%	89.4	64.4	38.7%
Total Operating expenses	3,667.9	2,025.3	81.1%	7,498.8	4874.2	53.8%
<b>EBITDA</b>	623.2	338.2	84.3%	1,294.0	799.2	61.9%
<b>EBITDA margin</b>	14.5%	14.3%	--	14.7%	14.1%	--
Finance Cost	96.0	79.7	20.4%	211.3	152.0	39.0%
Depreciation	177.3	112.6	57.5%	352.1	217.2	62.1%
Other Income	29.5	20.2	46.3%	60.0	21.8	174.9%
<b>PBT</b>	379.4	166.0	128.5%	790.7	451.8	75.0%
<b>PBT margin</b>	8.8%	7.0%	--	9.0%	8.0%	--
Tax Expenses (Credits)	133.7	66.5	101.3%	274.9	158.5	73.4%
<b>PAT</b>	245.7	99.6	146.7%	515.8	293.3	75.8%
<b>PAT margin</b>	5.7%	4.2%	--	5.9%	5.2%	--

Financials in Rs mn

Revenue for Q2FY19 & H1FY19 is net of GST, whereas for Q2FY18 & H1FY18 are gross number

# Balance Sheet

Rs mn	Sep'18	Mar'18
Share Capital	651.7	651.7
Reserves	5,232.5	4,756.9
<b>Shareholders' Funds</b>	<b>5,884.2</b>	<b>5,408.6</b>
Secured Loans	787.7	1,247.0
Other liabilities	537.0	488.6
<b>Total Non-Current Liabilities</b>	<b>1,324.7</b>	<b>1,735.6</b>
Trade Payables	2,226.2	2,793.4
Other Current Liabilities	1,078.3	1,764.4
Current Tax Liabilities	88.2	47.8
Short Term Provisions	1,454.8	1,332.9
Short Term Borrowings	2,145.9	1,761.7
<b>Total Current Liabilities</b>	<b>6,993.4</b>	<b>7,700.2</b>
<b>Total Liabilities</b>	<b>14,202.2</b>	<b>14,844.4</b>
Fixed Assets incl. CWIP	4,734.9	4,200.0
Long Term Loans & Advances	163.2	142.1
Other Non Current Assets	389.6	316.3
<b>Total Non-Current Assets</b>	<b>5,287.7</b>	<b>4,658.4</b>
Inventories	1,271.7	1,067.5
Sundry Debtors	4,187.2*	4,294.3
Cash and Bank	1,141.8	2,289.3
Short term Loans and Advances	1,738.8	2,032.8
Other Current Assets	575.1	502.0
<b>Total Current Assets</b>	<b>8,914.5</b>	<b>10,186.0</b>
<b>Total Assets</b>	<b>14,202.2</b>	<b>14,844.4</b>

Financials in Rs mn

Sundry Debtors as on Sept'18 include Rs 1,456 Mn of Retention Money





## 02 > About the Company



# Company Overview

Experienced roads and highways construction company

**15**

Years of track record in  
project execution

**31**

projects under execution  
(26 roads & highways)

**1,500+**

Number of plant &  
machinery

**6**

States where projects  
have been executed

**3,700**

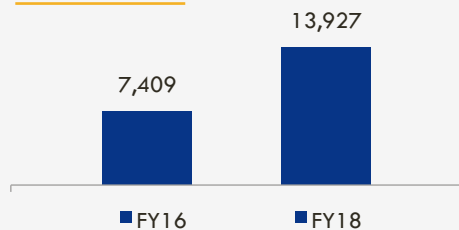
Qualified and  
experienced employees

**Rs 48,822 mn**

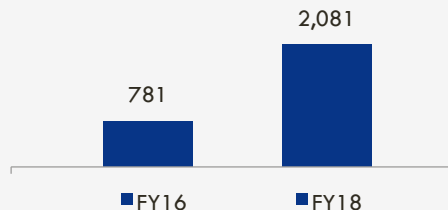
Order Book

(unexecuted as on Sept 30, 2018)

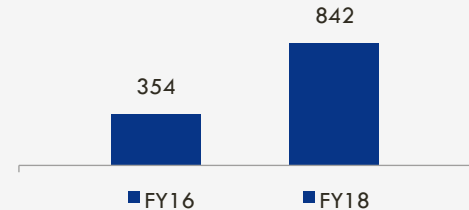
## Revenue (1.9X)



## EBITDA (2.7x)



## PAT (2.4x)

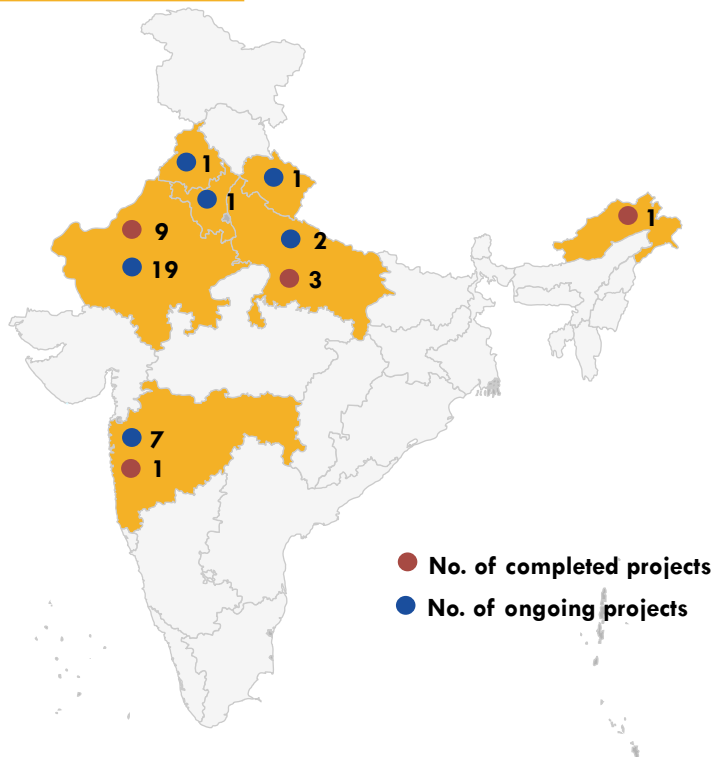


Revenue for FY18 is net of GST, whereas for previous years are gross numbers  
All operational data is as on Sept 30, 2018

# Track Record

## Executed projects across geographies and clients

### Presence across 6 states



### Clients



### Accreditations and awards

#### Quality Management



#### Environment Management



#### Health & Safety



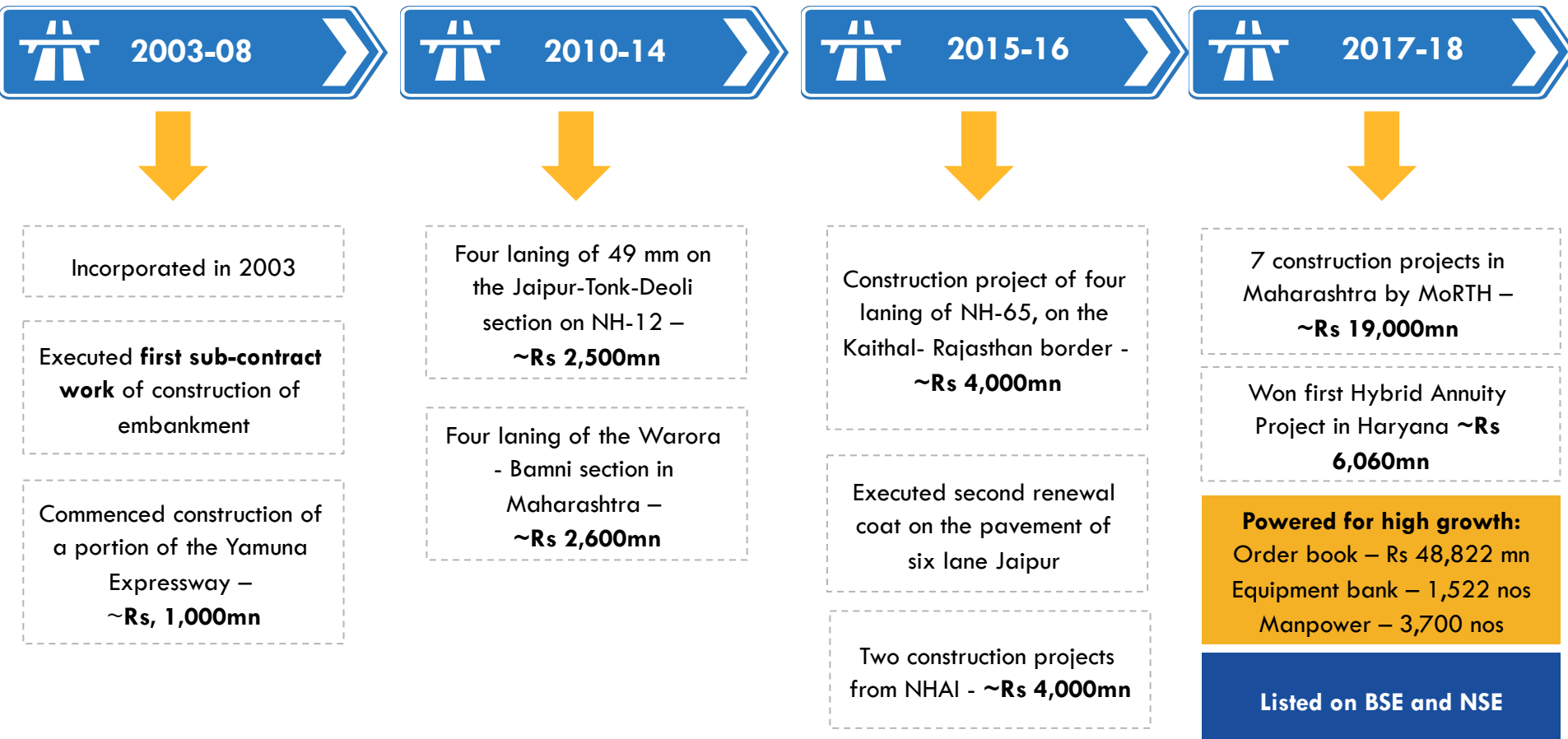
- ◆ Letter of appreciation in 2012 from L&T for being the most quality consciousness sub-contractor
- ◆ Bonus from PWD for early completion of widening and strengthening of NH-96 Faizabad-Allahabad Road in UP

Pre-qualified to bid independently for bids by NHAI and MoRTH for contract values of up to Rs 11,200 mn

All operational data is as on Sept 30, 2018

# Milestones

Evolved from sub-contractor to main contractor with higher value contracts



\*Milestones are as per calendar year

# Completed Projects

Completed notable projects of different sizes & complexities



## Project

**Construction of  
Tonk-Deoli Jaipur  
Section**

**4 laning of  
Warora-  
Chandrapur-  
Ballarpur**

**Construction  
Kuberpur to  
Fatehabad- Agra  
Inner Ring Road**

**2nd Renewal Coat  
on the Pavement of  
6 lane Jaipur-  
Kishangarh**

**Widening &  
Strengthening of  
NH96**

## Client

**Modern Road  
Makers**

**IL&FS Transportation  
Networks**

**NHAI**

**GVK**

**NHAI**

## Role

**Sub-contractor**

**Sub-contractor**

**Contractor**

**Sub-contractor**

**Contractor**

## Project size

**Rs 3,620mn**

**Rs 2,638mn**

**Rs 3,047mn**

**Rs 1,423mn**

**Rs 1,634mn**



# Joint Ventures

Between 2013-17, ongoing/completed 5 roads and highways projects through JVs

JV partner	Tata Projects Limited	Ranjit Buildcon Limited	M.G Contractors Pvt Limited	Colossal Construction	Rameshwar Prasad Sharma Contractor
Project	Chittorgarh-Udaipur section of NH-76 Rajasthan	Babatpur to Varanasi section of NH-56 in Uttar Pradesh	Changlang district boundary to the khonsa section of the new NH-215 in Arunachal Pradesh	Construction Activities	Bari-Baseri-Weir-Bhusawar-Chhonkarwara-Pahari road up to Haryana border
Nature of work	Six Laning	Four Laning	Rehabilitation & augmentation of 2 laning	Construction activities	Development
Ownership interest	26%	30%	30%	70%	51%

# Management Team

Experienced and qualified senior management and operational team

## Mr. Harendra Singh

### Chairman and Managing Director

- 23 years of experience in the construction industry
- Holds bachelor's degree in engineering (civil)
- Awarded twice by the Indian Achievers Forum for his outstanding achievement in business and social service

## Mr. Rajeev Mishra

### Chief Financial Officer

- Over 10 years of experience in banking and real estate industry
- Holds a master's degree in business administration and diploma in human resource development from the National Institute of Industrial Research and Development

## Mr. Raja Dutta

### Chief Operating Officer

- 20 years of experience in the construction industry, highly skilled in project execution
- Strong finance professional with a Management Education Program focused in Business Administration and Management, General from IIM, Ahmedabad

## Functional Heads

### Mr. Ajay Kumar Gupta AVP - Plant & Equipment

- Holds a Bachelor's degree in mechanical engineering from the U.P. Tech Board
- Over 34 years of experience in the field of construction plants and equipment

### Mr. Sudhir Jain Project Director

- Holds a Bachelor's degree in civil engineering from the University of Madras
- Over 7 years of experience in the field of engineering

### Mr. Vinod Agarwal AVP - Commercials and Accounts

- Holds a Bachelor's degree and a Master's degree in commerce, each from Rajasthan University
- Over 30 years of experience in the field of finance

### Mr. Rakesh Shivan Senior GM - Civil

- Holds a Bachelor's degree in engineering and a Master's degree in transportation engineering
- Over 14 years of experience in the field of engineering

### Mr. Satish Kumar Sharma Senior GM - Planning and Quality Standard

- Holds a Bachelor's degree in civil engineering & a Master's degree in business administration
- Over 21 years of experience in the field of engineering



# Board of Directors

Management supported by independent Board

## **Mr. Vijendra Singh**

### **Whole-time Director**

- 23 years of experience in the construction industry
- Responsible for the overall functioning of the Company

## **Ms. Dinesh Kumar Goyal**

### **Executive Director**

- Retired IAS, has more than 40 years experience in working at top level position in departments such as finance, Energy, Public Works, Road & Highway & others

## **Mr. Onkar Singh**

### **Independent Director**

- Holds a bachelor's & master's degree in commerce and philosophy
- Over 20 years of experience in the economic administration and rural development sector

## **Ms. Pooja Hemant Goyal**

### **Independent Director**

- Holds a bachelor's degree in commerce a master's degree in law
- Over 5 years of experience in the legal industry

## **Mr. Ashok Kumar Thakur**

### **Independent Director**

- Holds a master's degree in commerce from Lucknow University
- Over 37 years of experience in the banking industry







## 03 Key Strengths and Drivers

## **INDUSTRY OPPORTUNITY**

Increasing investments  
Policy support and reforms  
Insufficient network

## **DIFFERENTIATED BUSINESS MODEL**

Evaluation and management skills  
Equipment bank  
Project team

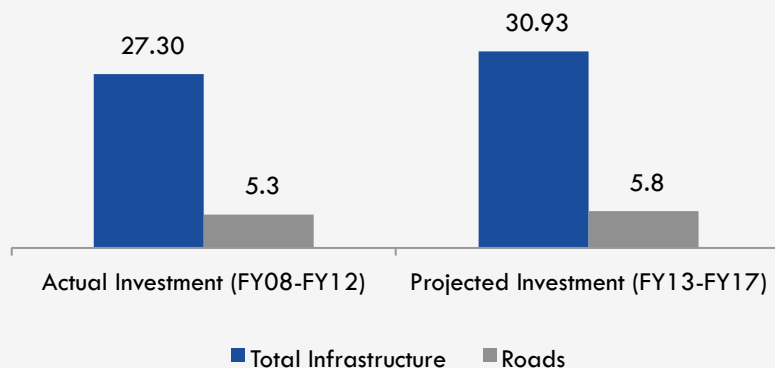
## **ROBUST ORDER BOOK**

3.8x FY18 revenues  
Provides revenue visibility

**TO DRIVE  
GROWTH WITH  
SUPERIOR  
MARGINS**

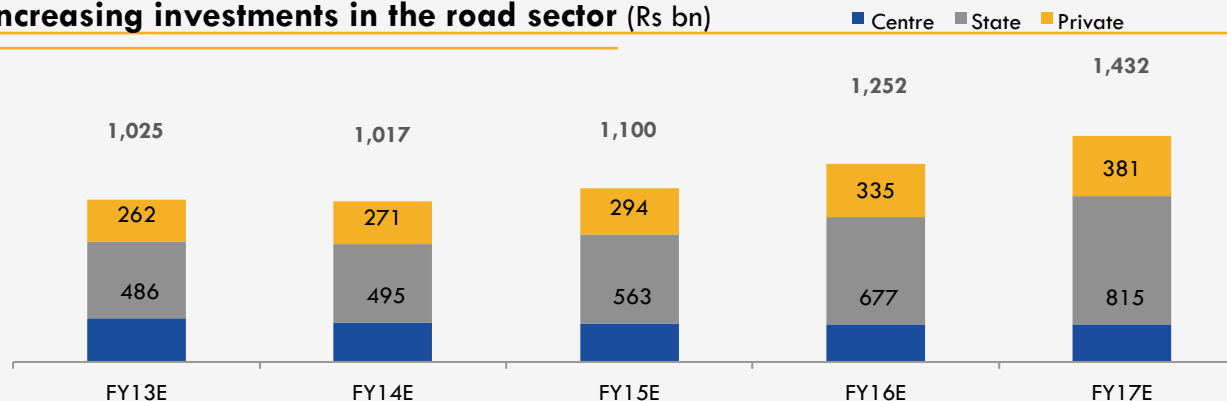
Increasing investment in the infrastructure sector with focus on roads & highways

## Government's focus on improving domestic infrastructure leading to increasing investments in the sector (Rs tn)



- ◆ Cumulative investments in infrastructure projects from FY12-17 is estimated to be Rs 30.93 tn, up from Rs 27.3 tn in FY08-12
- ◆ Private sector is estimated to contribute 39%; 61% contributed by the Central & State Governments
- ◆ **Road sector constitutes ~19% of total spend**
- ◆ Cumulative investments in road sector is expected to have risen by 11% to Rs 5.8 tn during FY13-FY17

## Increasing investments in the road sector (Rs bn)



.. largely driven by the government's focus on encouragement of public private partnerships, speedy implementation of the National Highways Development Project, and certain changes in policies

Source for industry data: Crisil Research, MoRTH

# Industry Opportunity

Several factors driving the growth in infrastructure investments

**NH constitutes a mere 1.7% of the road network but carry about 40% of the total road traffic**

Road Network (FY17)	Length (in Km)	% of total length	% of total traffic
National Highways	103,933	1.71%	40%
State Highways	161,487	2.65%	60%
Other roads	5,820,744	95.64%	
<b>Total</b>	<b>6,086,164</b>	<b>100%</b>	<b>100%</b>

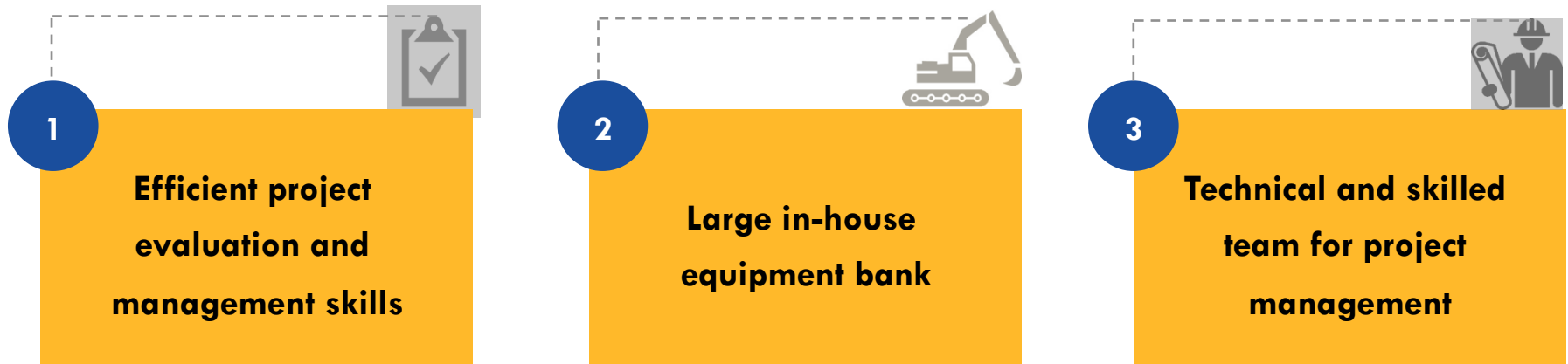
- ✓ Policy changes fueling growth – land availability, fast-track clearances, revival of stalled projects, etc.
- ✓ Increasing private participation through policies which are private sector friendly
- ✓ Rise in government investments, reforms and higher budgetary support
- ✓ Healthy economic growth fuelled by increased economic activity
- ✓ Backbone of passenger and freight traffic

Expected investment of Rs 4.1 tn in next five years in NH, up by 2.8 times, as compared to past five years

Source for industry data: Crisil Research, MoRTH

# Differentiated Business Model

Presence across the project lifecycle for better efficiency



Differentiated business model with focus on efficient execution, complete integration, no subcontracting, equipment ownership and skilled manpower...

... leading to cost optimization and better margins



# Project Evaluation and Management

Presence across the project lifecycle for better efficiency and cost optimization



## Preliminary project evaluation



## In-depth technical studies



## Efficient bidding



## Project planning and execution



## Maintenance

- ◆ Focus on selection of projects with favorable execution conditions
- ◆ Projects with our hurdle rate of profitability

- ◆ In-house team for technical surveys and feasibility studies
- ◆ Analyze design parameters and cost involved in the project

- ◆ Rational bids at competitive prices based on in-house assessments

- ◆ Focus on high quality construction
- ◆ Strong internal systems and processes to track the progress and execution
- ◆ Experienced execution team to ensure timely and cost effective execution

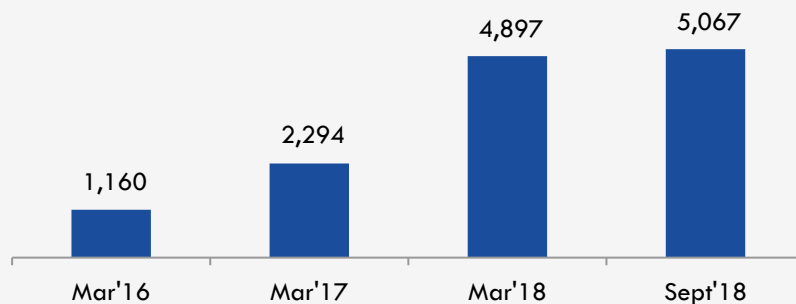
- ◆ In-house team for maintenance related activities; reduces operational cost

Invested Rs 3,900+ mn in plant and machinery in last 2.5 years

- ◆ Owned equipments ensures control over execution
- ◆ Ensures availability and quick mobilization
- ◆ Eliminate delays and cost over-runs due to untimely break-downs or non-availability

### Gross Block (Rs mn)

Preparing for next  
leg of growth



Crushers



Compactors



Graders



Loaders



Pavers



Mixers



Dumpers



Excavators



Rollers



Sprayers



Compressors



Tractors

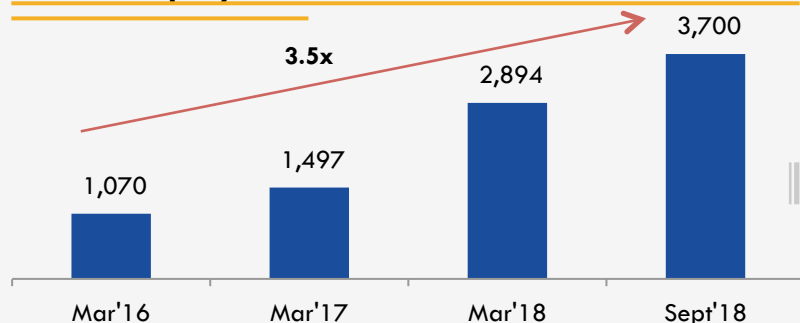
Fleet of modern construction equipment totaling 1,522 for large scale execution

All operational data is as on Sept 30, 2018

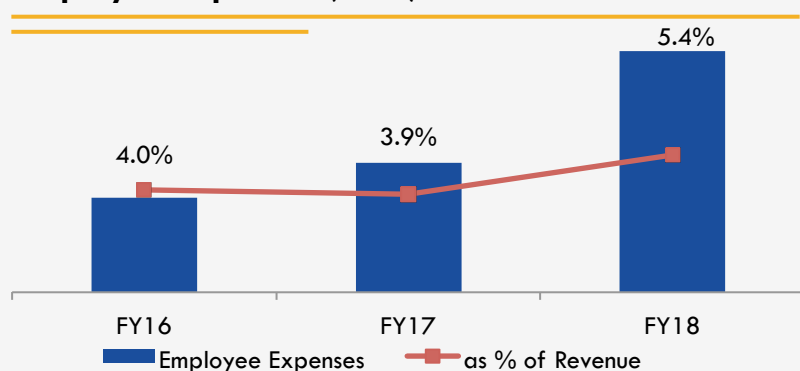


Total 3,700 employees; net addition of 800+ employees in FY19

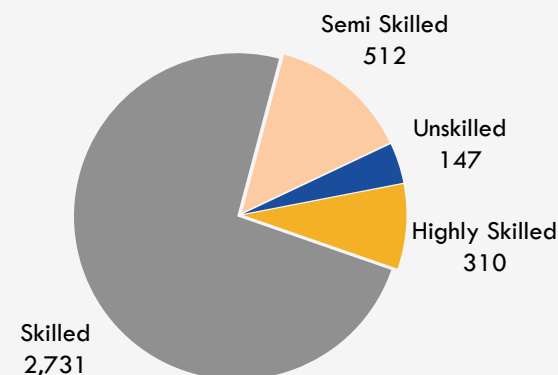
### No. of employees



### Employee Expenses (Rs mn)



### Large number of skilled employees



- ◆ 3,700 employees as of Sept 30, 2018, which includes 3,041 (82%) skilled and highly skilled workers such as qualified engineers, management professionals
- ◆ 659 unskilled and semi skilled workers (18%)

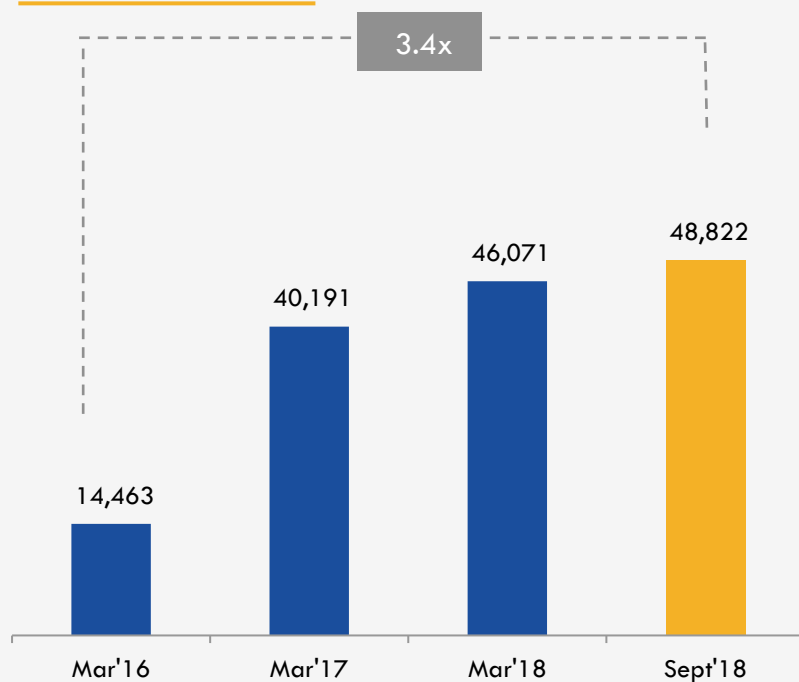
Skilled employees across functions for efficient execution

All operational data is as on Sept 30, 2018

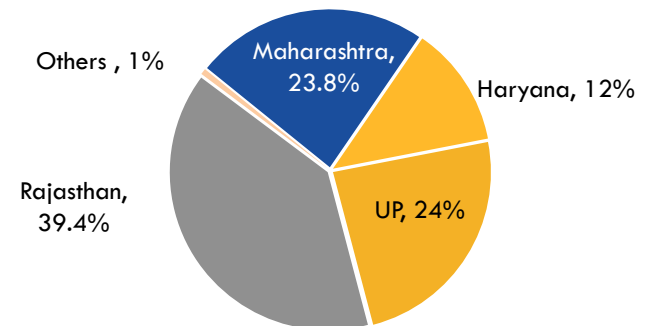
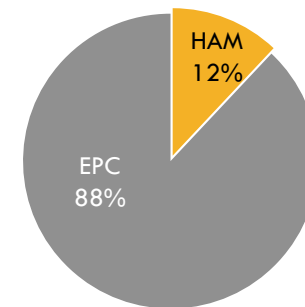
# Order Book

Robust order book of Rs 48,822 mn (~3.5x FY18 Revenues)

## Robust growth in order book (Rs mn)



## Order book breakup (Rs 48,822 mn)



Diversified order book with focus on EPC Projects

## Top 5 orders under execution

Project	Nature of work	Appointed Date	Value (Rs mn)
Gulabpura- Chittorgarh Section-2	Six Laning	Nov 2017	7,117
Chittorgarh- Udaipur Section of NH-76 Section-1	Six Laning	Jul 2017	4,834
Nagpur-Katol- Warud State Highway	Rehabilitation & Up-gradation from Two lane with paved shoulder	Jun 2017	3,142
Nandurbar - Prakasha- Sahada-Khetia State Highway	Rehabilitation & Up-gradation to two lane with paved shoulders/ 4 lane	Jun 2017	2,981
Amarvati-Nandgaon-Morshi-warud-Pandhurna	Rehabilitation & Up-gradation from Two lane with paved shoulder	Jun 2017	2,945



## 04 Growth Strategy

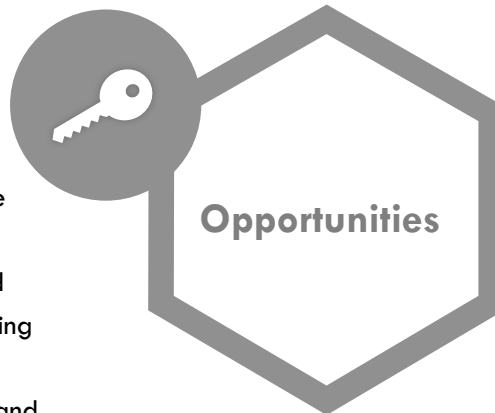
Continue focus on core EPC projects with superior margins



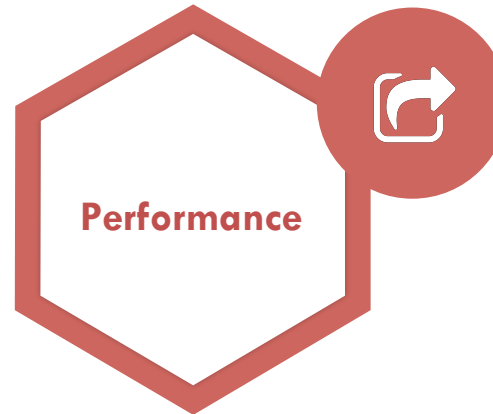
- Focus on road and highways EPC
- Invest in modern construction equipment
- Attract and retain talented employees
- SAP implementation under progress



- Reduce business concentration in limited geography
- De-risk by expanding the presence in different states
- Significant portion of geographic expansion to be in Gujarat, Punjab and MP



- Selectively explore hybrid annuity based model (to the max 25% of portfolio)
- Diversify beyond roads and highways sector by leveraging existing capabilities
- Railways, airport runways, and metros and water treatment and sewerage related projects



- Focus on profitability through better project selection, timely execution and strict cost controls
- Continued focus on WC management and cash flow generation
- Deleverage balance sheet



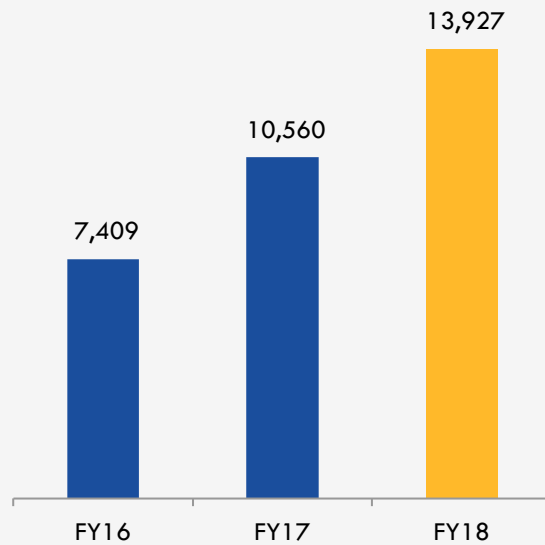
## 05 Financial Highlights

# Revenue, EBITDA and PAT

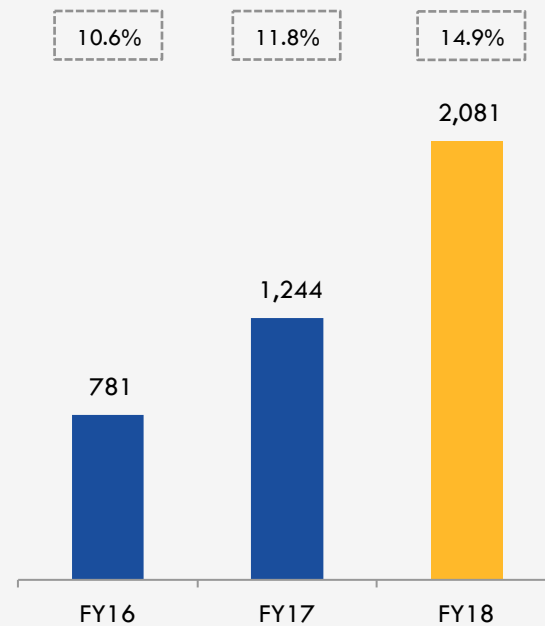
Robust topline and profitability growth ...

Rs mn

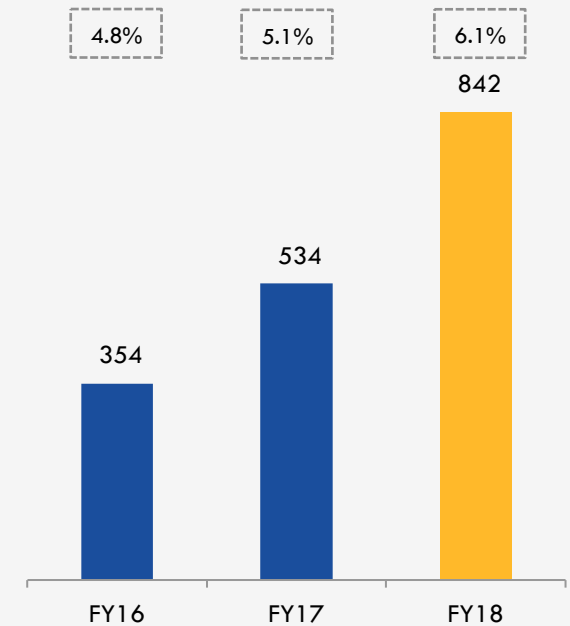
## Revenue from Operations



## EBITDA & EBITDA Margin



## PAT & PAT Margin



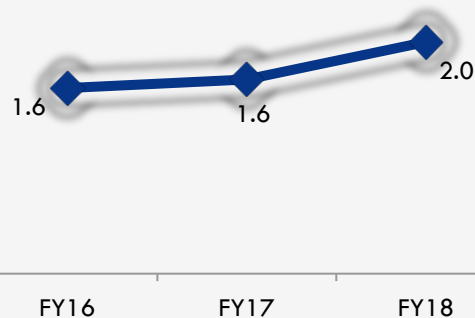
Revenue for FY18 is net of GST, whereas for previous years are gross numbers



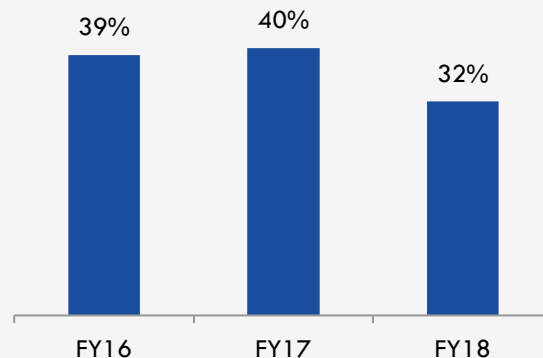
# Return Ratios

... leading to superior return ratios

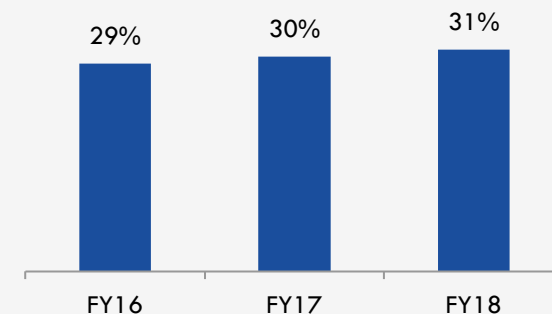
## Debt/EBITDA



## Return on Capital Employed

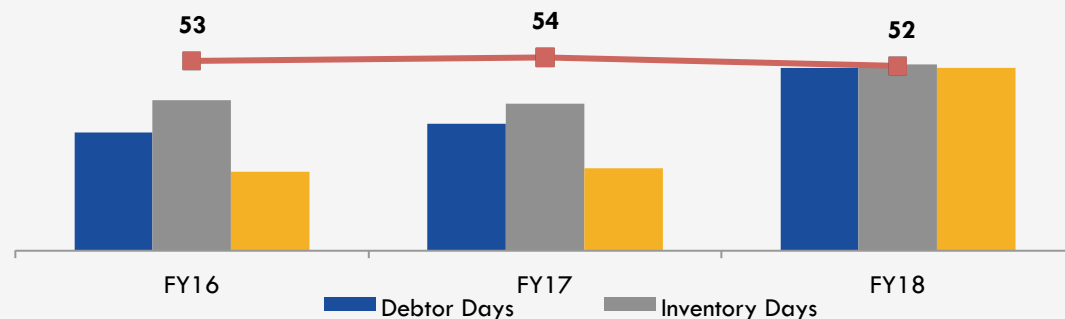


## Return on Net Worth



## Disciplined working capital management

### Working Capital Days



- ✓ Debt is calculated as: Long Term + Short Term Borrowings + Current Portion of Long Term Borrowing
- ✓ ROCE is calculated as:  $\text{EBIT} / (\text{Total Assets} - \text{current Liabilities})$
- ✓ Return On Net Worth is calculated as:  $\text{PAT} / \text{Networth}$   
(IPO proceeds are excluded from the ROCE & Ro NW for FY18)

- ✓ Debtors Days is calculated as  $\text{Average Trade Receivables} / \text{Revenue From Operations}$
- ✓ Inventory Days is calculated as  $\text{Average Inventory} / \text{Cost of Materials}$
- ✓ Creditors Days is calculated as  $\text{Average Trade Payables} / (\text{Cost of Materials} + \text{Contract \& Site Expenses})$

# Consolidated Profit and Loss Statement

Rs mn	Mar-18	Mar-17
<b>Revenue from operations</b>	13,927.25	10,560.28
Cost of material consumed	5,462.38	4,088.66
Contract and site expenses	5,474.70	4,715.79
Employee expenses	761.43	407.93
Other expenses	148.05	103.55
Total Operating expenses	11,846.56	9,315.92
<b>EBITDA</b>	<b>2,080.71</b>	<b>1,244.37</b>
<b>EBITDA margin</b>	<b>14.9%</b>	<b>11.8%</b>
Depreciation	539.18	256.01
Other Income	46.67	34.17
Interest	400.58	188.76
<b>PBT</b>	<b>1,187.60</b>	<b>833.76</b>
PBT Margin	8.5%	7.9%
Tax Expenses (Credits)	344.96	299.58
<b>PAT</b>	<b>842.64</b>	<b>534.17</b>
<b>PAT Margin</b>	<b>6.1%</b>	<b>5.1%</b>

Revenue for FY18 is net of GST, whereas for FY17 is gross number

The company has adopted IND AS from April 1, 2017. The impact of transition has been provided on April 1, 2016 and all period restated accordingly.

# Consolidated Balance Sheet

Rs mn	Mar-18	Mar-17	Mar-16
Share Capital	651.71	180.20	180.20
Reserves	4,756.92	1,581.15	1,047.51
<b>Shareholders' Funds</b>	<b>5,408.63</b>	<b>1,761.35</b>	<b>1,227.71</b>
Long Term Borrowings	1,246.98	634.78	284.47
Trade Payable	487.85	295.37	88.45
Employee benefit obligations	0.73	-	1.04
<b>Total Non-Current Liabilities</b>	<b>1,735.55</b>	<b>930.15</b>	<b>373.96</b>
Short Term Borrowings	1,761.73	932.88	589.87
Trade Payables	2,793.43	869.46	613.82
Other Financial liabilities	1,332.89	509.74	367.90
Employee benefit obligations	92.60	47.00	40.64
Other Current Liabilities	1,671.76	595.44	770.92
Current Tax Liabilities	47.76	75.47	9.23
<b>Total Current Liabilities</b>	<b>7,700.16</b>	<b>3,029.99</b>	<b>2,392.37</b>
<b>Total Liabilities</b>	<b>14,844.35</b>	<b>5,721.49</b>	<b>3,994.04</b>
Fixed Assets incl. CWIP	4,204.76	2,050.68	1,210.02
Trade Receivables	48.54	28.66	5.60
Other financial assets	142.13	67.53	78.22
Deferred tax assets	61.30	22.52	10.40
Income Tax assets	15.75	15.61	16.04
Other Non Current Assets	185.92	145.39	173.33
<b>Total Non-Current Assets</b>	<b>4,658.39</b>	<b>2,330.39</b>	<b>1,493.61</b>
Inventories	1,067.53	492.04	435.31
Trade Receivables	4,294.29	1,809.18	1,385.27
Cash and Bank	2,289.31	482.65	268.89
Short term Loans and Advances	-	7.33	39.00
Other financial assets	2,032.82	290.89	185.76
Other Current Assets	502.02	308.99	186.19
<b>Total Current Assets</b>	<b>10,185.96</b>	<b>3,391.10</b>	<b>2,500.43</b>
<b>Total Assets</b>	<b>14,844.35</b>	<b>5,721.49</b>	<b>3,994.04</b>

The company has adopted IND AS from April 1, 2017. The impact of transition has been provided on April 1, 2016 and all period restated accordingly.



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