



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

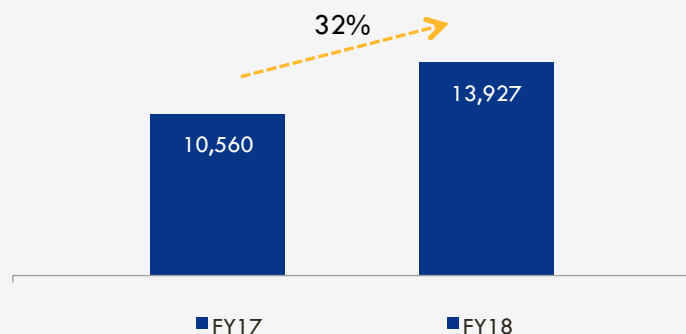


01 > Q4FY18 & FY18 Results Highlights

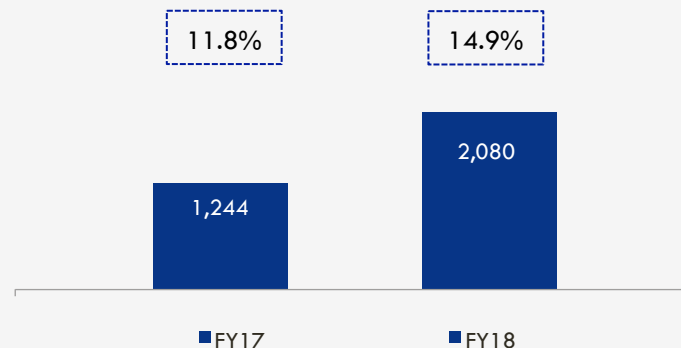
Result Highlights FY18

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

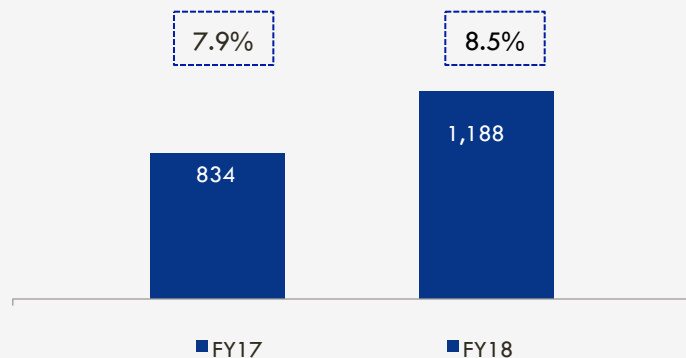
Revenue



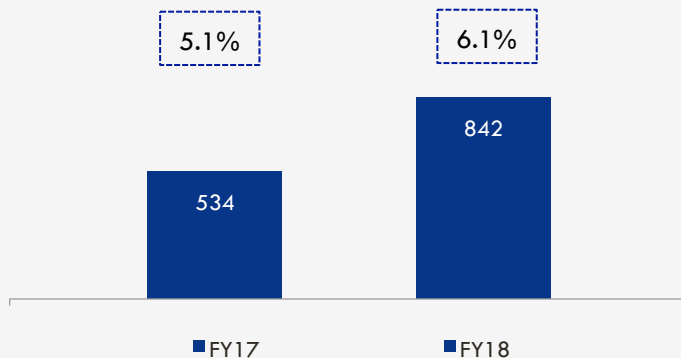
EBITDA and EBITDA Margin



PBT



PAT



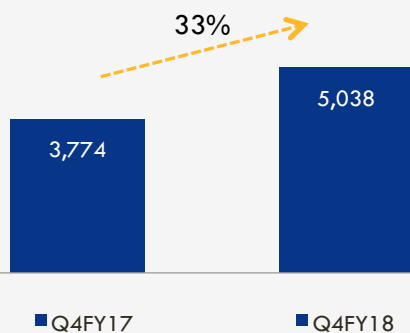
Financials in Rs mn

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

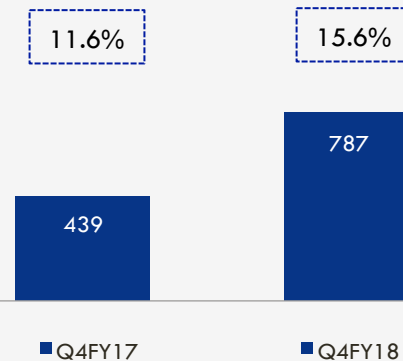
Result Highlights Q4FY18

33% robust growth in topline

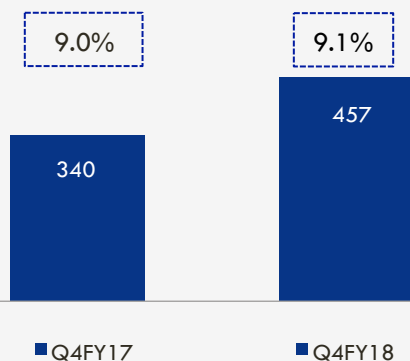
Revenue



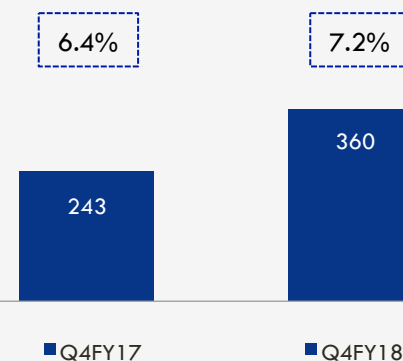
EBITDA and EBITDA Margin



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+

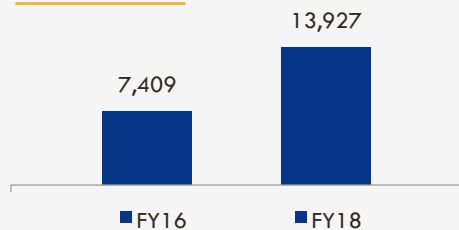
Qualified and
experienced employees

Rs **46,071** mn

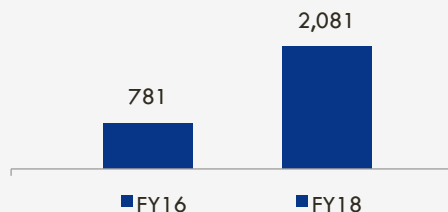
Order Book

(unexecuted as on March 31, 2018)

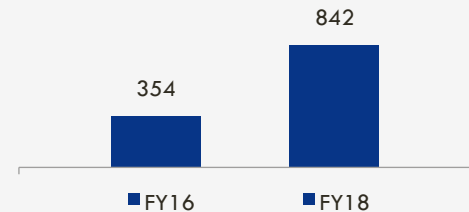
Revenue (1.9X)



EBITDA (2.7x)



PAT (2.4x)

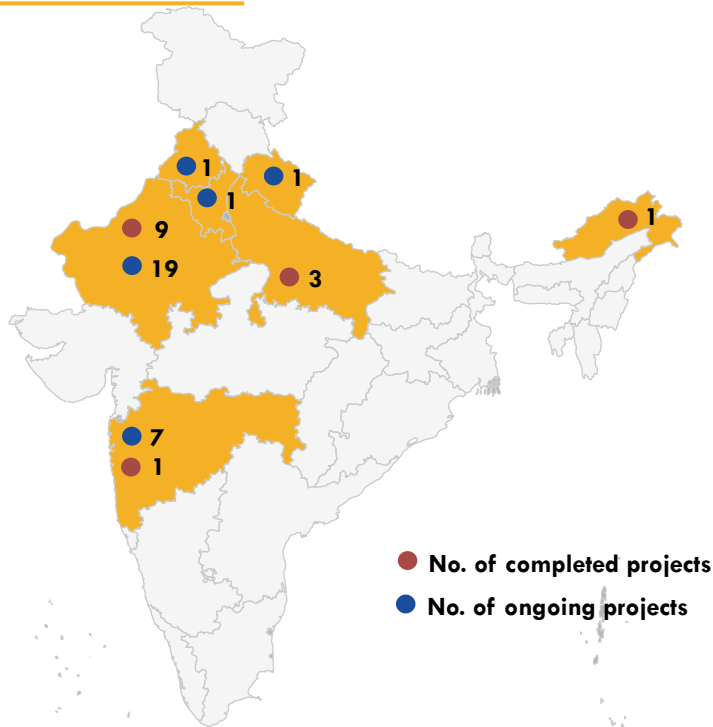


Revenue for FY18 and Q4FY18 is net of GST, whereas for previous years are gross numbers
All operational data is as on Mar 31, 2018

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



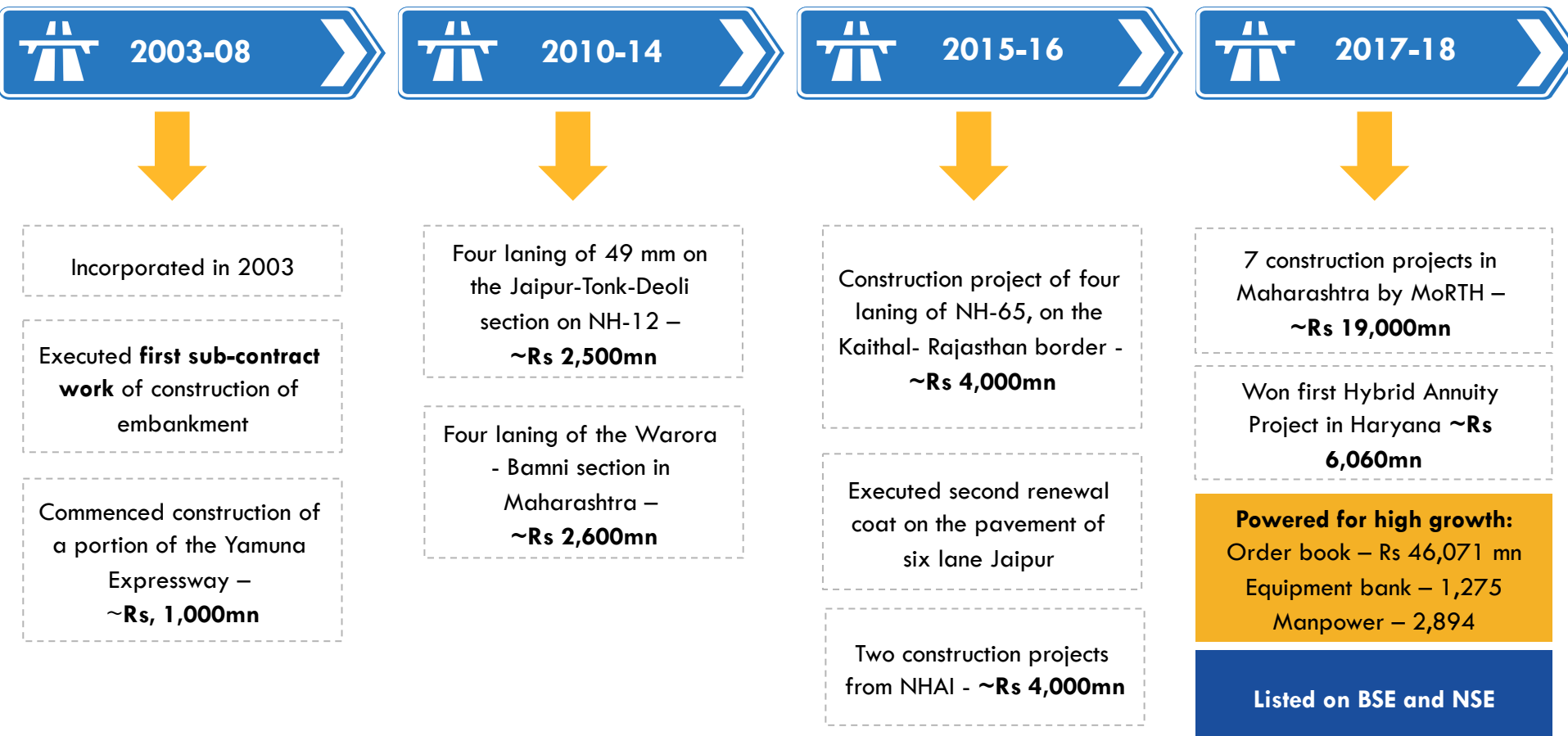
- ◆ Letter of appreciation in 2012 from L&T for being the most quality consciousness sub-contractor
- ◆ Bonus from PWD for early completion of widening and strengthening of NH-96 Faizabad-Allahabad Road in UP

Pre-qualified to bid independently for bids by NHAI 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 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

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

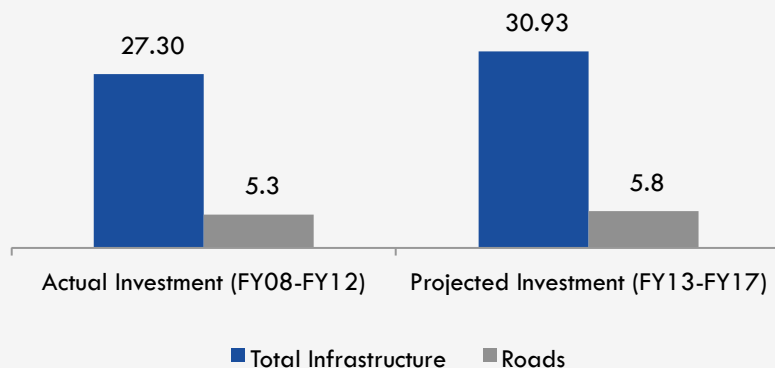
Evaluation and management skills
Equipment bank
Project team

ROBUST ORDER BOOK

3.3x FY18 revenues
Provides revenue visibility

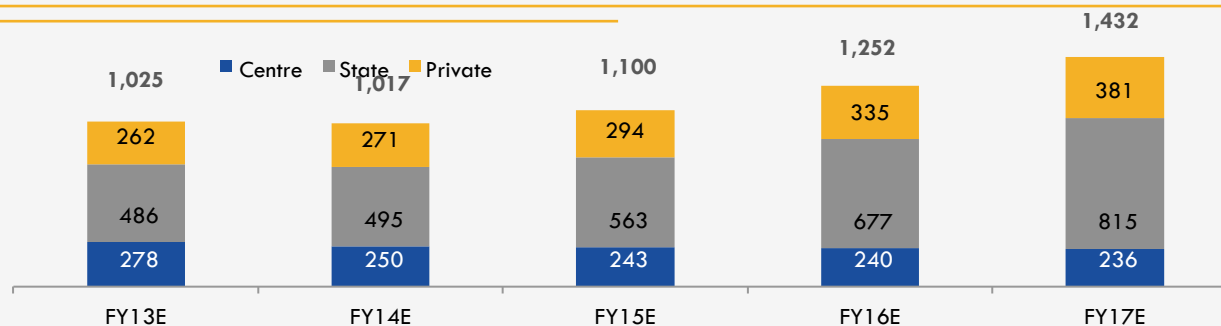
**TO DRIVE
GROWTH WITH
SUPERIOR
MARGINS**

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

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%

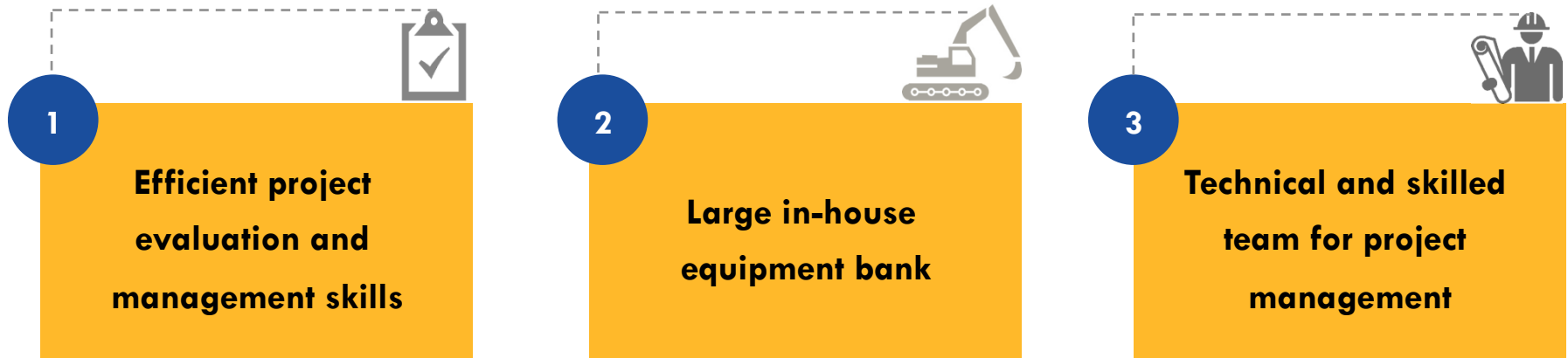
- ✓ Policy changes fueling growth – land availability, fast-track clearances, revival of stalled projects, etc.
- ✓ Increasing private participation through policies which are private sector friendly
- ✓ Rise in government investments, reforms and higher budgetary support
- ✓ Healthy economic growth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



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

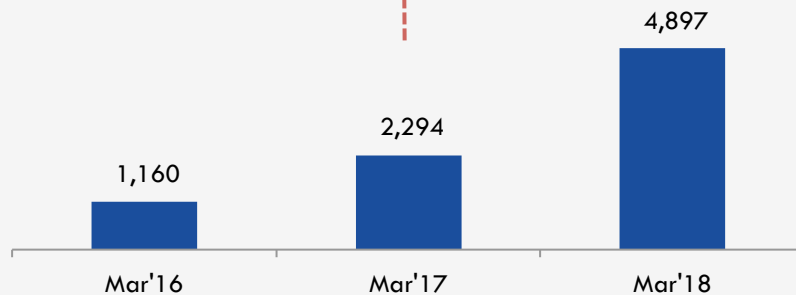
Invested Rs 3,700+ mn in plant and machinery in last 2 years

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

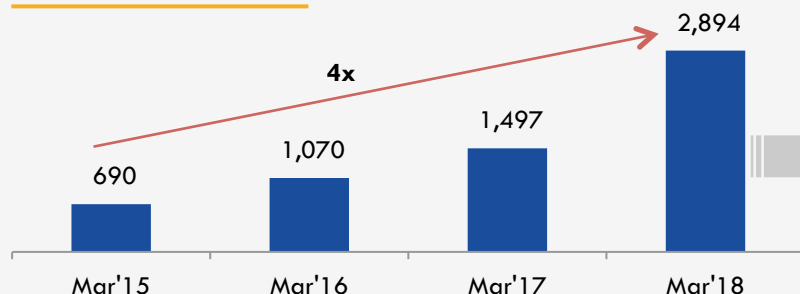
Fleet of modern construction equipment totaling 1,275 for large scale execution

All operational data is as on Mar 31, 2018

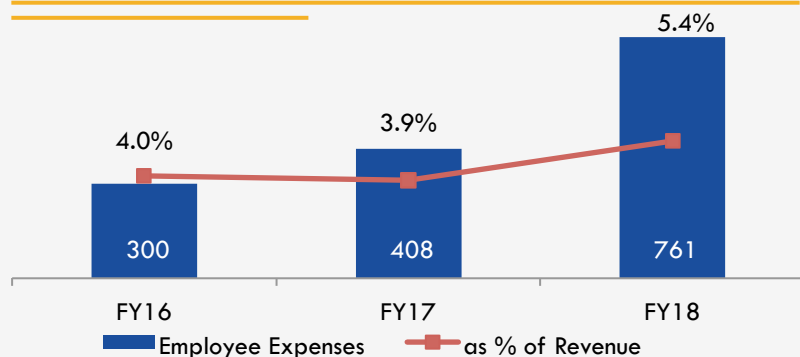
3 Project Team

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

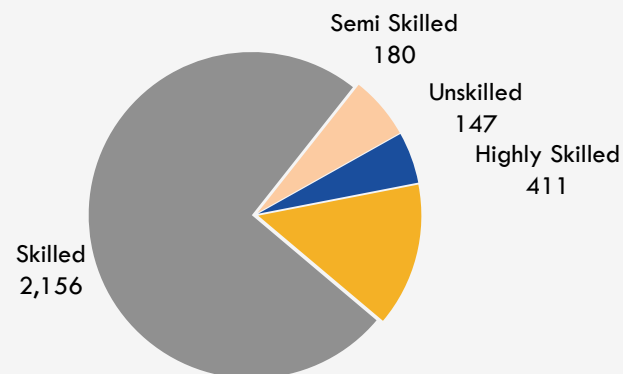
No. of employees



Employee Expenses (Rs mn)



Large number of skilled employees



- ◆ 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

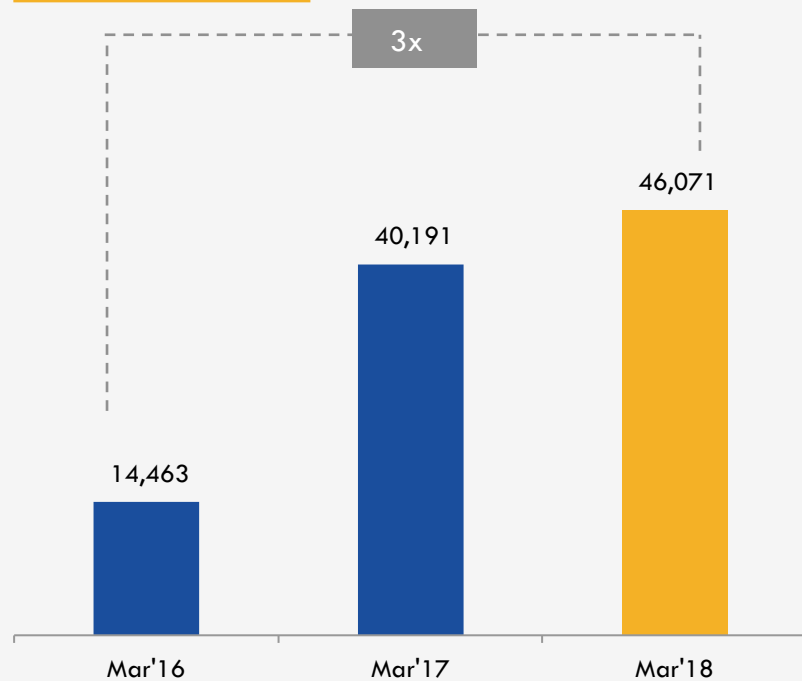
All operational data is as on Mar 31, 2018



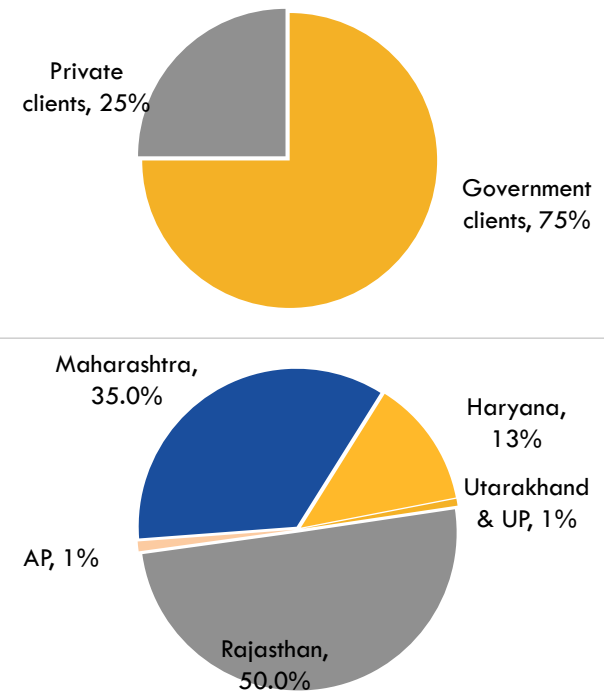
Order Book

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

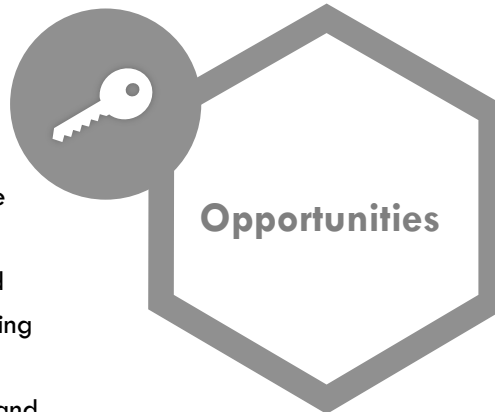
Continue focus on core EPC projects with superior margins



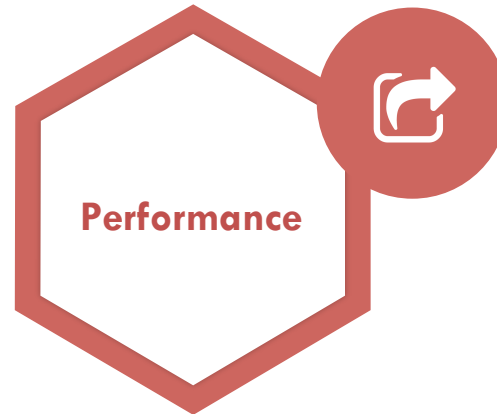
- Focus on road and highways EPC
- Invest in modern construction equipment
- Attract and retain talented employees
- SAP implementation under progress



- 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



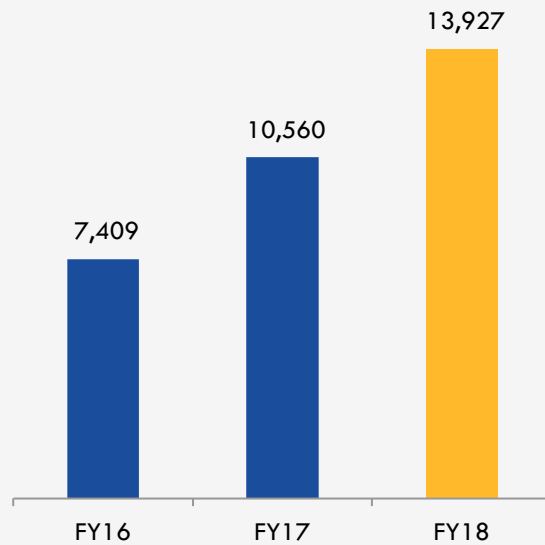
05 Financial Highlights

Revenue, EBITDA and PAT

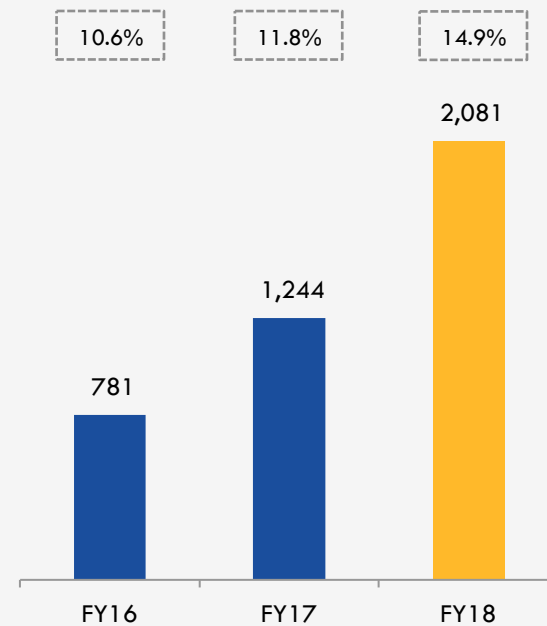
Robust topline and profitability growth ...

Rs mn

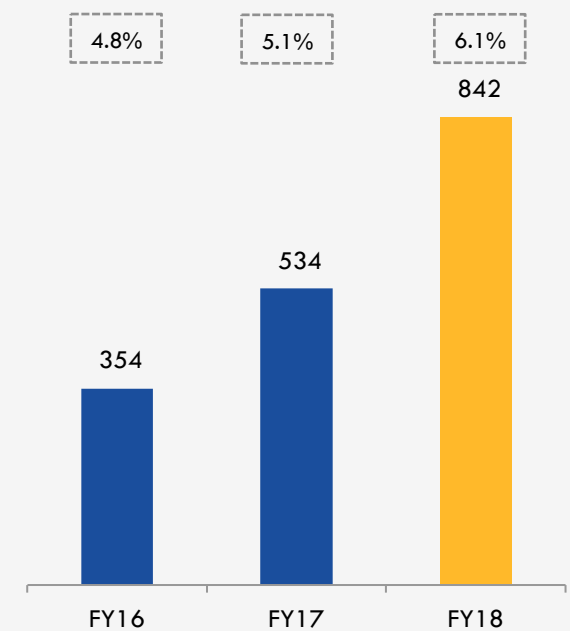
Revenue from Operations



EBITDA & EBITDA Margin



PAT & PAT Margin

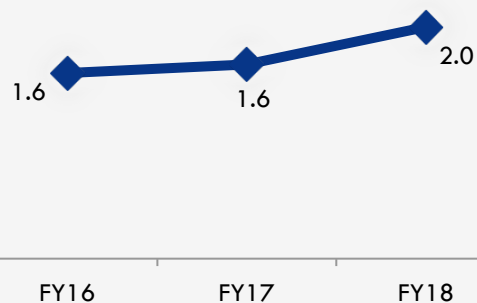


Revenue for FY18 and Q4FY18 is net of GST, whereas for previous years are gross numbers

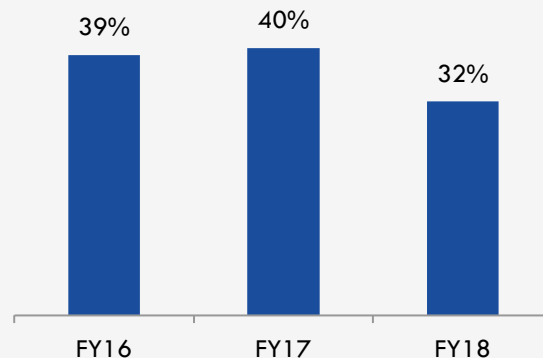
Return Ratios

... leading to superior return ratios

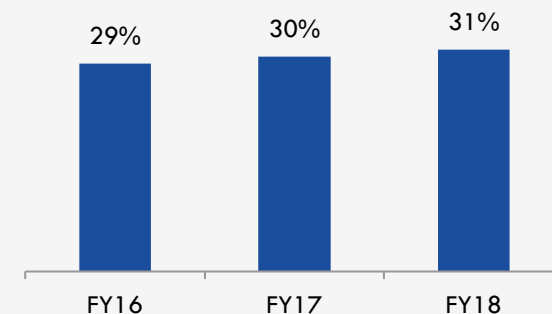
Debt/EBITDA



Return on Capital Employed

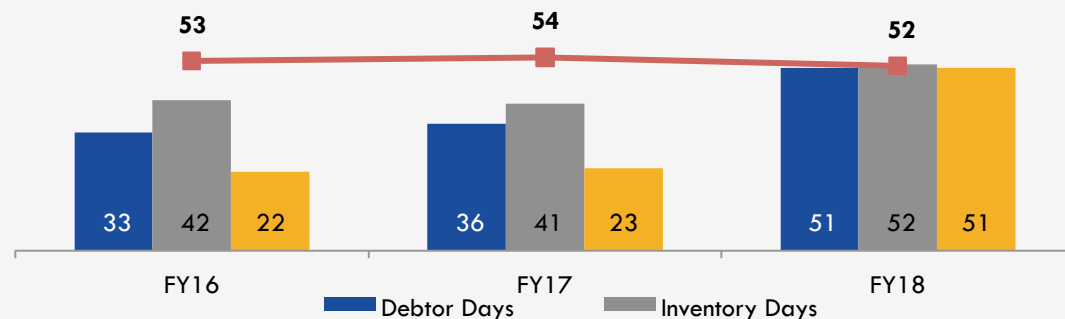


Return on Net Worth



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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Company



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