

H.G. INFRA ENGINEERING LIMITED

22ND ANNUAL GENERAL MEETING

CHAIRMAN SPEECH

Dear Shareholders,

I'm delighted to highlight that our company continues to make a substantial impact in the infrastructure sector. This past year has been marked by significant expansion into new areas, while also reinforcing our stronghold in established sectors. Leveraging the intrinsic potential of our business model and exercising prudence in the deployment of resources across all operations, we have delivered exceptional performance.

Before we review our performance metrics, I'd like to touch on some important developments in the infrastructure field and the opportunities they bring for us in the future.

Ladies and Gentlemen

The infrastructure sector remains a key driver of our nation's economic progress. This is clearly demonstrated by the steady increase in budget allocations, reflecting the Indian government's strong commitment to advancing infrastructure. By investing in improved roads, railways, and other transportation networks, the government is dedicated to enhancing connectivity and fostering growth throughout the country.

The government's dedication to this sector is clear through several ambitious initiatives and funding commitments. The Bharatmala Pariyojana aims to enhance approximately 34,800 kilometres of highways, while the National Infrastructure Pipeline (NIP) supports infrastructure projects worth over ₹13.67 trillion. The Gati Shakti Master Plan integrates the planning and execution of infrastructure projects across roads, railways, airports, and ports, creating a unified vision for development. Vision 2047 envisions the construction of 30,000 to 35,000 kilometres of highways and 50,000 kilometres of high-speed corridors.

Budget Allocation and Infrastructure Investment

Roads and Highways

For FY24 and FY25, the total allocation for roads and highways is ₹5.33 lakh crore, with ₹2.78 lakh crore designated for the Ministry of Road Transport and Highways. Of this, ₹1.68 lakh crore is earmarked for the National Highways Authority of India (NHAI). This funding will support the construction of national corridors and key projects under the Bharatmala Pariyojana, contributing to the ambitious Vision 2047 goals. Our company is well-positioned to explore opportunities, including participation in Build-Operate-Transfer (BOT) projects as EPC partners with various BOT companies in the country.

In recent years, HG Infra has established itself as a significant player in the infrastructure industry, consistently demonstrating its expertise in the EPC and HAM sectors. Recognizing

the abundant opportunities ahead, HG is eager to engage in BOT projects in collaboration with other major prominent infra sector companies.

Railways & Metro

In the rail sector, ₹2.55 lakh crore has been allocated, focusing on multi-tracking corridors, station remodelling, replacement of old tracks, electrification & signalling system, construction of flyovers and underpass highlighting a strong commitment to railway infrastructure and connectivity and expanding the network by 10,959 kilometres over the next decade. The National Rail Plan Vision 2030 aims to transform the rail system with the introduction of 400 Vande Bharat trains and the redevelopment of over 1,300 stations. These investments will significantly enhance connectivity and passenger experience.

Aligned with our strategic vision, we're ready to seize these opportunities. With six railway projects already secured across five states, HG is well-placed to leverage the government's initiatives. We have the necessary capital, advanced technology, and skilled workforce to drive network expansion, station redevelopment, modernization of current infrastructure, civil works, and the development of dedicated high-speed rail corridors.

Renewable Energy

India's commitment to renewable energy is demonstrated through substantial investments in both solar and green hydrogen. The solar power sector has seen remarkable growth, with an installed capacity of 82.63 GW and a target of 500 GW by 2030. Government initiatives such as the Production Linked Incentive (PLI) scheme and the National Solar Mission are driving this expansion.

As of 31st March 2024, HG Infra, seizing these promising opportunities, successfully pursued bids and secured Solar Power Projects under the KUSUM Scheme (Component-C), amounting to 543 MW (DC) with an EPC value of ₹ 1,307 Cr (excluding GST). Additionally, the company is exploring further prospects in solar park development and rooftop solar projects. These achievements further solidify HG Infra's standing as a leading EPC company in the infrastructure sector.

Water Infrastructure

The Jal Shakti Ministry has also received increased funding, underscoring ongoing investments in sustainable water infrastructure projects.

HG Infra is eager to engage in projects such as Namami Gange, focusing on cleaning and rejuvenating the Ganges River, pollution abatement, and infrastructure development along the riverbanks. High-priority initiatives also include water desalination, wastewater treatment plants, and water supply projects in rural and urban areas under the JJM Scheme, as well as rainwater harvesting storage under the Jal Shakti Abhiyan.

Furthermore, we are looking forward for partners with strong background with credentials to cover the technical eligibility for strategic partnership for break through for projects in water sector.

Dear Friends,

I am delighted to present the key milestones and updates from our company, covering our operational, financial, digital transformation, governance, and other pivotal aspects.

With over 21 years in the infrastructure sector, our company has emerged as one of the most trusted and dynamic players in the field. Our commitment to timely delivery and high-quality execution, coupled with strict adherence to safety standards, has been consistently recognized. We are proud to have made significant strides not only in road construction—encompassing highways, roads, bridges, and flyovers—but also in diversifying into railways & metro, and solar power plant projects.

Over the past two decades, the company has successfully completed total 30+ projects which includes National Highway and water supply projects along with various road projects under the PMGSY and Central Road Fund (CRF) schemes.

Currently, we operate across 12 states and manage 22 active projects, including 10 HAM projects. Our operations are supported by a fleet of over 2,800 modern equipment and a dedicated workforce of more than 4,800 employees. This solid foundation positions us well to continue delivering exceptional infrastructure solutions and driving forward our vision for the future.

Friends,

I'm pleased to present an update on our financial performance, debt position, credit ratings, and dividend payouts. Since our listing in 2018, we've made significant strides, achieving impressive growth with a compounded annual growth rate of 20.6% in revenue, 22.1% in EBITDA, and 34.6% in PAT over the past Five years. This growth reflects our strategic focus on selective bidding, timely project completion, and quality execution.

In FY24, our performance was exceptional. The total revenue for FY '24 has reached Rs 5,122 crores, reflecting an impressive 15.9% year-on-year increase from Rs 4419 Cr in FY '23. EBITDA amounted to Rs 822 crores in the FY' 24, resulting in an EBITDA margin of 16%, compared to Rs 710 Cr and a 16.1% margin in the corresponding FY '23. Profit after tax (PAT) for FY '24 stood at Rs 546 Cr with a profit margin of 10.7%, compared to Rs 421 crores and a margin of 9.5% in FY '23.

Moving on to consolidated numbers,

For FY '24, revenue reached to Rs 5378 Cr, growing at 16.4% year-on-year increase from Rs 4622 Cr in FY '23. EBITDA reached Rs 1062 Cr, with an EBITDA margin of 19.7%, compared to Rs 895 Cr and a 19.4% margin in FY '23. PAT for FY24 stood at Rs 539 Cr with a profit margin of 10%, compared to Rs 493 Cr and a 10.7% margin in FY '23.

We've prioritized building a resilient financial foundation, managing finance costs carefully, and maintaining strict financial discipline. Regarding the company's debt position on a standalone basis, the gross debt amounts to Rs 451 crores, including working capital debt of Rs 69 crores, term loans, current maturity, and trade limits totalling to Rs 334 cr, and NCDs of Rs 48 Cr.

At a standalone level, our financial metrics are robust, with a current ratio of 1.68, quick ratio of 1.48, and a debt-equity ratio of 0.19. Our ROCE and ROE are 25.04% and 23.5%, respectively, and our debt service coverage ratio is 2.83 times. We have also reduced our net working capital cycle from 46 days in FY19 to 25 days in FY24.

Our strong financial management is underscored by our credit ratings. In FY24, ICRA has assigned a positive outlook to our ratings, with Long Term Credit at ICRA AA- (Positive), Short Term Credit at ICRA A1+ (Positive), and NCDs at ICRA AA- (Positive). These ratings reflect our financial growth, disciplined capital management, and strong project execution.

Regarding the monetization of 4 HAM projects, we successfully monetized three HAM projects in FY24, marking a significant milestone for the year. This transaction, valued at 1.55 times the Price to Book ratio, involved transferring 100% ownership of Gurgaon Sohna Highway Private Limited, H.G. Ateli Narnaul Highway Private Limited, and H.G. Rewari Ateli Highway Private Limited to the Highways Infrastructure Trust for ₹375.13 crore. The final tranche, with an expected consideration of ₹126 crore, is slated for closure in FY25 for the fourth HAM project, Rewari Bypass.

We are confident we will complete the "Monetization of HAM" projects on schedule, given the current favourable conditions. This deal valuation will strengthen our balance sheet, support future growth, and generate positive momentum in the financial sector. Our financial health is among the best in the sector, as recognized by our lenders, rating agencies, and financial partners, who have supported us and helped reduce our financing costs.

Further, in FY 2024-25, the company plans to initiate the monetization process for five HAM projects: Raipur-Visakhapatnam OD5, OD6, Khammam-Devarapalle Package 1, Package 2, and Raipur-Visakhapatnam AP Pkg 1. We are optimistic that the company will successfully achieve this milestone.

The management has always been committed to sharing profits with shareholders to build value, trust, and long-term relationships. I'm pleased to announce that the company has allocated a total dividend of ₹9.78 crore for FY24, up from ₹8.15 crore in FY23. This results in a dividend payout ratio of 2%.

Dear Shareholders, I will now brief on the operational Highlights of the Year

In FY24, Our order book has not only grown but also diversified, and as of March 31st, 2024, it stands at Rs 12,434 Cr. EPC constitutes 28%, while HAM constitutes 40% Railway segment contribute 22%, and solar segments contribute 10%. I'm also pleased to share that HG has consistently executed all projects on time, with no delays in any of our endeavours.

Dear Friends, I'd like to take a moment to highlight some of the key milestones we've achieved in various critical areas of the organization this year.

Empowering HGIEL through Digital Transformation

We are always at the forefront of adopting innovative technologies to enhance our operations and deliver superior infrastructure solutions. We understand that in today's rapidly evolving digital landscape, embracing digitalization is not just a trend but a necessity. That's why we've invested significantly in shifting our various processes from manual to digital. Technology has had a significant impact on the construction industry. It has enhanced efficiency, safety

and sustainability in our projects. We are one of the pioneers in inducting digital tools, sensors and various automation processes to ensure proper asset management and adapt to changing technological landscape. Some of the initiatives on the project sites include use of drones for accurate surveying and mapping of projects sites, aiding in topography analysis and synthesis for data collection.

Apart from the operations we have been welcoming technological revolution in our offices by harnessing the capabilities of SAP Ariba, S/4HANA, DMS, and ERP systems to enhance transparency, control, real-time monitoring systems into our operations for accurate reporting and enhance operational efficiency.

- **SAP ARIBA IMPLEMENTATION:** HG Infra became the first company in its segment to implement SAP ARIBA, revolutionizing procurement processes with enhanced supplier management and cost efficiency.
- **SAP CONCUR IMPLEMENTATION:** Advanced expense management is now streamlined through the integration of SAP CONCUR, improving financial controls and simplifying employee expense reporting.
- **FDMS & FLMS:** MOBA Fuel dispensing & Level management systems incorporated with diesel dispensing units & fuel tanks helps in live monitoring of Fuel Stocks, Issues & dispensing logs, while level management helps in active tracking of fuel levels and eliminating theft and drain treats.

STRATEGIC LEADERSHIP AND INDUSTRY RECOGNITION

- **LEADERSHIP DEVELOPMENT:** Enhanced senior management roles have been established, segmenting the company into sector-wise profit centers, each overseen by experts to ensure professional management and alignment with corporate goals.
- **AWARDS AND RECOGNITION:** Triumphed at the ABECA 2024 - AmbitionBox Employee Choice Awards, securing the #2 position in Top Rated Construction Companies and earning a spot among the top 20 Mid-Sized Companies. This recognition highlights the company's esteemed reputation and commitment to operational excellence within the construction sector, as acknowledged by its employees.

We are integrating ESG (Environmental, Social, and Governance) principles into our operations, focusing on sustainable practices and responsible supply chain management to minimize environmental impact.

Our dedication to process enhancement through automation and digitization across all functional areas remains steadfast. We are continuously exploring opportunities like use of advanced algorithms to optimize design parameters, such as road curvature, bridge spans and track alignments which will help us in reducing construction time and costs.

Human Capital

At HGIEL, our workforce is the pillar of our success, comprising over 4,800 skilled professionals. We view our employees as the driving force behind our achievements, essential to the execution of our projects and the realization of our vision.

Strategic Talent Acquisition is central to our approach, where we employ a tailored strategy to identify, evaluate and hire top talent for senior leadership and critical roles. Our commitment to quality and precision is evident in our 100% in-house recruitment process ensuring direct engagement with potential candidates without involving external agencies.

Our focused tailor-made training programs and knowledge enrichment demonstrate our dedication to employee growth. We have significantly increased our training budget and implemented one of the industry's first advanced internal learning management systems. Through the LMS portal, our employees have access to over 430 courses, engaging with world-class content and participating in periodic assessments.

We strategically recruit over 250 Graduate Engineer Trainees (GET) from NAAC accredited institutions nationwide, ensuring we select individuals with strong potential and technical skills. Upon joining, they undergo intensive induction and orientation at various project sites, gaining hands-on experience in core functional areas. This exposure is vital in preparing them to tackle organizational challenges effectively. After successfully completing the training, they are absorbed as engineers and senior engineers. To further enhance their expertise, we provide regular training programs in both functional and non-functional areas, partnering with premier institutes to stay ahead in industry innovations.

We also collaborate with India's top-tier institutes for various training programs to ensure that our workforce remains informed about industry trends and equipped with the necessary skills to seize future opportunities.

We prioritize open communication & employee engagement initiatives to foster a vibrant and inclusive work environment. Our open-door policies, grievance redressal mechanisms, whistleblower policies and suggestion box initiatives promote trust, transparency and psychological safety. These efforts ensure that every team member feels heard, valued and empowered to contribute to our collective success.

Corporate Governance

HG Infra is committed to maintain the highest standards of Corporate Governance and adheres to the Corporate Governance requirements set out by the regulatory bodies.

The Company has established systems and procedures to ensure that its Board of Directors (the "Board") is well-informed and well-equipped to fulfil its overall responsibilities and provide management with the strategic directions needed to create long-term shareholder value. The Company has always worked towards building trust with shareholders, employees, customers, suppliers, and other stakeholders based on the principles of good corporate governance.

The Company's corporate structure, business, operations and disclosure practices have been strictly aligned with its Corporate Governance Philosophy. HG INFRA believes that governance is a continuous journey resulting from the ever-evolving developments in the business environment, both internally and externally. The Company has implemented an internal governance structure with defined roles and responsibilities for every system constituent.

The Company adheres to ethical standards to ensure integrity, transparency, independence, and accountability in dealing with all stakeholders.

ERM

Adopting Enterprise Risk Management (ERM) is essential for enhancing decision-making through comprehensive risk insights, aligning risk culture with organisational strategy, and establishing robust governance and oversight frameworks. Our commitment to continuous improvement in ERM practices ensures that we remain resilient and adaptable in the face of emerging risks.

ESG

Over the past year, H.G. Infra has actively enhanced our ESG practices by engaging stakeholders and implementing key sustainability measures. We've transitioned from diesel generators to grid electricity, adopted alternative raw materials, and improved waste management. Our ecological efforts include using recycled materials in road construction, installing Sewage Treatment Plants (STPs), and managing dust and pollution effectively. We planted over 100,000 saplings in FY24 and established wildlife crossings to mitigate human-animal conflicts. Our ESG targets focus on increasing renewable energy at project sites and offices, expanding employee training, boosting tree plantation and biodiversity, and using more alternative materials in construction. These initiatives underscore our commitment to environmental stewardship and social responsibility, reinforcing our dedication to a sustainable future.

The company is also striving for ESG rating in the time to come from affiliated ratings agencies and ensure we attain the best ESG practices of the industry.

CSR

In fiscal year 2024, we dedicated Rs. 12.3 crores to CSR activities aimed to uplift education, rural development, environmental sustainability, and community welfare. Our initiatives include the Holistic Rural Development Program (HRDP), which transforms villages into model communities through comprehensive development; HG Ki Pathshala, which upgrades government schools with improved academics and infrastructure; and the Tribal Hostel Transformation-Project, which enhances tribal hostels into model facilities. The Road School Program provides fundamental education in remote areas via container classrooms, while the HGIEL Scholarship Program supports higher education for deserving students. The HG Green Drive focuses on environmental sustainability through tree planting, and the HG Community Development Program supports various education, healthcare, and infrastructure projects across India. These efforts collectively address essential needs and contribute to positive societal impact, including health, education, livelihood, women empowerment, and animal welfare.

Before concluding my speech, I'd like to provide some insights into our business outlook and the growth trajectory we anticipate, reinforcing our commitment to our shareholders.

FY24 proved to be an outstanding year for HG Infra, marked by significant accomplishments. The company's market capitalization surged Rs. 5,900 Crore+ by March 31, 2024, reflecting a remarkable increase from the previous years.

Given the strong focus on infrastructure by the government, we are poised to capitalize on new opportunities and expand our business. We plan to add new projects with robust margins and diversify our order book through careful project bidding. Our strategy includes maintaining 2.5 x book to bill ratio, reducing balance sheet stress through the monetization of HAM projects, ensuring timely project completion, and providing clear revenue guidance while sustaining strong margins.

For the upcoming year, we aim to secure approximately ₹11,000 to ₹12,000 crore in new orders, with the following sectoral targets:

- Roads & Highways: ₹8,000 crore
- Railways & Metro: ₹2,000 crore
- Solar and Water Sector: ₹1,000 to ₹2,000 crore

We will prioritize high-margin projects, focusing on HAM and EPC models, and aim to maintain standalone margins of 15-16% and consolidated margins of 18%.

Our commitment to digital transformation, operational efficiency, strategic fleet management, experienced hiring, and unwavering governance will drive our continued growth and create value for all stakeholders.

Before I conclude, I want to express our gratitude to God for His blessings and extend our sincere thanks to all our stakeholders. This includes our Board members, auditors, lenders, financial institutions, rating agencies, regulatory authorities, vendors, and, most importantly, our dedicated employees and supporters. Your unwavering belief, guidance, and support have been instrumental in establishing HG as one of the most trusted names in our sector.

Let us continue our collaborative efforts toward the development of a better world with prayer- "Let there be peace and love all around in the life of entire humanity".

Thank you so much.