



HGIEL

We Make People Move...

Investor Presentation, May 2018



H.G. Infra Engineering Ltd



We make people move 

Outline

- 01 > Q4FY18 & FY18 Result Highlights
- 02 > About the Company
- 03 > Key Strengths and Drivers
- 04 > Growth Strategy
- 05 > Financial Highlights

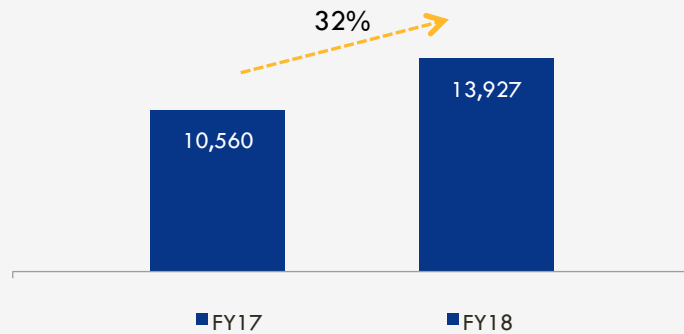


01  Q4FY18 & FY18 Results Highlights

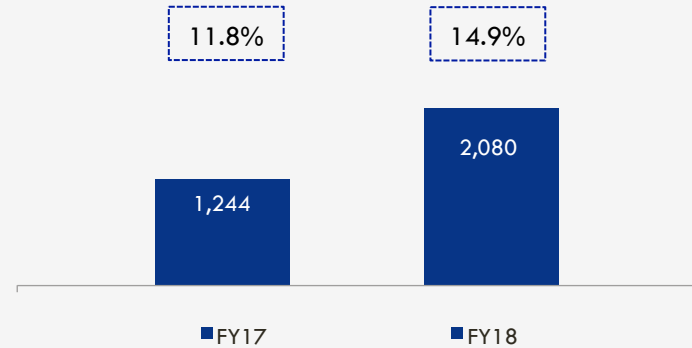
Result Highlights FY18

Higher execution, coupled with margin improvement leading to 58% PAT growth

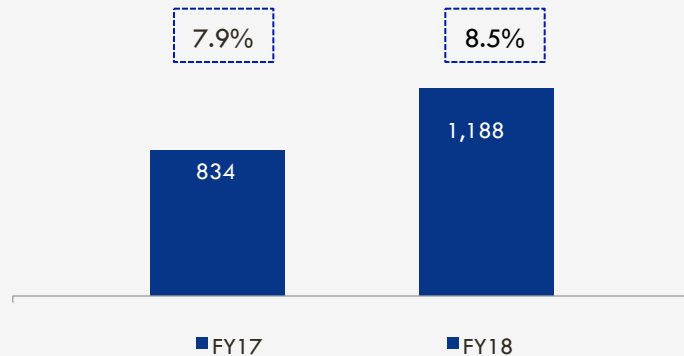
Revenue



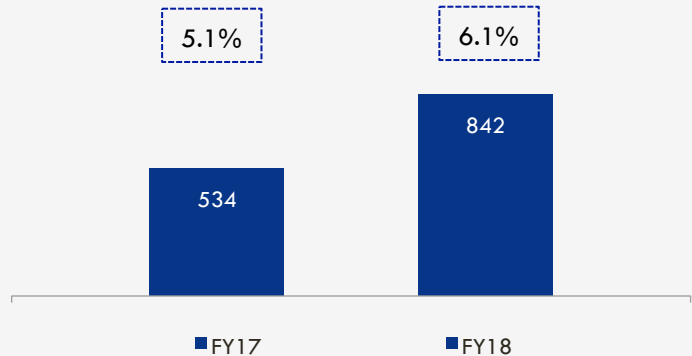
EBITDA and EBITDA Margin



PBT



PAT



Financials in Rs mn

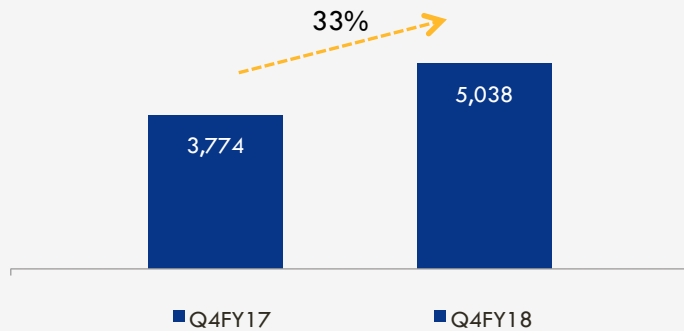
Revenue for FY18 is net of GST, whereas for previous year is gross number

Result Highlights Q4FY18

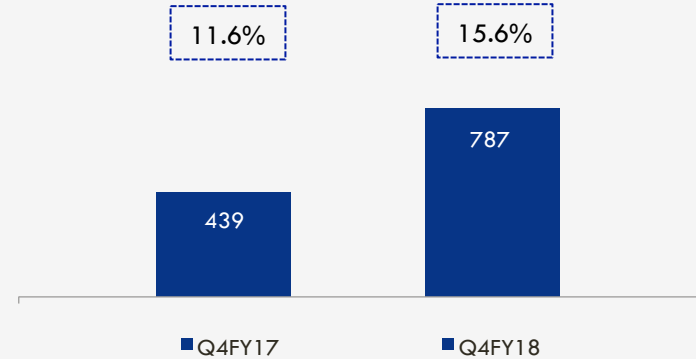
33% robust growth in topline



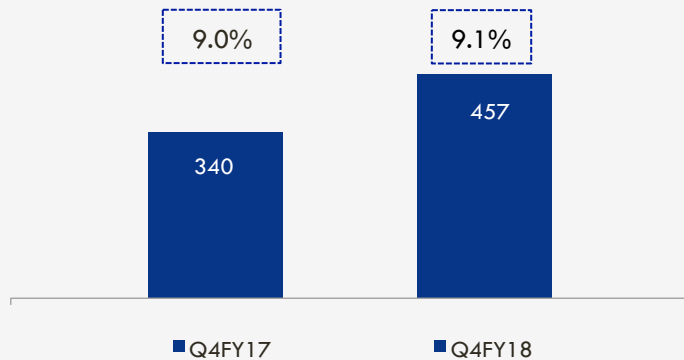
Revenue



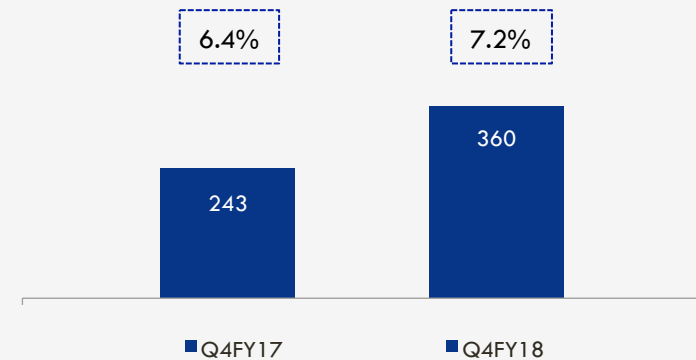
EBITDA and EBITDA Margin



PBT



PAT and PAT Margin



Financials in Rs mn

Revenue for Q4FY18 is net of GST, whereas for previous Quarters are gross numbers



Q4FY18 & FY18 Consolidated Profitability Highlights

| | Q4FY18 | Q4FY17 | YoY | FY18 | FY17 | YoY |
|--------------------------------|-----------------|-----------------|--------------|------------------|------------------|--------------|
| Revenue from operations | 5,037.76 | 3,774.63 | 33.5% | 13,927.25 | 10,560.28 | 31.9% |
| Cost of material consumed | 1,720.32 | 1,492.56 | 15.3% | 5,462.38 | 4,088.66 | 33.6% |
| Contract and site expenses | 2,245.60 | 1,674.06 | 34.1% | 5,474.70 | 4,715.79 | 16.1% |
| Employee expenses | 233.14 | 131.21 | 77.7% | 761.43 | 407.93 | 86.7% |
| Other expenses | 51.72 | 37.45 | 38.2% | 148.05 | 103.55 | 43.0% |
| Total Operating expenses | 4,250.80 | 3,335.28 | 27.4% | 11,846.56 | 9,315.92 | 27.2% |
| EBITDA | 786.98 | 439.37 | 79.1% | 2080.71 | 1244.37 | 67.2% |
| EBITDA margin | 15.6% | 11.6% | | 14.9% | 11.8% | |
| Depreciation | 193.26 | 77.38 | 149.8% | 539.17 | 256.02 | 110.6% |
| Other Income | 11.86 | 30.20 | -60.7% | 46.67 | 34.17 | 36.6% |
| Interest | 148.90 | 52.50 | 183.6% | 400.59 | 188.76 | 112.2% |
| PBT | 456.67 | 339.68 | 34.4% | 1,187.60 | 833.75 | 42.4% |
| PBT margin | 9.1% | 9.0% | | 8.5% | 7.9% | |
| Tax Expenses (Credits) | 96.33 | 96.29 | 0.0% | 344.95 | 299.59 | 14.6% |
| PAT | 360.34 | 243.41 | 48.0% | 842.64 | 534.17 | 57.7% |
| PAT margin | 7.2% | 6.4% | | 6.1% | 5.1% | |

Financials in Rs mn

Revenue for Q4FY18 & FY18 is net of GST, whereas for Q4FY17 & FY17 are gross numbers

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



02 About the Company

Company Overview

Experienced roads and highways construction company



15

Years of track record in project execution

29

projects under execution
(22 roads & highways)

1,200+

Number of plant & machinery

6

States where projects have been executed

2,800+

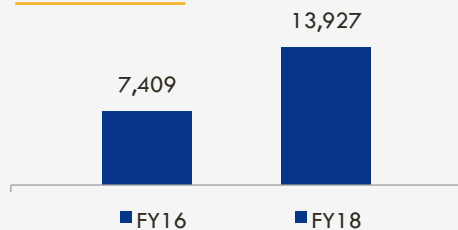
Qualified and experienced employees

Rs 46,071 mn

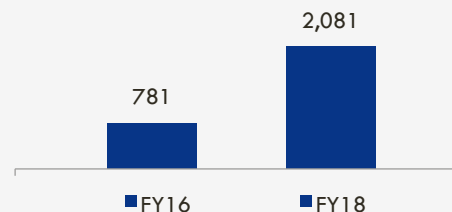
Order Book

(unexecuted as on March 31, 2018)

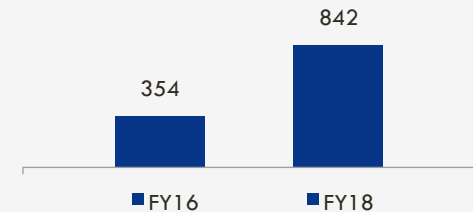
Revenue (1.9X)



EBITDA (2.7x)



PAT (2.4x)



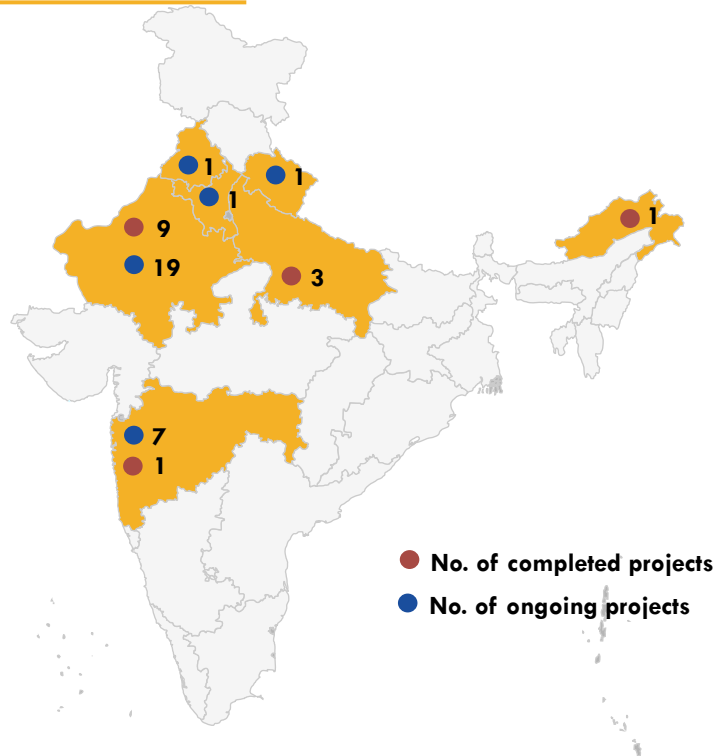
Revenue for FY18 and Q4FY18 is net of GST, whereas for previous years are gross numbers
All operational data is as on Mar 31, 2018



Track Record

Executed projects across geographies and clients

Presence across 6 states



Clients



Public Works Department



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

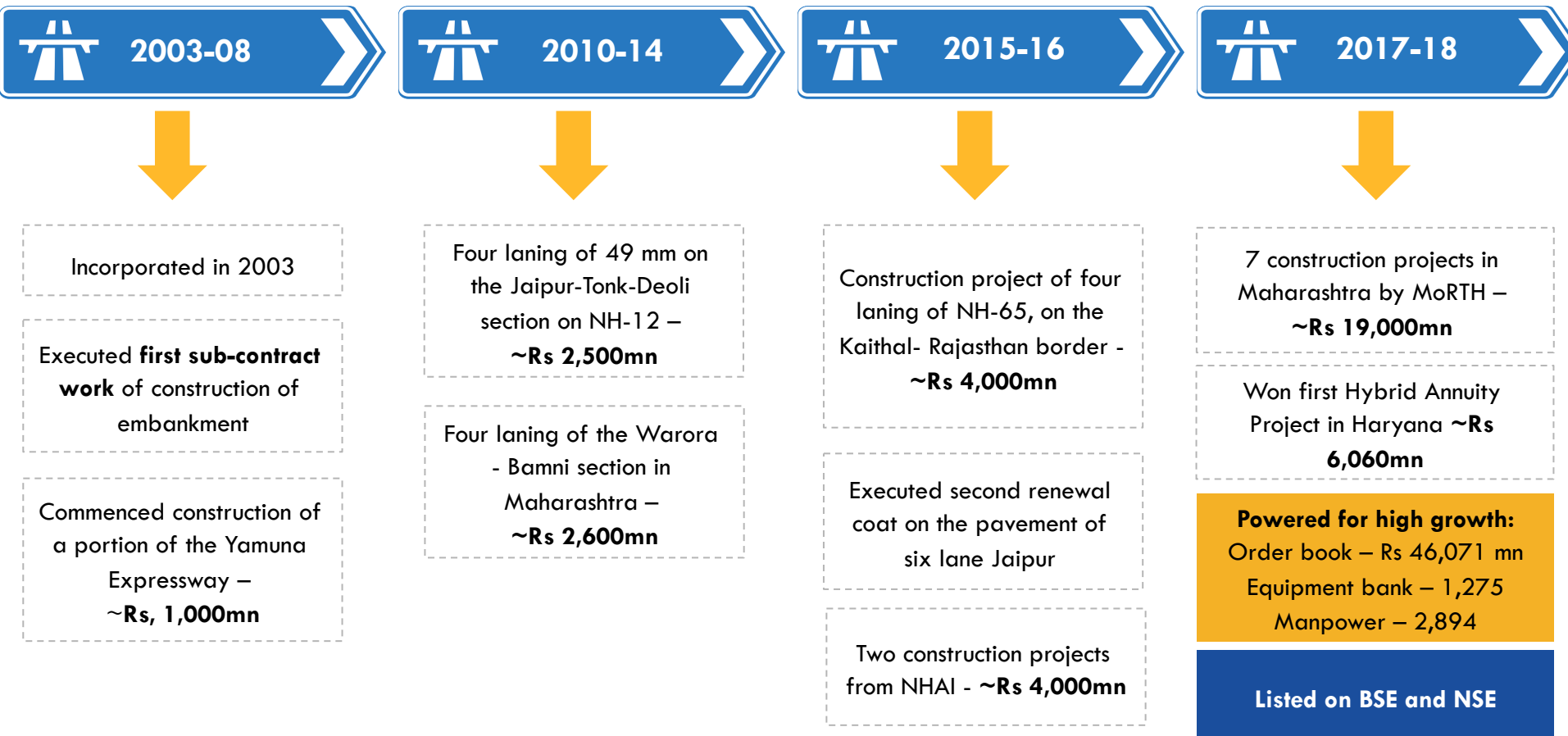
Pre-qualified to bid independently for bids by NHA and MoRTH for contract values of up to Rs 11,200 mn

All operational data is as on Mar 31, 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) from Jodhpur University
- 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
- Holds a diploma in human resource development from the National Institute of Industrial Research and Development

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 Shivran 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

Ms. Ankita Mehra CS & Compliance Officer

- Holds a Bachelor's and Master's degree in commerce
- Fellow member of the Institute of Company Secretaries of India

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

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

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. Dinesh Kumar Goyal has been appointed as a Executive director subject to shareholders approval. Mr. Goyal is an 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.



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

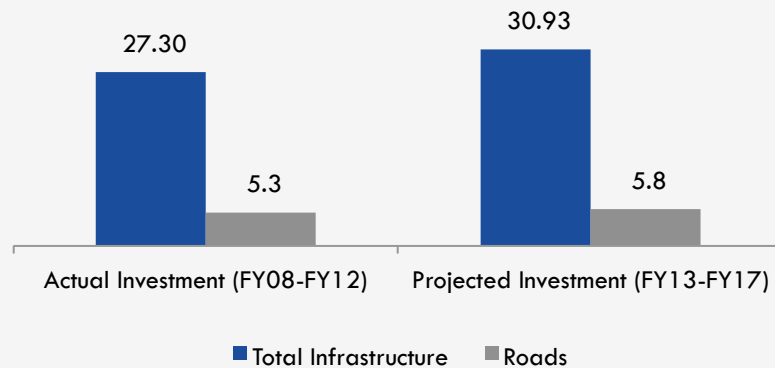
ROBUST ORDER BOOK

3.3x FY18 revenues
Provides revenue visibility

**TO DRIVE
GROWTH WITH
SUPERIOR
MARGINS**

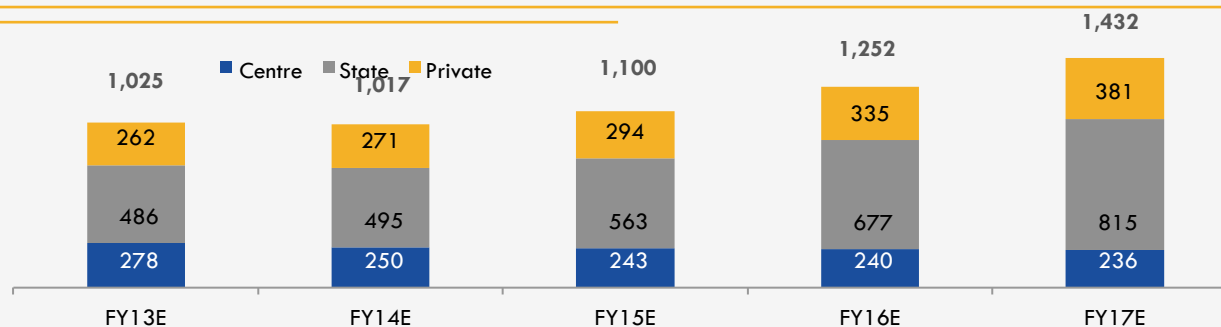
Increasing investment in the infrastructure sector with focus on roads & highways

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

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% | |
| Total | 6,086,164 | 100% | 100% |

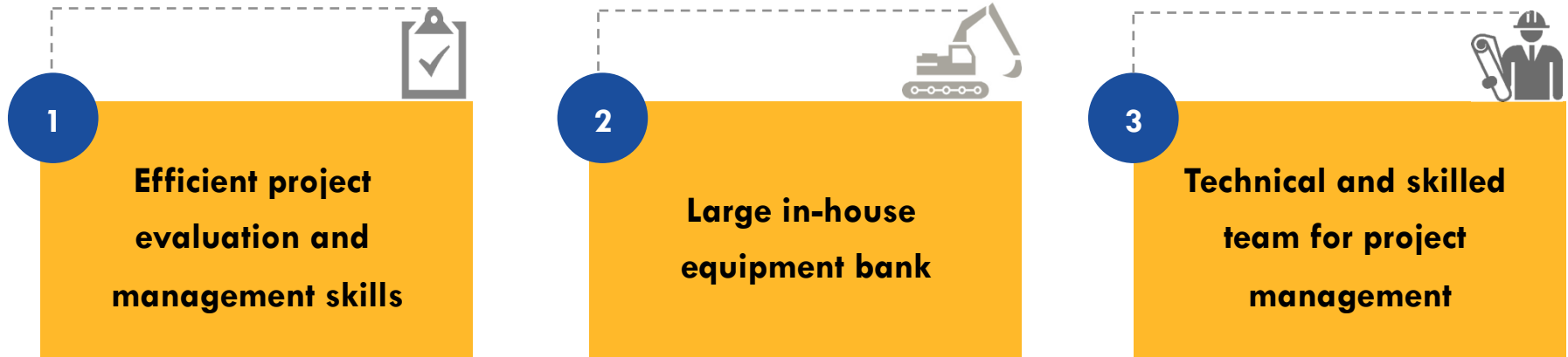
- ✓ Policy changes fueling growth – land availability, fast-track clearances, revival of stalled projects, etc.
- ✓ Increasing private participation through policies which are private sector friendly
- ✓ Rise in government investments, reforms and higher budgetary support
- ✓ Healthy economic growth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

1 Project Evaluation and Management

Presence across the project lifecycle for better efficiency and cost optimization



2

Equipment Bank

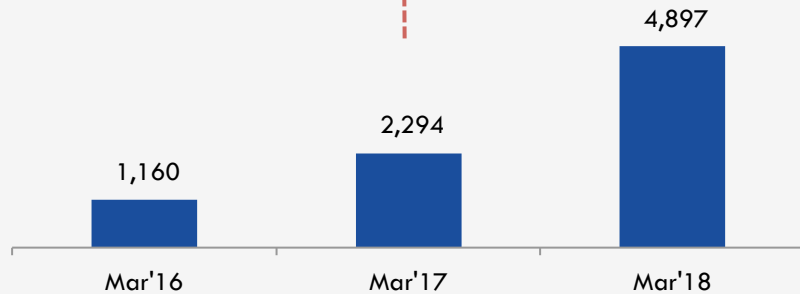
Invested Rs 3,700+ mn in plant and machinery in last 2 years

- ◆ 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

~Rs 2,600mn in FY18



Crushers



Compactors



Graders



Loaders



Pavers



Mixers



Dumpers



Excavators



Rollers



Sprayers



Compressors



Tractors

Fleet of modern construction equipment totaling 1,275 for large scale execution

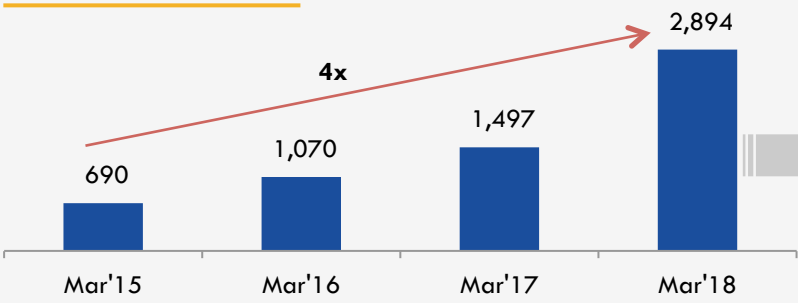
All operational data is as on Mar 31, 2018



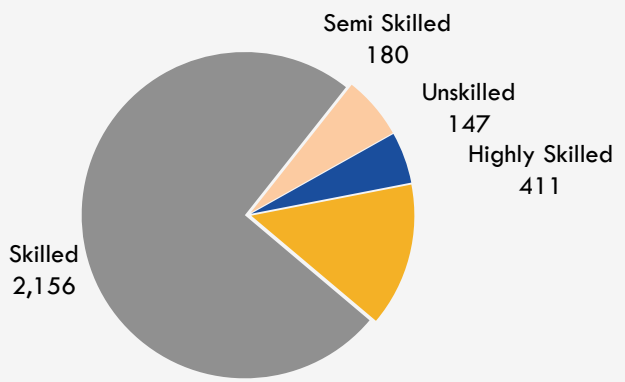
3 Project Team

Total 2,894 employees; net addition of 1,397 in employees in FY18

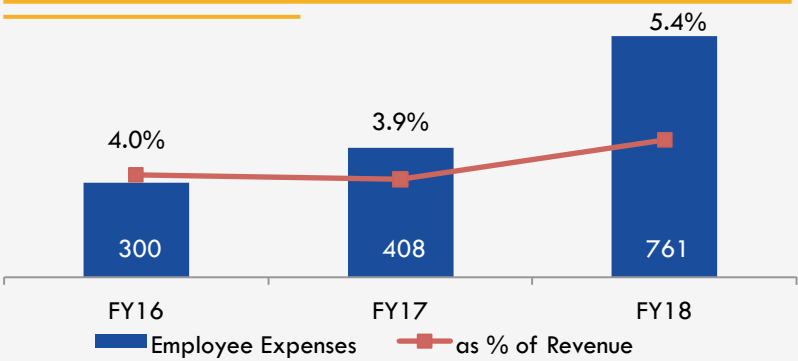
No. of employees



Large number of skilled employees



Employee Expenses (Rs mn)



- ◆ 2,894 employees as of Mar 31, 2018, which includes 2,567 (88%) skilled and highly skilled workers such as qualified engineers, management professionals
- ◆ 327 unskilled and semi skilled workers (12%)

Skilled employees across functions for efficient execution

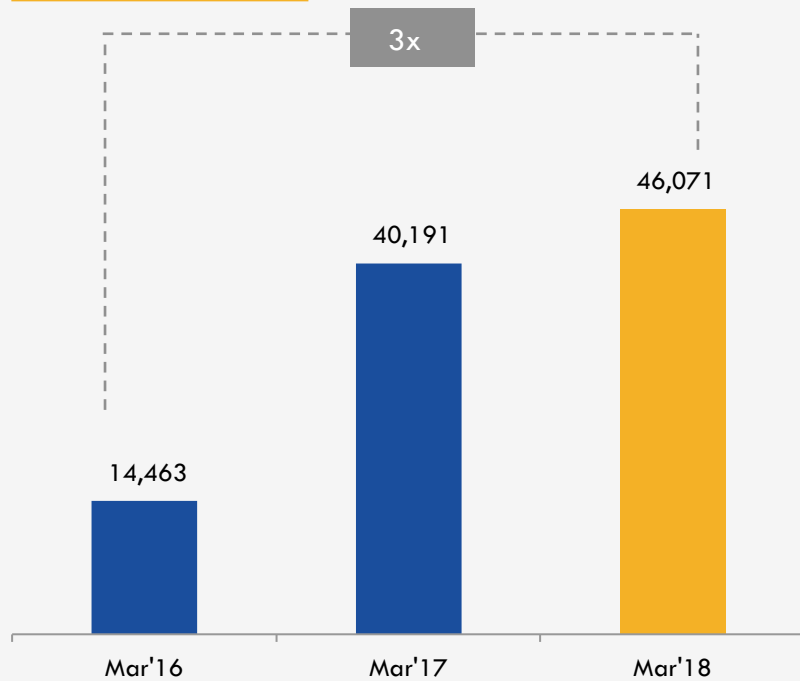
All operational data is as on Mar 31, 2018



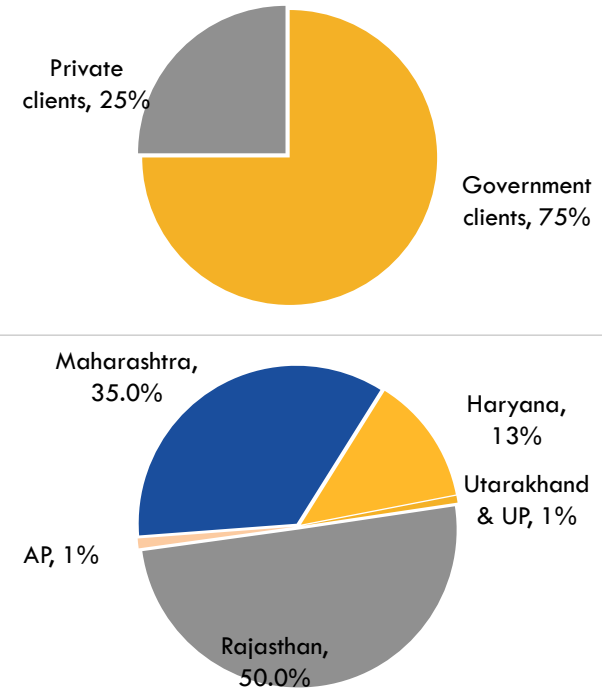
Order Book

Robust order book of Rs 46,071 mn (~3.3x FY18 Revenues)

Robust growth in order book (Rs mn)



Order book breakup (Rs 46,071 mn)



Diversified order book with focus on government clients

All operational data is as on Mar 31, 2018



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 | June 2017 | 3,142 |
| Nandurbar - Prakasha- Sahada-Khetia State Highway | Rehabilitation & Up-gradation to two lane with paved shoulders/ 4 lane | June 2017 | 2,981 |
| Amarvati-Nandgaon-Morshi-warud-Pandhurna | Rehabilitation & Up-gradation from Two lane with paved shoulder | June 2017 | 2,945 |



04  Growth Strategy

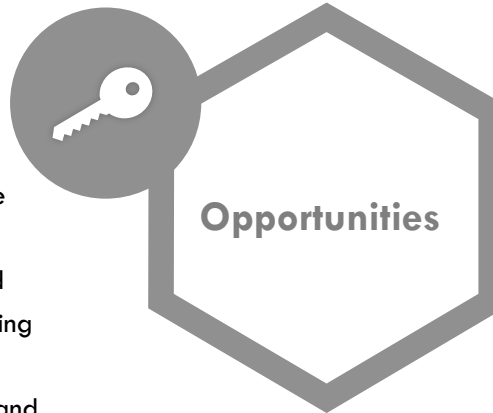
Continue focus on core EPC projects with superior margins



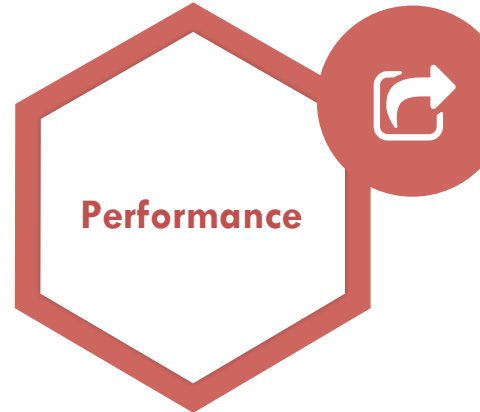
- Focus on road and highways EPC
- Invest in modern construction equipment
- Attract and retain talented employees
- SAP implementation under progress



- 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



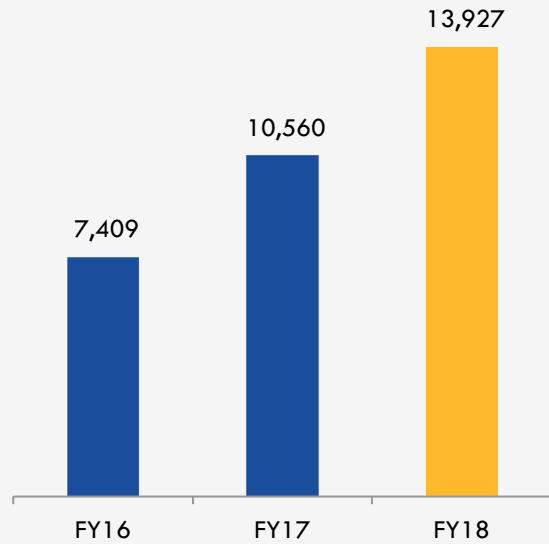
05 Financial Highlights

Revenue, EBITDA and PAT

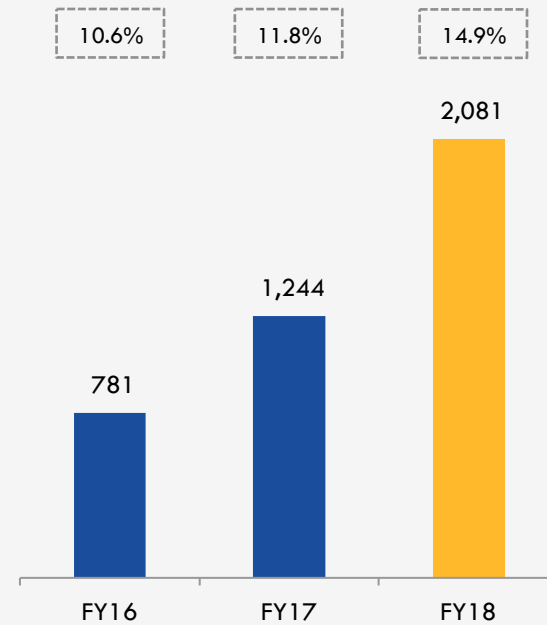
Robust topline and profitability growth ...

Rs mn

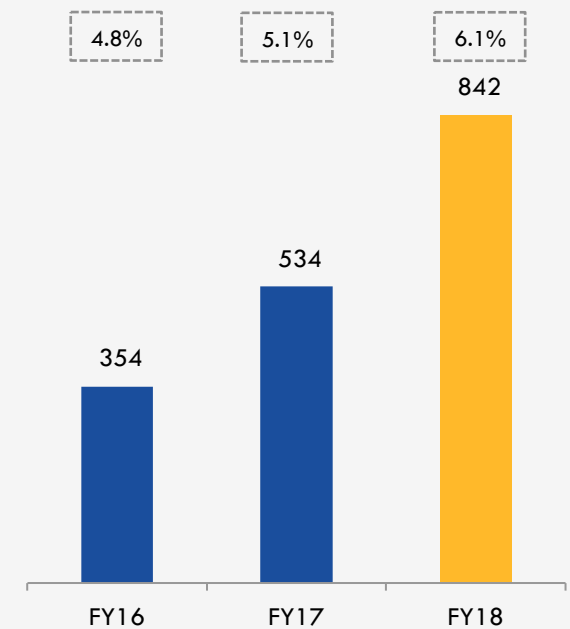
Revenue from Operations



EBITDA & EBITDA Margin



PAT & PAT Margin

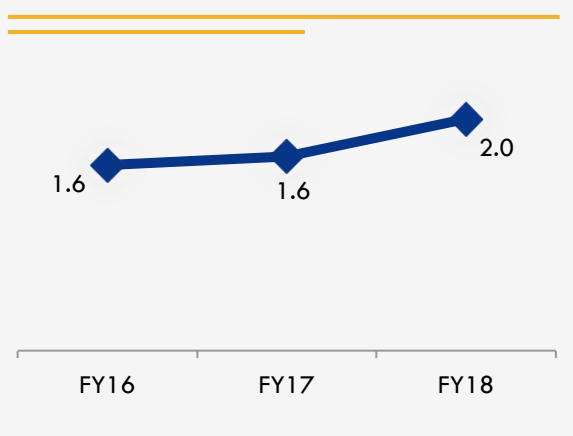


Revenue for FY18 and Q4FY18 is net of GST, whereas for previous years are gross numbers

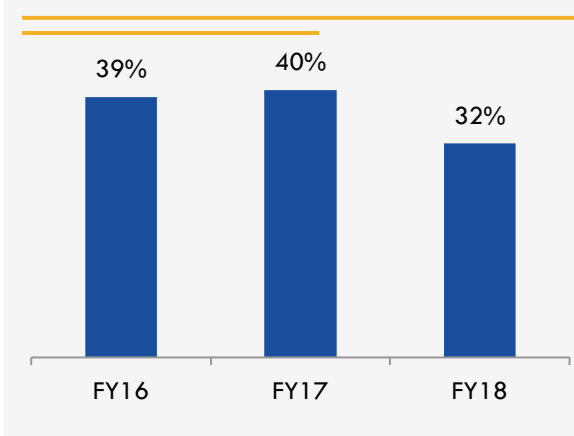
Return Ratios

... leading to superior return ratios

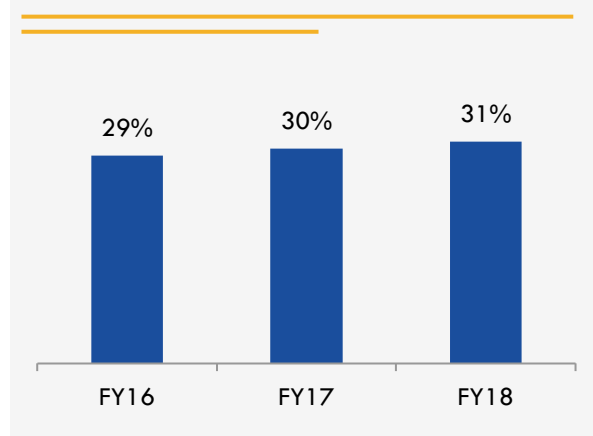
Debt/EBITDA



Return on Capital Employed

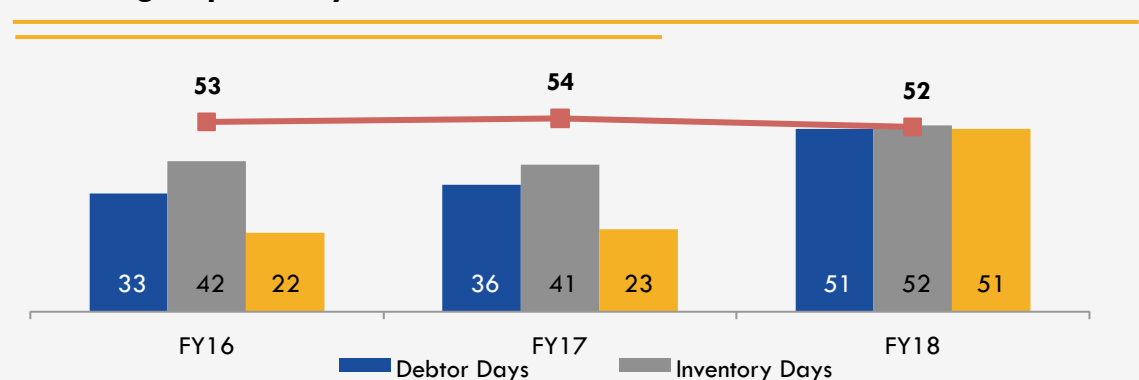


Return on Net Worth



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: EBIT/(Total Assets-current Liabilities)
- ✓ Return On Net Worth is calculated as: PAT/Networth
(IPO proceeds are excluded from the ROCE & Ro NW for FY18)

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

Consolidated Profit and Loss Statement

| Rs mn | Mar-18 | Mar-17 |
|--------------------------------|-----------------|-----------------|
| Revenue from operations | 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 |
| EBITDA | 2,080.71 | 1,244.37 |
| EBITDA margin | 14.9% | 11.8% |
| Depreciation | 539.18 | 256.01 |
| Other Income | 46.67 | 34.17 |
| Interest | 400.58 | 188.76 |
| PBT | 1,187.60 | 833.76 |
| PBT Margin | 8.5% | 7.9% |
| Tax Expenses (Credits) | 344.96 | 299.58 |
| PAT | 842.64 | 534.17 |
| PAT Margin | 6.1% | 5.1% |

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 |
| Shareholders' Funds | 5,408.63 | 1,761.35 | 1,227.71 |
| 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 |
| Total Non-Current Liabilities | 1,735.55 | 930.15 | 373.96 |
| 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 |
| Total Current Liabilities | 7,700.16 | 3,029.99 | 2,392.37 |
| Total Liabilities | 14,844.35 | 5,721.49 | 3,994.04 |
| 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 |
| Total Non-Current Assets | 4,658.39 | 2,330.39 | 1,493.61 |
| 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 |
| Total Current Assets | 10,185.96 | 3,391.10 | 2,500.43 |
| Total Assets | 14,844.35 | 5,721.49 | 3,994.04 |

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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