



H.G. INFRA ENGINEERING LIMITED

Chairman's Speech

20th Annual General Meeting | August 03, 2022

Dear Shareholders,

Good afternoon, everyone.

Please accept our sincere greeting and warm welcome to the 20th 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 today.

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

Friends, it gives me immense pleasure to share that your company has shown phenomenal growth and excellent results in the last financial year.

Before highlighting the performance of the Company on varied parameters, I would like to start my speech with some insights on the infrastructure sector.

Dear Shareholders,

I hope everything is going well and that everyone is safe.

As you all know that the infrastructure sector continues to be a vital component for the economic growth of the country. In order to increase economic activity, the Indian government places a high priority on infrastructure development, urbanisation, and pan-India connectivity. Numerous initiatives have been started in this direction, including the National Infrastructure Pipeline, the Gati Shakti Program, an increase in the budgeted allocation for infrastructure spending, etc. This shows the inclination of the government to boost infrastructure projects.

The Govt has granted 68% increase in the budget for the Ministry of Road Transport and Highways in the Union Budget 2023. This is in line with the massive target Finance Ministry has set for expanding National Highways network by 25,000 km in 2022-2023. This gives foresightedness to the players like us for abundant opportunities.

BEYOND HIGHWAYS

There is significant upsurge in the demand for better urban infrastructure and the aim is to be well prepared to cater to rising needs of the economy. Infrastructure opportunities beyond road are also shaping up with multiple project scopes in Railways, Water, Metro and Airport infrastructure development.

Railways

The Indian railways are on the path of introducing world-class modern state-of-the-art technologies to expand its network including remodelling of 400 odd railway stations and make travelling convenient for passengers and freight.

Jal Jeevan Mission

As we all know that Jal Jeevan Mission (JJM) is a flagship scheme to provide water supply through Functional Household Tap Connections (FHTCs) to every rural household. The government has apportioned enormous budget to Jal Shakti Ministry for FY 2022-23, for providing tap water connectivity to 3.8 crore households under Jal Jeevan Mission. This creates several opportunities for HG Infra to diversify its presence in the water infrastructure.

Airports

The modernisation of airports is continuing rapidly as large-scale investments are planned to be made in developing brownfield and greenfield airports. The Airports Authority of India have targeted a massive capital outlay for the modernisation of airports. This capital outlay is made for expansion and modification of existing Airport Terminals. Additionally, the Govt. plans to build around 100 new airports by 2024 to increase air connectivity among the tier 2 and tier 3 cities.

We, as a company are fully geared up to leverage and diversify our business to capture these business opportunities.

Friends,

Now I would like to share the financial and operational highlights of the company in the last financial year.

Coming to the journey of HG Infra for the last financial year. HG Infra has furthered cemented its place in the infrastructure sector as one of the key companies in the sector today. Over the course of the last two decades, we have continuously made major strides in the sector and gained significant recognition which is reflected in our order book and the growth which we have delivered with time.

During the year gone by, on account of the second wave of COVID 19 and prolonged monsoon in the country, the execution of certain projects was impacted. Also, in the later half of the financial year, the prices of key raw materials and other commodities had significantly increased due to higher crude prices and geopolitical tensions. However, despite these challenges, we have performed well and achieved highest ever performance than our set targets. This shows the committed efforts we have put into the execution of projects with better efficiencies.

We have continued to build a robust business model having complete integration in operations along with a large fleet of in-house equipment's and skilled human resources. This ensures that the team maintains the required quality standards and delivers consistent performance with the highest level of safety.

Friends,

In our journey of 20 years, we have constantly learned from our experience and have worked on upscaling our skills which gives us the edge to execute orders on time with the required quality standards. We have always placed a priority on developing and updating SOP manuals, giving training and development a high priority, which has enabled us to align the thinking of every employee in the organisation and work toward achieving the organisational goal. In order to develop toward errorless and transparent working, we have worked rigorously on our systems and processes and spent our analytical efforts in synergistic automation. We have carved our policies and guidelines with the help of external expertise through system audits, HR audit and compliance audit, and conducted frequent training during last year which will be our continuous journey ahead.

During the last 4 years, we have shown a strong growth trajectory in our revenues with a CAGR of 27% over the same period. For the year ended 31st March 2022, we have registered a growth of 43% in our revenues at Rs. 36,152 million on a standalone basis. This has been on account of the robust execution of the order in hand. Our EBITDA for the year stood at Rs. 5,847 million with a margin of 16.2% reflecting our ability to maintain our margins. Our profit after tax has shown a growth of 61% reaching Rs. 3,388 million with a margin of 9.4%.

Our efforts on strengthening our balance sheet are on track as we have closed the year on a strong footing. As of 31st March 2022, our standalone gross debt stood at Rs. 3,147 million with a healthy debt: equity of 0.23x which improved over last year's level of 0.28x. Working capital days was low at 31 days compared to 33 days in the previous year.

Friends,

There has been two major developments after March 31st March 2022 which I would like share. ICRA has upgraded our external rating from A+ to AA- for long-term facilities, and from A1 to A1+ for short-term facilities in April 2022.

Second- During the quarter we received a new EPC order worth Rs. 4,971 crore inclusive of GST, from Adani to develop a six-lane access-controlled expressway in the state of Uttar Pradesh. This is a portion of the Ganga expressway and work on it has already begun. This is highest big ticket size project we have even received that show our preparedness, our passion, our vision and zeal to take this organization to new heights.

Dear Shareholders,

Now I will brief you, some of the highlights on our order book and the executions done during the year gone by.

During the financial year 2021-2022, we have received 4 new orders of approx. Rs. 43,280 million.

- We received 2 HAM projects namely Raipur – Visakhapatnam OD-5 & OD-6 with bid project cost of Rs. 14,921 million and Rs. 1,1231 million respectively.
- Received EPC project worth Rs. 8,441 million for development of six lane highway with access control of Neelmangala – Tumkur including Tumkur bypass section of NH-48 under Bharatmala Pariyojna Package 1.
- Another EPC project worth Rs. 12,438 million for the development of Six Lane Urban Extension Road from NH 1 to Karala-Kanjhawala – Kanjhawala Phase 1.

Taking the above orders, our total order book stood at Rs. 79,729 million as on 31st March 2022. Out of the total order book, 45% are EPC contracts and 55% are HAM projects. We have our presence in 9 states, the breakup is as follows – 28% from Odisha, 20% from Telangana, 15% from Delhi, 11% from Karnataka, 10% from Rajasthan, 10% from Andhra Pradesh, 2% each from UP, Maharashtra and Haryana. These orders give us strong visibility of revenues for the next 2 -3 years.

It is important to share with the forum that there has been paradigm shift in the magnitude of average ticket size projects under execution in entire order book. Currently there are 20 projects under execution out of which seven projects has already got PCOD, only small portion of work is left out. Apart from this, there are 13 high value projects which are in execution with an average size of Rs. 900 cr which was around Rs. 200 cr few years back thus displaying the growing executional capabilities of the company, bringing better operational efficiency, cost optimization with better control and governance of these projects which will eventually result in better yields in these projects.

I am happy to share that during the year, we have successfully completed three HAM projects – Rewari Ateli Mandi project, Gurgaon Sohna project and Narnaul Bypass project. We have also completed three EPC projects namely Banar-Bhopalgarh (Rajasthan), Morshi-Chandur Bazar-Achalpur (Maharashtra), and Jodhpur-Marwar (Rajasthan).

The other ongoing projects which we are working on in both EPC and HAM mode are running as per the schedule, and we expect to complete those projects within the required timelines as per the contract.

TECHNOLOGY AND AUTOMATION

I take this opportunity to share with you all the initiatives taken by HG Infra on the technology front, which will be instrumental in our growth. Since the initial phase of our company, we have always worked on the improvement in processes and bringing in better efficiencies. As a step forward we have now started to adopt and advance in many new-age technologies which will help us monitor and achieve our set targets.

We have started to use new-age technologies like sensor-based management systems for fuel dispensing and management helping us monitor and record real time fuel consumption. This will help us to manage our fleet efficiently thereby saving on fuel consumption and reducing costs. We have also converted about 17 of our existing diesel tippers to CNG-based operation as a measure to lower our Greenhouse Gas emissions.

To increase road quality and bring productivity, we are using technologies like Echelon paving, 3D grades control software application, plants equipped with heavy-duty accessories, power feeders, soil stabilizers, and telematics systems.

We have also taken several other initiatives to address project data and enable site engineers to record and provide data across the organization.

CalQuan PTM, it is an initiative taken with single motive to capture and integrate the daily progress data in SAP on real time basis with accuracy. The mobile app enables site engineers to record DPRs, provide available information to the site and the HO planning team to sync and record daily work progress at every project location to build and report transparent & accurate MIS and reporting's of work execution.

HGIEL started using SAP in July 2018 by setting the foundation to 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 number of users or departments are coming with new ideas to add unique functionalities in SAP. In FY 2021-22, a few new developments like NOC tracking, inventory aging reports are developed within SAP. Preventive maintenance functionality for our fleet is also configured. Additionally, we have invested in integrated platforms that help automate vendor onboarding, tracking and resource management tasks.

Throughout the year, these innovative technological projects and solutions has improved our operating efficiency and lower down costs.

Powerful Human Capital

As we all agree that the employees play a critical role in ensuring the growth of the company and we have indeed the best human capital which execute the projects and deliver the vision of the company. It is the passion and zeal of every employee to perform which has led to the phenomenal growth of the company till date. We feel grounded to convey that during the difficult times of pandemic, the company has taken due care of it's employees by adepting "Work from Home" considering the health and safety of employees in critical phase of pandemic and ensured no financial losses in form of pay cut or reduction in salary.

We have adopted a number of policies to ensure the inclusive growth of the employees. We conduct specific employee training and workshops to drive efficiency and promote safety among the workforce. Further, the HR departments set up seminars and workshops for the workforce to equip them to adapt to the fast-changing environment. These radical changes in the HR policies have resulted in employee's longevity and lower attrition rate.

Social contribution through CSR Activities:

At HG Infra, we believe in growing together with our communities. We undertake focused intervention around promoting education, healthcare and rural development. In FY 2021-22, with the pandemic continuing, most of our efforts were dedicated towards disaster relief.

The second wave was severe, resulting in significant surge in demand for medical oxygen and medical supplies. We had spent a total of about Rs. 21.06 million to help build oxygen generation plant, oxygen concentrators and other medial support in the state of Rajasthan, Haryana and Maharashtra.

Under HG Care Adoption of Villages program, four villages of Udaipur & Rajsamand in the state of Rajasthan have been adopted by us to transform these villages into model villages through holistic and sustainable development.

Along with this we are also working on promoting education under our initiative of HG ki Pathshala by adoption of schools and hostels. We have provided support to develop the residential hostels into model hostels, in the state of Rajasthan, by building better infrastructure and creating an innovative learning ecosystem and also provided scholarships to deserving students.

Corporate Governance:

The Company has been consistently endeavouring to not only adhere to the corporate governance guidelines but is also committed to sound corporate governance principles and practices.

Our corporate structure, business, operations and disclosure practices have been strictly aligned to our corporate governance philosophy.

We believe, Corporate Governance is not just a destination but a journey to constantly improve sustainable value creation.

ESG:

Every business enterprise is deeply intertwined with Environmental, Social, and Governance (ESG) matters. We have also developed ESG policy focusing on identifying risks, improving performance management systems, building assets, driving sustainable business practices.

For amplifying the Environment Social Governance practices during the FY 2022-23, we are focusing on using renewable energy sourcing, fuel switching, embodied carbon, waste management, supply chain sustainability and more. For social aspects, our emphasis remains on skill and leadership development among the employees, community welfare and community engagement for our CSR activities.

With respect to proposed resolution no.8 of the AGM Notice for limits under Section 185 of the Companies Act, 2013 for making loans, guarantees and security to promoter group entities, we would like to inform that the promoter group entities have provided collateral securities and corporate guarantees for the financial facilities availed by the Company from the banks.

In the same line, the financial support in the form of corporate guarantees/securities is required by these entities to avail any loans for their principal business requirements. Considering the support extended by these promoter group entities, the Board has considered the said resolution for approval by the shareholders in compliance with applicable provisions of the laws/regulations. As the resolution is already proposed for consideration by the shareholders and voting has already been started since July 31, 2022, the same is being transacted as agenda item for this AGM. However, considering the concern of minority shareholders on the proposed resolution under Section 185 of the Companies Act, 2013, the board will further consider and re-think to exercise the same in the best interest of the company and shareholders.

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 of all our shareholders:

Our strategy going ahead is clear, as we will continue to maintain a core focus on road EPC and HAM projects. We shall also be selective in bidding for projects that would complement our competencies and have a better profit margin. With the strong focus of the govt on developing road infrastructure, we witness strong project tendering underway in FY 2022-23, and we are confident of receiving good order inflow.

We are also actively pursuing diversification to other infrastructure segments like railways, water infrastructure and airports where a lot of ground is yet to be covered. A dedicated function comprising senior and experienced people from the sector are working to lead forward our growth story. With several projects up for tendering, we soon expect to make a breakthrough.

As we look forward to accelerating growth, our focus will be on creating a sustainable organisation with the increasing use of digital technology. We have invested significantly in building the digital capabilities to enhance our operational efficiency and optimise cost which will be key in the future.

We have confidence in the future given our favourable order book position, strong revenue visibility, and sound financial situation. We work hard to continuously increasing efficiency and strengthen our position as a top infrastructure developer in this new decade

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

Last but not the least - let us all pray to the almighty for the peace and well-being of the entire humanity.

Thank You all for your benign presence at this 20th AGM.