

STURDY. STRATEGIC. STEADY.



HIGHWAYS



ROADS



BRIDGES



H.G. Infra Engineering Limited

ANNUAL REPORT
2019-20

Contents

CORPORATE OVERVIEW



01-14

HG Infra at a glance	02
Excelling over the years	04
Measuring our Steady Performance	06
Building a Sturdy Business	07
Our long-term cultural strategy	08
Our strategy to deliver long-term value	09
Chairman and Managing Director's review	10
Profile of Board of Directors	12
Corporate Information	14

STATUTORY REPORTS



15-95

Management Discussion & Analysis	15
Board's Report	20
Corporate Governance Report	49

FINANCIAL STATEMENTS



96-230

Standalone Independent Auditor's Report	97
Standalone Balance Sheet	106
Standalone Statement of Profit and Loss	107
Standalone Cash Flow Statement	108
Standalone Statement of Changes in Equity	110
Notes to the Standalone Financial Statements	111
Consolidated Independent Auditor's Report	162
Consolidated Balance Sheet	170
Consolidated Statement of Profit and Loss	171
Consolidated Cash Flow Statement	172
Consolidated Statement of Changes in Equity	174
Notes to the Consolidated Financial Statements	175
NOTICE	231

Forward-looking statements / Cautionary statement

In this annual report, we have disclosed forward looking information to enable investors comprehend our prospects and take informed investment decisions. This report and other statements – written and oral – that we periodically produce/ publish, may contain forward-looking statements that set out anticipated results based on the management's plans and assumptions. We have tried wherever possible to identify such statements by using words such as 'anticipates', 'estimates', 'expects', 'projects', 'intends', 'plans', 'believes' and words of similar substance in connection with any discussion of future performance. We cannot guarantee that these forward-looking statements would be fully realised, although we believe we have been prudent in our assumptions. The achievement of results is subject to risks, uncertainties and even inaccurate assumptions. If known or unknown risks or uncertainties materialise, or if underlying assumptions prove inaccurate, actual results could vary materially from those anticipated, estimated or projected. We undertake no obligation to publicly update any forward-looking statements, whether as a result of new information, future events or otherwise.



For more information log on to

www.hginfra.com



The aspiration to soar above the others, set new benchmarks and secure our future, stems from our desire to identify and explore opportunities.

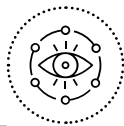
And H.G. Infra Engineering remains strategically poised to foster a disciplined approach to fulfil these aspirations. With a focus on margins and a strong balance sheet, we have showcased an unrelenting pursuit for steady growth.

In our bid to improve efficiencies, we readily invest in cutting-edge technology, display the courage to steer clear of projects that fail to ensure profitability and prioritize a culture of urgency to sustain a healthy momentum - in a challenging and competitive environment. Validating our strong commitment to derive unmatched value for the Company and its stakeholders, we continue to tread ahead on a sturdy, strategic and steady path to progress.



HG Infra at a glance

HG Infra is one of India's leading road infrastructure development companies, providing integrated design, engineering, procurement and construction services, for nearly two decades.



VISION

To be amongst the most admired and most trusted infrastructure companies in the country, delivering qualitative, reliable and quality "creations & services" to all customers at competitive

costs, with highest standards of infrastructure creations, setting new benchmarks in standards of corporate performance and governance through the pursuit of operational and financial

excellence, responsible citizenship and profitable growth, thereby creating superior value for all the stakeholders and contribute significantly in growth of this sector.



MISSION

- To create the world-class assets and infrastructure to provide the platform for faster & consistent growth for India to become world's economic power.
- To earn the trust and confidence of all customers and stakeholders, exceeding

their expectations and make the company a respected household name.

- To consistently achieve high growth with the highest levels of productivity holding guiding principles of trust, integrity and transparency in all aspects of interactions and dealings.

- To be a technology driven, efficient and financially sound organisation.

- To promote a work culture that fosters individual growth, team spirit and creativity to overcome challenges and attain goals, encourage ideas, talent and value systems.

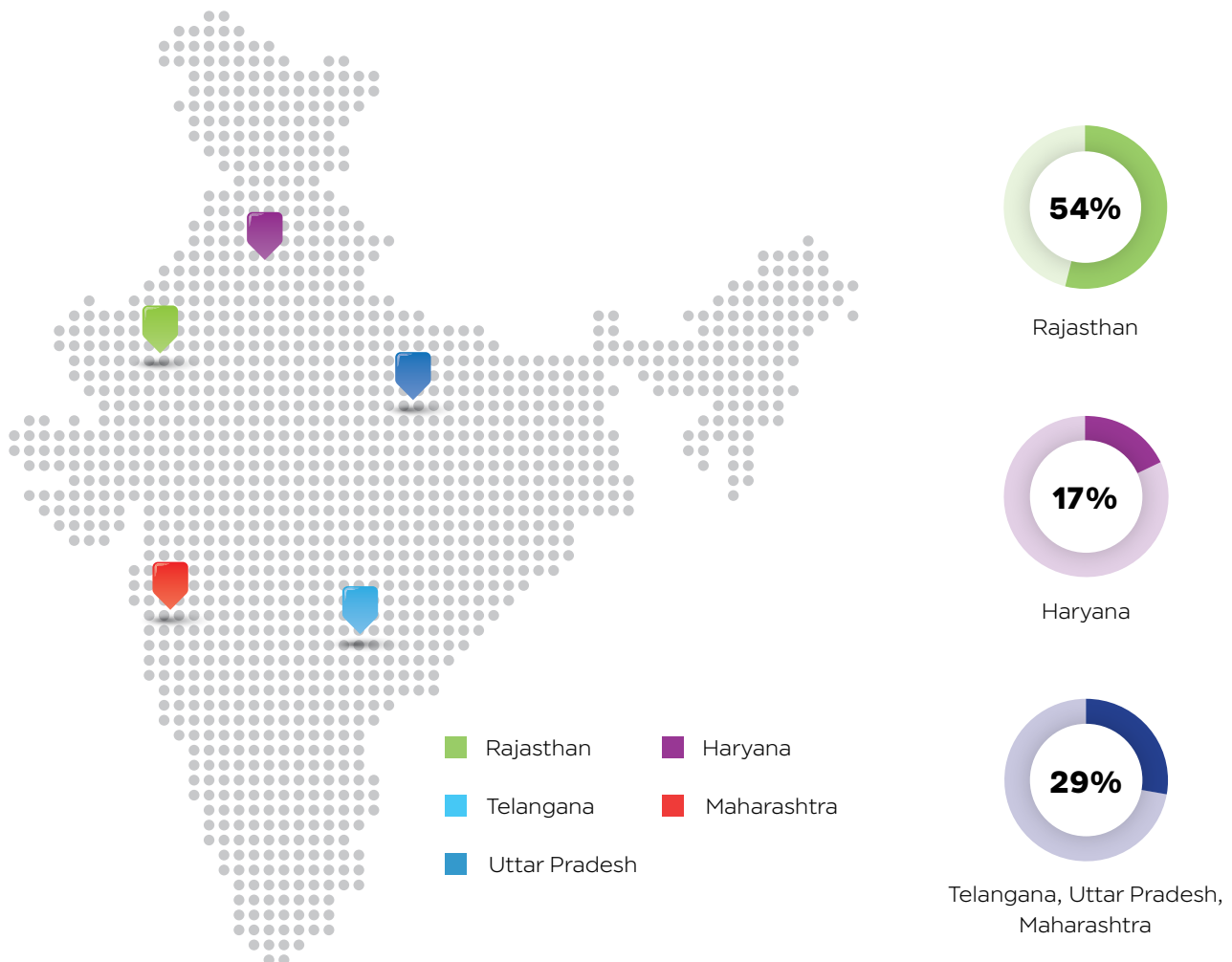


VALUES

Our ethos are "Trust", "Passion" and "Quality". These are intact and constantly keep on pushing us to deliver best of quality infrastructure for the nation.

GEOGRAPHICAL PRESENCE ACROSS INDIA

Headquartered in Jaipur, Rajasthan, the Company has project experience in eight Indian states and active projects in five states. Of the total order book outstanding as on 31st march 2020, **54%** were in Rajasthan, **17%** in Haryana and **29%** in the states of Telangana, Uttar Pradesh and Maharashtra.



VERTICALS OF OUR PRESENCE

Operational areas

Road infrastructure

Water distribution

Civil construction in the following focus areas

Construction of roads, bridges, and highways

Design, construction, supply, installation and commissioning of civil engineering works for water pipeline projects

Excelling over the years

YESTERDAY

We started as a subcontractor, dedicated to address the nation's need for modern road infrastructure.

2015 (as on 31.03.2015)

2

States of our presence

49%

Revenue from sub-contracting

₹500 million

Average ticket size

₹3,317 million

Revenue

₹2,500 million

EPC pre-qualification

₹1,489 million

Gross block

₹10,677 million

Order book

600+

Employee strength

TODAY

We are a leading road infrastructure developer with a pan India presence.

2020 (as on 31.03.2020)

8

~26%

₹1,800 million

₹21,961 million

₹17,500 million

₹6,898 million

₹71,082 million

2,300+

INITIATIVES UNDERTAKEN OVER THE LAST FEW YEARS TO STRENGTHEN THE COMPANY

Strategic efforts

Build a robust order book keeping margins and overall project efficiency in mind

Focus on the adoption of technical capabilities and project execution capabilities

Focus on strengthening Balance Sheet through timely execution and strict cost controls along with efficient working capital management and cash flow generation

Effect

Grew order book at a CAGR of 46% over the last five years (ending at 31st March 2020). The Company closed FY20 with an order book of ₹ 71,028 million. EBITDA margins have been consistently maintained at 15-16%

Invested in cutting-edge technologies such as real-time project monitoring, supply chain management, and SAP, which helped in enhancing process efficiency while saving time and costs

Deleveraged Balance Sheet by regularly repaying debt. Debt-equity ratio as on 31st March 2020 stood at 0.45 compared to 0.75 as on 31st March 2018. Delivered consistent financial performance by growing revenue at a CAGR of 45.94% over the past five years

RECOGNITION AND REWARDS



Certified for Quality Management System Certificate ISO 9001:2015



Certified for Health & Safety Management System Certificate OHSAS 18001:2007



Certified for Environmental Management System Certificate ISO 14001:2015



Measuring our Steady Performance

ALL FIGURES ARE ON STANDALONE BASIS

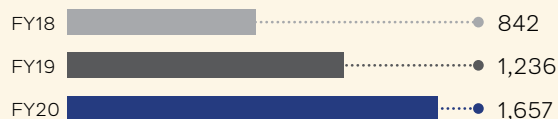
Net Sales (₹ million)



EBITDA (₹ million)



PAT (₹ million)



EBITDA Margin (%)



PAT Margin (%)



Earnings Per Share (₹)



Book Value Per Share (₹)



Debt to Equity



Working Capital (Days of Turnover Equivalent)



ROCE (%)



Revenue Growth

9.3%

Over 2018-19

EBIDTA Growth

12.93%

Over 2018-19

Profit After Tax Growth

34.06%

Over 2018-19

ROCE = EBIT/Total Assets – Current Liabilities

Debt to Equity = Total debt/Shareholders Equity

Debtor days = Average Trade Receivables (excl. retention money) / Revenue From Operations

Inventory Days = Average Inventory / Cost of Materials

Creditors Days = Average Trade Payables / (Cost of Materials + Contract & Site Expenses)

Net working capital days = Debtor days + Inventory days – Creditor days

Building a Sturdy Business

At HG Infra, we aim to further strengthen our business model, by focusing on projects with viable margins that push our capabilities. The foresight to build an in-house asset base not only helped avoid rental and interest cost for hired equipment, but also delivered significant positive impact on the margins.

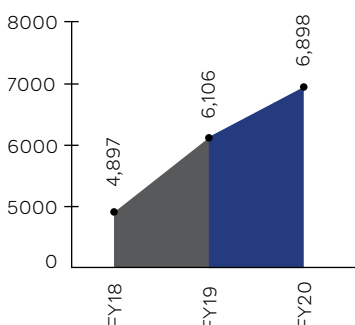
OUR MODEL TO DRIVE MARGINS

Building a strong asset base

In-house fleet of modern construction equipment, namely:

- **Crushers**
- **Compactors**
- **Graders**
- **Loaders**
- **Pavers**
- **Mixers**
- **Dumpers**
- **Excavators**
- **Rollers**
- **Sprayers**
- **Compressors**
- **Tractors**
- **Hot Mix Plant**
- **Boom Placer**
- **Sand Wash Plant**
- **Batching Plant**

Gross Block (₹ million)



Increasing scale and profitability

16%

3-year CAGR in Revenues

18%

3-year CAGR in EBITDA

25%

3-year CAGR in PAT

16%

3-year CAGR in Order Book

4

Major projects completed in FY 2019-20

33

Projects under execution

₹71,028 million

Order book as on March 31, 2020

1900+

Total equipment base

₹6,898 million

Gross block as on March 31, 2020

12.1%

3-year CAGR in Gross block

Our long-term cultural strategy

We are in a people-powered business. So, we firmly believe that our success is largely based on our people resource.

Our 2300+ colleagues are fundamental to delivering high-quality projects. Over the years, we have built a process which continuously enhances our employee proposition to ensure we have an engaged, high performing, and fulfilled workforce that truly reflects the DNA of the Company. We enrich our people through progressive training, by aligning their professional aspirations with their personal needs, and by recognising and rewarding their achievements.

2,300 +

Full time employees

₹1,113.8 million

Employee benefit expenses

OUR RESPONSE TO COVID-19

Aligned to our people philosophy, at HG Infra, we emphasised that the safety and wellness of our people is our priority even as the spread of the Covid-19 pandemic disrupted lives and businesses alike in India and in the world.

Some of the major initiatives undertaken are –

- All officers and employees (including outsourced employees) of HGIEL are asked to use 'Aarogya Setu' App, wear masks & follow social distancing guidelines
- Daily monitoring of body temperature
- Sanitization using disinfectant liquid with spray machines is undertaken for living accommodation as well as other premises such as offices, store houses, labs, plants & workshops
- Supervisors and project heads have been appointed at all locations to ensure adherence to safety & social distancing norms
- To improve safety outsiders/locals are not allowed to interact with site workers
- Establishment of Isolation & Quarantine facility for suspected cases
- Display of nearest COVID-19 Testing and Treatment Facility at prominent places
- Only on duty government personnel are allowed after ensuring all safety and sanitisation measures
- Material procured is disinfected
- Separate parking area is designated for all vehicles
- Availability of protective and sanitisation items
- Medical professionals have been appointed to check and enforce hygienic measures

