



H.G. INFRA ENGINEERING LIMITED

CHAIRMAN'S SPEECH

19th Annual General Meeting

September 06, 2021

Dear Shareholders,

Good afternoon, everyone. A very warm welcome to you all to the 19th Annual General Meeting of H.G. Infra Engineering Ltd.

The Company has taken all feasible efforts under the current circumstances to enable members to participate through video conferencing and to vote at the AGM. On behalf of the Board of Directors, I would like to thank you for joining us here today.

The requisite quorum for the meeting is present so I call this meeting to order.

Before I proceed formally, it is important to remember the hard time we all have gone through in last one year under the darkness of Covid 19 which has left us under deep pain and grief as entire humanity has suffered severely on account of human loss and other unpleasant factors. Several of our employees and shareholders have also undergone through tough time and my heartfelt sympathy are with them. But at the same time, I am happy and feel proud to convey that throughout this Covid crisis, our entire HG family has stood unanimously with the spirit of service and remain resilient, contributed with whatever way it was possible to connect every heart of the society. I would request each one of you to please pray for the wellbeing of entire human race.

With this I would like to now share my insights about the infra sector and then move on to the business performance of the company.

Dear Friends,

I hope everyone is doing well and keeping safe.

As you all know, Infrastructure has always remained as a key determinant of economic success. The sector has remained and continues to be a centre piece of the current Government's growth agenda.

A core backbone for the economy, the infrastructure industry has remained and continues to be a vital component in routing India's race to development. Amidst the pandemic driven uncertainties, India's infrastructure sector eyes, a promising future and aims to outpace the growth hurdles with reformed innovative strategies. The government has initiated National

Infrastructure Pipeline (NIP) programme which is roadmap to make India a 5 trillion dollar economy by 2024-25 by spending 100 lakh crore in infrastructure projects. This will augment infrastructure projects, grow businesses, improve ease of living, enhance economic activity, provide equitable access to infrastructure for all and create jobs in the country. The task force of the government has projected total investment of Rs 111 lakh crore in infra projects over five years out of which 18 per cent of the targeted investment is expected to be made in the road sector and 13% in railway sector. For developer, it will give a better view of project understanding, provides time to be better prepared for project bidding, reduces aggressive bids/ failure in project delivery, ensure enhanced access to sources of finance as a result of increased investor confidence.

NHAI is also expected to award aggressively over the next years speeding the construction momentum strong going forward. Schemes such as the Bharatmala Pariyojna where project length of 34800 km was awarded by NHAI in phase 1 is set to complete shortly and NHAI is expected to continue improving awarding activity in phase 2 which is set to initiate in the next couple of years.

Friends,

We believe opportunities are plenty in the sector and 2021-22 would be a turning point for this new decade. The Government's strong focus on infrastructure development, urbanisation and pan-India connectivity will boost infrastructure spending and awarding activity. Besides this, the allocation of additional funds to the infrastructure sector as announced by the Central Government in the Budget 2021 has further addressed their commitment to transforming the industry.

Infrastructure opportunities beyond road are also shaping up with multiple project scopes in Railways, Water, Metro and Airport infrastructure development.

Indian railways is poised to become the world's biggest potential market for the introduction of modern state-of-art technologies and solutions for optimally harnessing the existing resources and deploying new technology solutions. The government has issued the final guidelines of the National Rail Plan which aims to provide long term perspective planning for augmenting the railway network. The objective is to create capacity ahead of demand by 2030 which gives ample opportunity for us as big infrastructure projects are to be awarded for the development of these freight corridors and high-density networks.

Air transport infrastructure development of all regions and states of India is also a key focus and the aim is to develop new airports and enhance the existing ones. The budget proposed rolling out of AAI Airports in Tier 2 and 3 cities are under the Asset Monetization Programme. The proceeds from privatization of airports will be used for accomplishing the government's goal of building 100 new airports by 2024.

In 2019, the Jal Jeevan Mission was introduced for the purpose of establishing local water sources, recharging existing sources, and promoting water harvesting and de-salination. In the Union Budget of 2021, Jal Jeevan Mission (urban) was launched with an investment outlay of Rs 2.87 lakh crore over the next 5 years. Ensuring reliable water supply under Jal Jivan Mission and related water pipeline projects are some of the many targets that are

being established to boost the overall infrastructure development of India in this new decade.

Friends

Now I would like to brief some lines about the growth story of HG Infra in the last financial year.

Today HG Infra, stands even stronger and has solidified its position as one of the leading infrastructure players in the country. In our last two-decade journey, we have accelerated our growth momentum and have continued to make inroads into newer states and gained bigger projects, with an increasing prequalification and order book, while maintaining our philosophy of profitable growth. The 2020-21 Financial Year started with challenges for companies across sectors and was full of uncertainties that affected our operations, project sites and employees.

Despite the challenges, our committed focus on project execution and efficiencies helped us turn the tide in the second half and led us to a strong rebound to end the year on a solid note.

The Company has built a robust business model built around complete integration, a large fleet of in-house equipment and skilled human resources.

The entire team has maintained the highest standards of quality, performance, world-class safety standards, and reliability which have remained the core to the Company's driving principles.

During the second phase of our growth, we gained experience. We're constantly learning from our experience and upskilling our employees which gives us an edge to execute projects within quality standards and timelines". We have given stimulus to our training and development cell, created internal departmental modules, upgraded our SOP manuals and aligned the thought process from top management to the lower level in the hierarchy pyramid to adept the business dynamics, grow aesthetically with the vision of organization. We have worked exhaustively on our systems and processes and invested our analytical energy synergising with automation to move on errorless and transparent working. We have carved our policies and guidelines with help of external expertise through system audits, HR audit, compliance audit and conducted frequent trainings during last year which will be our continuous journey ahead also.

Dear members

Covid 19 has given new dimensions to our thought process and despite the lockdowns and challenges, we have excelled in our execution and achieved highest ever turnover in Q4FY21. Our business performance and financial success- turnover, profit margins, operational efficiency, investment in capex, addition in human capital have always been on additional trend which can further be entrusted from the next lines.

Over the last 3 years we have succeeded in maintaining a high growth rate with over 22% growth over the period. We ended the year with Rs 2,527 crores of standalone revenue compared to Rs 2,196 crores last year a growth of 15%. We are proud of the exceptional

performance our team has delivered with their committed zeal to achieve the highest ever recorded revenues. We have shown our strong efficiency, which has led to a complete rebound in execution post the challenging first half of the last year.

Our focus continues to be on maintaining our margins and profitability, and in line with that EBITDA stood at Rs 411 crores, while EBITDA margin in FY21 improved and stood at 16.2% compared to 15.6% in FY20. Our net profit for the year stood at Rs 211 crores, up 27% year on year, with net profit margin at 8.3%.

One of the several foundation to our growth and profitability has been our continuous efforts on strengthening our balance sheet. Over the past 3 years we have continued to reduce our total debt from Rs 406 crores in FY18 to Rs 289 crores in FY21. We achieved this on the back of reducing our working capital debt and fully paying off the balance unsecured loans from promoters. These efforts have further improved our total debt to equity from 0.75 times in FY18 to stand at 0.28 times as of FY21.

Our working capital has also seen good improvements, total debtors which stood at Rs 644 crores in March 2020 has come down to Rs 454 crores debtors in last FY which eventually helped us in our cash flows management, effectively bringing down debtor days from 91 days to 79 days, and thereby improving our net working capital efficiency to 33 days. Our strong execution and margin profile has help us generate steady cash flows for the company, as of Mar-21 our cash flow from operations stood at Rs 527 crores from 255 crores in the preceding year.

Friends

I will now give the glimpse of order book and executional capabilities of FY-21.

I am pleased to share that we won 4 new orders of approx. Rs 2500 cr in last FY.

- We received 2 HAM orders in Telangana. This includes Construction of a 4 Lane access-controlled New Greenfield Highway at sections of Khammam – Devarapalle, Package 1 worth Rs 590 crores and Package 2 worth Rs 486 crores
- We won another Ham Project in Andhra Pradesh for Rs 767 crores. This project is for the development of a six-lane road under the Raipur-Visakhapatnam economic corridor
- We have also won a small NTPC order in Mancherial project of Rs 90 crores

Taking the above orders, our order book stood at Rs 7,040 crores as on 31st March 2021. Out of the total order book, 59% are EPC contracts and 41% are HAM projects. Currently, we have our presence in 6 states, breakup is as follows – 38% from Rajasthan, 28% from Telangana, 11% Andhra Pradesh, 10% from Haryana, 10% from Uttar Pradesh and 3% from Maharashtra.

Our strong order book position today ensures good revenue visibility for the next 2 to 3 years.

Friends, I am happy to share that in Q3FY22, we expect to complete our three HAM projects- Rajeev Chowk, Rewari Ateli, Narnaul Bypass and one EPC project -Delhi Vadodara package 4 as all the projects are at the advanced stage of the progression.

We have applied for PCOD of our three projects of Rajasthan namely Banar-Bhopalgarh, Bhawi- Pipar, Jodhpur-Marwar as they are almost completed. We have applied for PCOD in yet another package -4 Maharashtra project, namely Morshi Achalpur and we are expecting to receive approval for all these projects from the competent authorities shortly.

Also I feel pleased to share that our ongoing work in all other EPC projects are running at good pace and we expect to complete all the projects as per scheduled timelines in the time to come.

Dear members

I would now share words regarding investment in automation, technology, digitalization of the company which is instrumental for our growth. Technology is a key factor to drive back the growth momentum. From our very beginning, we have always strived to keep learning and building on our knowledge banks to improve processes and enhance operational efficiencies. We have a strong emphasis on IT and are adopting many new-age technologies.

The usage of new-gen technologies has also gained momentum in infra-construction space, wherein much encouragements are being given to the use of real-time technologies and virtual operations. A recent among them being the National Highway Authority of India's move of making the use of cranes as mandatory for video recording of the National Highway projects. On the construction side, deployment of project monitoring systems, advance equipment and advance material has allowed construction sector to achieve record per day kilometres construction of highways.

We have made several investments in the technology for improvement in our systems and processes over the years and we will continue to promote this investment in future also to ensure and solidify our position as a leading infrastructure company. The implementation of SAP back in 2018 set the foundation for an integrated platform for most of our functions. Since then, we have seen numerous changes and new developments. It is a continuous improvement process and today most of our functions are coming with new ideas to add new functionalities in SAP.

We have also taken several new initiatives during the year with a wide selection of technologies ranging from fuel dispensing and fuel level management, RFID based technologies on equipment that offer real-time tracking and information on consumption. We have also taken several initiatives during the year to address project data and enable site engineers to record and provide data across the organization. Additionally, we have also invested in integrated platforms that help automate vendor onboarding, tracking and resource management tasks.

Indomitable Spirit of Human Capital

The success of HG Infra today lies on the support of our people and the efforts of each and every one that has led us to tackle a very challenging year. We had upgraded several support systems in place to aid our employees at work sites and offices with measures like

sanitation at sites, social distancing practices, accommodations and camps for personnel, onsite training as well as health reporting mechanisms to ensure the safety of our people.

Social contribution through CSR Activities:

In addition to our continuous support to fight against Covid 19, HG Infra has undertaken several initiatives under “Corporate Social Responsibility” in the areas of promoting education, healthcare and disaster management, rural development projects, setting up homes and shelters, environmental sustainability and animal welfare. We also provided scholarships, massive open online courses, infrastructure support to schools and hostels under HG Ki Pathshala, rainwater harvesting and conservation projects as well as providing safe and accessible drinking water for rural India under our HG ShuddhJal initiative. We have spent **Rs 5.08 crores** during the financial year on these measures.

The efforts of the company were recognized at various forums as we won several awards including “Company of the Year (Engineering Sector) in the Asian Leadership Awards” along with awards for our social practices: “Best Corporate Social Responsibility Practices”, and “Best Covid-19 Solution for Workforce Management”. Our growth story of last year success also featured in several esteemed construction magazine of the country.

Friends before I move on to the concluding lines of my speech, I would like to share the vision of the company to reinforce the confidence to all our shareholders:

Our focus over the years and going ahead will continue to gain focus on EPC and HAM projects maintaining a strong discipline in order selection, geographically diversified, with good margin without any compromise and timely completion of the projects in the Road and Highway sector. We would like to see the growth trajectory with 20% revenue CAGR and our focus would remain to get more HAM projects in road sector with better margins.

Furthermore, we wish to target to add new order book of new Rs 6000 cr. As a prudent approach, we wish to ensure that our ratio of bill to order is attained at 2.7- 3x times to strengthen our future aim to reap better results. I am happy to share that we have already won one new EPC project of Rs 1393 cr in Delhi state, LOA was same was received in July.

We further plan to diversify our business by expanding into sectors like Railways/ Metro, Water Infra and Airports. Our goal is to add 10% of our outstanding order book coming from these new sectors in current financial year and taking it gradually to 25% over next three years.

We will continue to maintain financial discipline, and we will continue to focus on projects with desirable levels of EBITDA Margins/IRR. We will ensure strict cost controls to improve profitability with deleverage of our balance sheet and be focussed on working capital management and efficient cash flow

We are optimistic on the road ahead with our comfortable order book position, strong revenue visibility and healthy financial position. We strive to keep improving efficiencies and further enhance our position as a leading infrastructure developer in this new decade.

I would like to take this opportunity to thank God for blessing us and express my appreciation to all of members of our board of directors, senior management, employees, auditors, bankers, financial institutions, regulatory & statutory bodies, rating agencies, credit analyst, vendors and other stake holders for their commitment and continued support and reposing their faith in the management of the company.

Thank You all for your benign presence in this AGM.
