# H.G. Infra Engineering Limited

**Issue Snapshot:**

Issue Open: Feb 26 – Feb 28, 2017

Price Band: Rs 263 – 270

Issue Size: 17,111,111 Equity Shares * (Including Fresh issue of *11,111,111 eq sh + Offer for sale of 6,000,000 eq sh)

Offer Size: Rs458cr – 462cr

| | | |
|---|---|---|
| QIB | Upto | 50% eq sh |
| Non Institutional | atleast | 15% eq sh |
| Retail | atleast | 35% eq sh |

Face Value: Rs 10

Book value: Rs 37.95 (Sept 30, 2017)

Bid size: - 55 equity shares and in multiples thereof

100% Book built Issue

**Capital Structure:**

| | |
|---|---|
| Pre Issue Equity: | Rs 54.06 cr |
| Post issue Equity: | Rs 65.17 cr* |

Listing: BSE & NSE

Book Running Lead Manager: SBI Capital Markets Limited, HDFC Bank Limited

Registrar to issue: Link Intime India Private Limited

**Shareholding Pattern**

| Shareholding Pattern | Pre issue % | *Post issue % |
|---|---|---|
| Promoter and Promoter Group | 100.00 | 73.74 |
| Public & Others | 0.00 | 26.26 |
| **Total** | **100.0** | **100.0** |

Source for this Note: RHP
* =assuming issue priced at upper band

## Background & Operations:

HG Infra Engineering Ltd (HG Infra) is an infrastructure construction, development and management company with extensive experience in its focus area of road projects, including highways, bridges and flyovers Its main business operations include (i) providing engineering, procurement and construction (“EPC”) services on a fixed-sum turnkey basis and (ii) undertaking civil construction and related infrastructure projects on item rate and lump sum basis, primarily in the roads and highway sector. It has also forayed into executing water pipeline projects and is currently undertaking two water supply projects in Rajasthan on turnkey basis which includes the designing, construction, operation and maintenance of the project.

HG Infra has executed or are executing projects across various states in India covering Rajasthan, Uttar Pradesh Haryana, Uttarakhand, Maharashtra and Arunachal Pradesh. During the last five years, it has completed 13 projects above the contract value of Rs 400.00 million in the roads and highways sector aggregating to a total contract value of Rs 16,748.94 million, which included construction, improving, widening, strengthening of two and four lane highways, construction of high level bridge and construction of earthen embankment, culverts and cart track underpasses. As on November 30, 2017, HG Infra has 21 ongoing projects in the roads and highways sector which includes construction, improving, widening, strengthening, upgradation and rehabilitation of two, four and six lane highways, construction of high level bridge and construction of road network. Its Order Book for these ongoing projects in the roads and highways sector amounted to Rs 35,853.10 million as on November 30, 2017, accounting for 96.70% of total Order Book. As of November 30, 2017, it had a total Order Book of Rs 37,078.10 million, consisting of 21 projects in the roads and highways sector, four civil construction projects and two water supply projects.

HG Infra’s public sector clients include NHAI, PWD, MES and Jaipur Development Authority. It has also executed road construction contracts as a sub-contractor for its private sector clients such as Tata Projects Limited and IRB-Modern Road Makers Private Limited. Its quality of work and project execution skills has allowed to enhance relationships with existing clients and to secure projects from new clients. While its principal business of civil construction comprises of projects in the roads and highways sector, HG infra was engaged in the year 2013 as the sub-contractor to execute two water supply projects in Rajasthan on a single responsibility turnkey basis, which includes the responsibility of designing, building and maintaining the projects. Over the years, it has gradually added a fleet of modern construction equipment and employed manpower to supplement the growth of its construction business. As on November 30, 2017, its equipment base comprised of 1064 construction equipment.

## Objects of Issue:

The Offer comprises of Fresh Issue and an Offer for Sale by the Selling Shareholders

**Fresh issue**

The Net Proceeds of the Fresh Issue are proposed to be utilized by the Company for the following objects:

- Purchasing capital equipment
- Repayment/ prepayment in part or in full, of certain indebtedness and
- General corporate purposes.

**The offer for sale**

Each of the Selling Shareholders will be entitled to the proceeds of the Offer for Sale. Other than the listing fees, all expenses in relation to the Offer will be shared among HG Infra and the Selling Shareholders in proportion to the Equity Shares being offered or sold by them, respectively, pursuant to the Offer and in accordance with applicable law. The Company will not receive any proceeds of the Offer for Sale by the Selling Shareholders

### Competitive strengths

**Established roads and highways sector focused construction developer:** HG Infra has an experience of over 14 years in construction and development of major infrastructure road projects including highways, bridges, flyovers and other related infrastructure activities, across various states in India covering Rajasthan, Uttar Pradesh Haryana, Uttarakhand, Maharashtra and Arunachal Pradesh. Its primary focus on the roads and highways sector has helped in gaining technical expertise of undertaking projects of different sizes and involving varying degree of complexity while simultaneously helping it to also develop quality control systems, acquire a fleet of modern construction equipment and employ manpower to supplement the growth of its construction business. As on November 30, 2017 HG Infra is executing 21 projects in the roads and highways sector aggregating to a total contract value of Rs 35,853.10 million. Its notable completed construction contracts during the last five years include four laning of Jaipur - Tonk - Deoli section of NH-12, four laning of Warora – Chandrapur-Ballarpur section of SH-267 and construction of Kuberpur to Fatehabad Road, Agra-Inner Ring Road. It has also executed road construction contracts as a subcontractor for its private sector clients such as Tata Projects Limited and IRB-Modern Road Makers Private Limited. HG Infra value its relationships with its clients. Its quality of work and project execution skills has allowed to enhance its relationships with existing clients and to secure projects from new clients.

**Efficient business model***:* HG Infra's growth is largely attributable to its efficient business model which involves careful identification of its projects and cost optimisation, which is a result of executing projects with careful planning and strategy. This model has facilitated in maximising efficiency and increasing profit margins. Additionally, its fleet of modern construction equipment ensures better control over execution and timely completion of projects. The company follows a strategic approach during the pre-bidding stage, which involves undertaking technical surveys and feasibility studies and analysing the technical and design parameters and the cost involved in undertaking the project. Its strategic approach during the pre-bidding stage enables to bid at competitive prices and helps to successfully win projects. Through its experience of executing projects of varying sizes, that it has developed internal systems and processes which helps in effective execution of ongoing projects

**Strong project management and execution capabilities***:* Over the last five years, HG Infra has executed 13 projects above the contract value of Rs 400.00 million in the roads and highways sector. Its focus is to leverage strong project management and execution capabilities in order to complete its projects in a timely manner while maintaining high quality of construction. Over the years, it has consistently invested and created a fleet of modern construction equipment to ensure high quality and timely execution of its projects. In the last three years, HG Infra has invested Rs 1,727.43million towards procurement of plant and machinery for its projects. It is one of the few players in India to own a large fleet of modern construction equipment including HMPs, CBPs, crushers, excavators, loaders, dozers, sensor pavers and transportation vehicles, which meet most of the requirements for ongoing projects. The availability of modern construction equipment reduces dependence on third party suppliers for execution of a project, which in turn enables to control the cost of the project, and minimizes occurrence of events resulting in stoppage of work due to non-availability or breakdown of machinery. Further, it ensures that it is able to offer high quality construction and on time performance. With multiple projects in progress at any given time, ready access to such equipment is essential to execute ongoing projects efficiently along with timely completion of projects and profitably and to bid for additional complex and challenging projects. HG Infra is also focused on ensuring that each project is executed in conformity with the work description provided in the contracts and adheres to the quality and standard of construction associated with the Company.

**Visible growth through growing Order Book and improved pre-qualification credentials:** HG Infra's Order Book as of a particular date consists of estimated revenue from unexecuted or uncompleted portions of its ongoing projects, i.e., the total contract value of such ongoing projects as reduced by the value of construction work billed until such date. Its growth strategy has been focused on selecting quality projects with potentially higher margins by expanding its operations in different geographical regions, it is able to pursue a broader range of project tenders and therefore maximize its business volume and contract profit margins. Its order book has grown significantly over the last three years, from Rs 10,677.04 million as of March 31, 2015, to Rs 14,462.65 million as of March 31, 2016 and Rs 40,190.89 million as of March 31, 2017, respectively. As of November 30, 2017, its total order book was Rs 37,078.10 million, with government contracts accounting for 67.71% and private contracts accounting for 32.29% of the Order Book. Its track record of completed projects, existing portfolio and financial performance allows to meet the qualification requirements for a large number of new projects in the roads and highways sector. It also form project specific joint ventures and consortiums with other infrastructure and construction companies, in particular, where it is not pre-qualified to bid independently or when a project requires to meet specific eligibility requirements in relation to certain large projects, including requirements relating to particular types of experience and financial resources.

**Experienced management team***:* HG Infra's management team is well qualified and experienced in the construction industry and has been in many ways responsible for the growth of its operations. In particular, its Promoters and Directors, Girish Pal Choudhary, Vijendra Singh Choudhary and Harendra Singh Choudhary have about 20 years of experience in the infrastructure development sector, and has been instrumental in driving growth since inception of its business. Its motivated team of management and key managerial personnel along with internal systems and processes complement each other to enable to deliver high levels of client satisfaction. The strength and entrepreneurial vision of Promoters and management has been instrumental in driving growth and implementing strategies.

### Business strategy:

**Continue focusing on EPC business in the roads and highways sector and enhancing execution efficiency:** HG Infra's primary focus is to strengthen market position in India in developing and executing EPC projects in the roads and highways sector. Over the next few years, it will continue to focus on the operation, maintenance and development of its existing projects while seeking opportunities to expand EPC projects in the roads and highways sector. It intends to capitalize on experience and project execution expertise and continue to selectively pursue EPC projects in the roads and highways sector, both independently and in partnership with other players given the Government's focus on improving infrastructure in India, the roads and highways infrastructure sector has high potential for growth and HG Infra's experience and track record in the construction business provides it with a competitive advantage in pursuing future opportunities. It intends to continue to focus on efficient project execution by adopting industry best practices and advanced technologies to deliver quality projects to the satisfaction of its clients. It intends to continue to invest in modern construction equipment to ensure continuous and timely availability of equipment critical to its business, which will helps in exercising better control over the execution of its projects. It also intends to utilize advanced technologies, designs, engineering and project management tools to increase productivity and maximize asset utilization in construction activities.

**Selectively expand geographical footprint*:*** HG Infra started its operations in Rajasthan and has gradually expanded in other states including Uttar Pradesh, Haryana, Uttarakhand, Maharashtra and Arunachal Pradesh. It plans to continue its strategy of diversifying and expanding presence in different states for the growth of its business. It is selective when it expands in a new location and typically look to geographies where it can deliver high-quality services without experiencing significant delays and interruptions on account of adverse climatic conditions or regulatory delays. Its strategy of selective expansion helps in mitigating diversification related risks. It currently expect that a significant portion of its geographic expansion will be in states such as Gujarat, Punjab and Madhya Pradesh, which has favourable geographic and climatic conditions. Through further diversification of its operations geographically, it hopes to hedge against risks in specific areas or projects and protects from fluctuations resulting from business concentration in limited geographical areas.

**Selectively explore hybrid annuity based model to optimize project portfolio:** HG Infra undertakes majority of its projects on the EPC basis and while its focus primarily is to grow EPC business, it also seeks to evaluate opportunities of undertaking projects on the newly introduced hybrid annuity model (HAM) by the government. This model aims to lower the financial burden on the concessionaire during project implementation phase. In projects undertaken on HAM basis, the developer is responsible to meet only 60% of the total project cost but undertakes the entire risk of operations and maintenance, while the government bears 40% of the total project cost and undertakes the entire toll collection risk. The introduction of the HAM model in India provides opportunities for private developers to participate in the annuity based model but, unlike the "Build Operate Transfer" model, does not expose the developers to bear the entire financial risk and the revenue risk. HG Infra seeks to selectively explore opportunities of undertaking projects on HAM basis by evaluating the investments required and selecting projects where the risk and reward profile is favourable. For projects where it is not pre-qualified to bid independently, it may also enter into strategic alliances and joint ventures with other developers

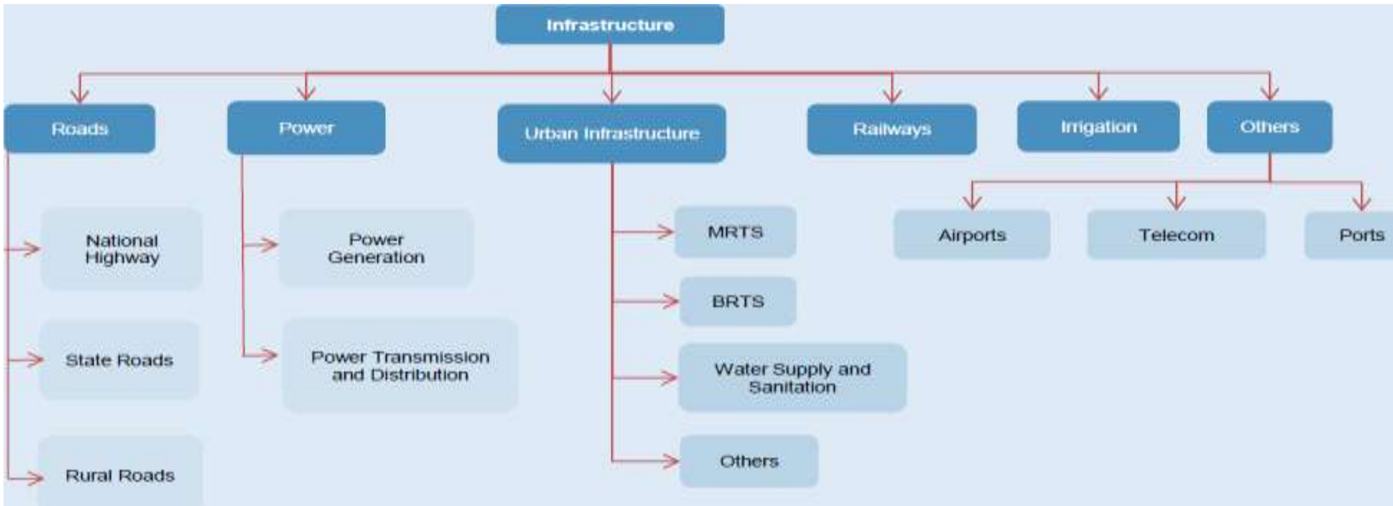
**Diversify beyond projects in the roads and highways sector by leveraging existing capabilities*:*** While HG Infra's primary focus is on development and execution of EPC projects in the roads and highways sector, as part of its business growth strategy, it has also diversified in executing water supply projects and the company is currently undertaking two water supply projects on turnkey basis in Rajasthan. Due to the increasing levels of the Government's focus and investment in infrastructure in India, certain segments such as irrigation, airport runways, waterways and development of smart cities provide with exciting opportunities to further develop business and achieve higher profitability. It seeks to capitalise on such opportunities in new functional areas of infrastructure development by leveraging on its established project execution track record in civil construction business. As part of its business growth strategy, it intends to diversify into, and shall consider bidding for, projects related to construction and maintenance of airport runways, projects related to railways and metros including earthwork and water treatment and sewerage related projects. In order to mitigate the risk of over-diversification, it seeks to expand in businesses that require execution skills that are similar to its roads and highways construction business and allows to leverage past experience and maximize the use of manpower, equipment and new materials in expansion and avoid additional investment in new equipment wherever possible.

### Industry:

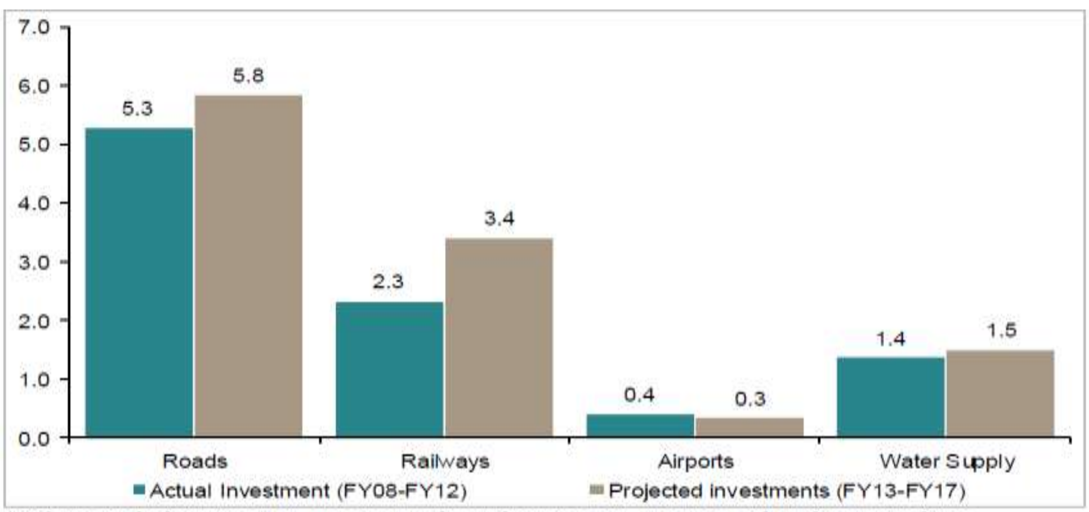
**Infrastructure sector in India**

**Investments' overview**

The infrastructure industry includes among others, roads, power, railways, urban infrastructure and irrigation. The size and magnitude of major infrastructure development projects in India has been able to attract substantial capital investment. The government has also introduced significant policy reforms to augment FDI, to further boost investment and enhance infrastructure. The reformative policies of the Indian government have resulted in total FDI inflows of approximately $9.8 billion in construction activities in infrastructure from April 2000 to March 2017 as per data provided by the Department of Industrial Policy and Promotion ("DIPP"). The road sector is one of the key contributors to overall investment in the infrastructure industry.




The actual investments in the infrastructure sector reached Rs 27.3 trillion during Fiscal 2008 to Fiscal 2012, driven primarily by the Central Government's focus on improving domestic infrastructure. According to the second report of the High Level Committee on financing infrastructure, the construction spend on infrastructure projects during Fiscal 2012 and 2017 is estimated to be Rs 30.93 trillion, increasing from Rs 10.3 trillion as at Fiscal 2014. Of the total spend, the private sector is estimated to contribute 39% whereas the remaining 61% is to be contributed by the Central and State Governments. Power sector is estimated to be the largest contributor amongst the infrastructure sectors, forming 42% of the total infrastructure investments, followed by the road and railway sectors, contributing 19% and 14% respectively. Presented below, is a graphical representation of the construction spend in the key infrastructure segments, between Fiscal 2008 to Fiscal 202 and between Fiscal 2013 and Fiscal 2017.




**Others include irrigation, water supply and sanitation, storage, oil and gas pipelines*
*# At Fiscal 2012 prices, in Rs trillion*
*Source: High-level Committee on Financing Infrastructure (Second Report, June 2014), CRISIL Research*

**Growth drivers in infrastructure investment**

Economic growth, increasing government thrust, preference towards roads in freight traffic, rise in private participation and an increase in passenger traffic and vehicle density are the key drivers for growth in the infrastructure investment.

**Economic growth**

The growth of freight traffic is a function of economic activity, as it further necessitates development of roads. The primary freight by road in billion tonne km ("BTKM") is estimated to grow by 4 to 6% in Fiscal 2018, compared to 6.6% in Fiscal 2017. The higher growth in Fiscal 2017 was partly on account of loss of share from rail to road.

**Preference towards roads in freight traffic**
Roads continue to dominate freight traffic, with their share in overall freight movement rising steadily to approximately 65% in Fiscal 2017, from approximately 56.1% in Fiscal 2010. This rise is mainly on account of the capacity constraints in the railway sector and a robust growth in non-bulk traffic, which is predominantly transported by road.

**Increasing vehicular and passenger traffic**
Historically, growth in vehicular and passenger traffic has outpaced the increase in total road network. While the number of vehicles increased at a CAGR of approximately 10.3% between Fiscal 2001 and Fiscal 2008, the number of passengers travelling by road increased at a CAGR of 6.4%. However, the total road network expanded at only 2.6% during the same period. This increase in vehicular and passenger traffic is expected to put pressure on the existing road network and necessitate road development.

**E-commerce logistics, a growth driver for road freight**
CRISIL Research expects the e-commerce industry in India to grow, at an estimated CAGR of 34-36% between Fiscal 2017 and Fiscal 2022. Such growth is expected to be driven by segments such as the online marketplace, where companies continue to offer discounts, deals, and innovations to attract customers. Further, rising penetration of the internet, increasing use of smart phones (with mobile based applications), and increasing consumer awareness should supplement growth. As the industry grows, companies are looking to develop local ecosystems to serve demand across India. As these local ecosystems evolve, lead distances would reduce, and freight traffic could gradually shift from air freight to roads.

**Improved vehicle sales**
Passenger vehicle sales increased by 9.2% in Fiscal 2017, and are expected to post a growth of 10% in Fiscal 2018 year on year, over a high base. The implementation of the Goods and services tax ("GST") is likely to result in a growth of 1.5 - 2%. Over the long term, domestic passenger sales will be driven by rising disposable income and relatively stable cost of ownership, as crude oil prices stabilize at lower levels. Increased urbanization, expanding working population and easy availability of finance will support sales. As more households come under the addressable market, sales of small cars are likely to increase, while evolving consumer preferences and introduction of new compact utility vehicles will drive demand within passenger vehicles according to CRISIL Research.

**Increased private participation**
Amendments to the model concession agreement governing private participation in road sector in August 2009 have made investment in roads more private sector-friendly. Consequently, the share of private sector in national highways increased to 45% from Fiscal 2013 to Fiscal 2017.

**Policy changes fueling growth**
The Central Government has focused on reducing difficulties for new projects and clearing the stalled projects, thus reducing the delays involved during construction. In the roads sector, a major cause of delay was the non-availability of land, after the construction had begun. This has been managed by the government by ensuring availability of 80 - 90% of land before a project is awarded.

**Make in India to boost traffic**
Started in September 2014, Make in India campaign is directed towards encouraging multi-national companies across 25 sectors in the economy to manufacture in India. In addition to providing a boost to the overall economic growth, it will also increase the need for transportation of goods, thereby increasing the freight traffic.

**Road infrastructure in India**

**Road sector's contribution to Indian GDP**
As of Fiscal 2016, the share of road transport in Indian GDP among other sectors is approximately 3.2%, marking marginal decline from Fiscal 2015.

**Total length and break-up into national, state and rural roads**
India has the second largest road network in the world, aggregating to 6.1 million kilometers Roads are the most common mode of transportation and account for approximately 86% of passenger traffic and approximately 65% of freight traffic. In India, national highways with length of approximately 103,933 kilometers constitute a mere 1.7% of the road network, but carry about 40% of the total road traffic. On the other hand, state roads and major district roads form the secondary system of roads carry another 60% of traffic and account for 98% of road length. In the decreasing order of volume of traffic movement, road network in India can be divided into following Categories

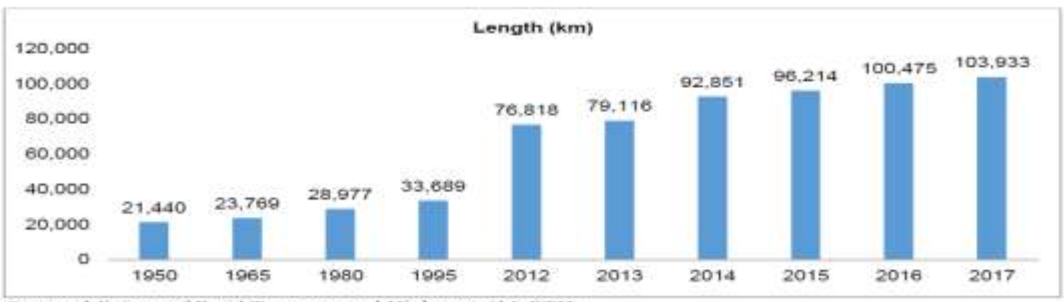
| Road network | Length (km) | Percentage of total Length | Percentage of total Traffic | Connectivity to |
|---|---|---|---|---|
| National highway | 103,933 | 1.71 | 40 | Union capital, state capitals, major ports, foreign highways |
| State highway | 161,487 | 2.65 | 60 | Major centres within the states, national highways |
| Other roads | 5,820,744 | 95.64 | | Major and other district roads, rural roads - production centres, markets, highways, railway stations |
| **Total** | **6,086,164** | **100.00** | | |

*Source: MoRTH, CRISIL Research*

**National highways**

National highways constitute around 1.7% of the country's road network, but carry approximately 40% of total road traffic. The National Highways Authority of India ( "NHAI" ), the nodal agency under the Ministry of Road Transport & Highways ("MoRTH"), is responsible for building, maintaining and upgrading the national highways. To develop the national highways network, NHAI launched the NHDP in December 2000.

*National highways network*



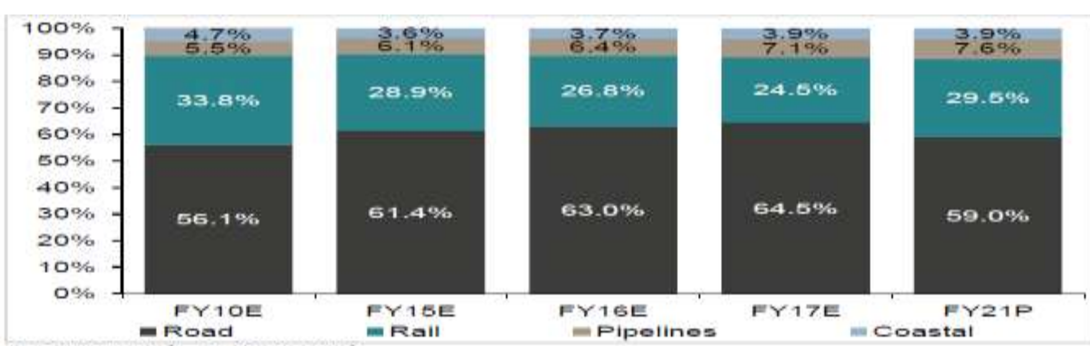

*Source: Ministry of Road Transport and Highways (MoRTH)*
*Note: Year represents financial year*

**State roads**

State roads constitute around 18% of the country's total road network and carry approximately 40% of the total road traffic. State roads comprise state highways, major district roads, other district roads and rural roads. State roads represent the secondary system of road transportation in the country. They provide linkages with national highways, district headquarters of the state and important towns, tourist centres and minor ports. Rural roads Rural roads connect rural habitations as well as state and national highways. Of India's 5.5 million kilometers road network, rural roads account for around 5 million kilometers

**Estimated contribution of roads to freight traffic in India**

Share of roads in freight compared with other transport modes Road transport is the most frequently used mode of transport for freight as well as passengers In Fiscal 2017, it is estimated that 65% of total freight was carried by roads as compared to railways. In Fiscal 2010, roads accounted for approximately 58% of total freight traffic. Regular maintenance of bitumen-type roads generally accounts for 1 - 1.5% of project cost incurred during road construction. Roads undergo major maintenance every five to six years, which generally accounts for 5 - 6% of project cost incurred during construction. Share of roads in total freight movement – in BTKM terms




*E: Estimated; P: Projected*
*Source: CRISIL Research*

Going forward, over the long term, share of rail freight traffic is projected to increase on account of the operationalization of dedicated freight corridor (“DFC”) and investments in railway capacity augmentation. Between Fiscal 2017 and Fiscal 2021, rail freight is expected to post a CAGR of 10 - 12% vis-a-vis 6 - 8% CAGR in respect of road. However, freight traffic will see a large-scale shift to rail only post Fiscal 2019 when wagon shortage and capacity constraints abate, following expected operationalization of the DFCs.

**Key concerns**

**Business and financial conditions would be materially and adversely affected if HG Infra fails to obtain new contracts**: HG infra is an infrastructure construction, development and management company with a focus on providing engineering, procurement and construction (‘EPC’) service for road projects, including highways, bridges and flyovers. As part of its business, it bids for projects on an ongoing basis. Infrastructure projects are typically awarded to it following a competitive bidding process and satisfaction of prescribed pre-qualification criteria. While service quality, health and safety records and personnel, as well as reputation and experience and sufficiency of financial resources are important considerations in final bid decisions, there can be no assurance that the company would be able to meet such financial and technical qualification criteria, whether independently or together with other joint venture partners The growth of business mainly depends on the ability to obtain new contracts in the sectors in which HG Infra operates. Generally, it is very difficult to predict whether and when it will be awarded a new contract. Its future results of operations and cash flows can fluctuate materially from period to period depending on the timely award of contracts, commencement of work and completion of projects in the scheduled time period. If HG Infra is unable to obtain new contracts for its business, its business will be materially and adversely affected.

**Delays in the completion of construction of current and future projects could lead to termination of EPC contracts or cost overruns or claims for damages, which could have an adverse effect on cash flows, business, results of operations and financial condition:** HG Infra projects are required to achieve commercial operation no later than the scheduled commercial operation dates specified under the relevant EPC contracts, or by the end of the extension period, if any is granted by its clients. It provides its clients with performance guarantees for completion of the construction of its projects within a specified time frame. Subject to certain customary exceptions such as (i) occurrence and continuance of force majeure events that are not within its control, or (ii) delays that are caused due to reasons solely attributable to its client, failure to adhere to contractually agreed timelines or extended timelines could require it to pay liquidated damages as stipulated in the EPC contract or lead to encashment and appropriation of the bank guarantee or performance security. Such liquidated damages are often specified as a fixed percentage of the contract price and its clients are entitled to deduct the amount of damages from the payments due to it. The client may also be entitled to terminate the EPC contract in the event of delay in completion of the work if the delay is not on account of any of the agreed exceptions. In addition to the risk of termination by the client, delays in completion of development may result in cost overruns, lower or no returns on capital and reduced revenue for the client thus impacting the project’s performance, as well as failure to meet scheduled debt service payment dates and increased interest costs from its financing agreements for the projects. The scheduled completion targets for HG Infra projects are estimates and are subject to delays as a result of, among other things, unforeseen engineering problems, force majeure events, issues arising out of right of way, unavailability of financing, unanticipated cost increases or adverse climatic conditions. It cannot be assured that such delays will not occur in the future. Such delays could jeopardize its reputation and its relationship with its existing clients and have adverse effects on cash flows, business, results of operations and financial condition.

**As of November 30, 2017, HG Infra’s ongoing projects in Maharashtra, Rajasthan, Arunachal Pradesh, Haryana, Uttar Pradesh and Uttarakhand, constitute 51.13%, 44.59%, 1.51%, 0.55%, 1.19% and 1.03%, respectively, of its Order Book. Its business is relatively concentrated in northern and western part of India and any adverse development in these regions may adversely affect the business, results of operations and financial condition:** While HG Infra’s carry on business in various states of India, its project portfolio has historically been concentrated in the northern and western States of India. It started its business operations in Rajasthan and has gradually expanded to Uttar Pradesh, Haryana, Uttarakhand, Maharashtra and Arunachal Pradesh. As of November 30, 2017, its ongoing projects in Maharashtra, Rajasthan, Arunachal Pradesh, Haryana, Uttar Pradesh and Uttarakhand, constitute 51.13%, 44.59%, 1.51%, 0.55%, 1.19% and 1.03%, respectively, of its Order Book. It may also encounter other additional anticipated risks and significant competition in such markets. Due to HG Infra’s limited experience in undertaking certain types of projects or offering certain services, its entry into new business segments or new geographical areas may not be successful, which could hamper growth and damage its reputation. HG Infra may be unable to compete effectively for projects in these segments or areas or execute the awarded projects efficiently. Further, its new business or projects may turn out to be mutually disruptive and may cause an interruption to its business as a result. While HG Infra strive to geographically diversify its project portfolio and reduce its concentration risk, it cannot be assured that adverse developments associated with the region will not impact on its business. If it is unable to mitigate the concentration risk, HG Infra may not be able to develop its business as planned and its business, financial condition and results of operation could be adversely affected.

**HG infra is required to furnish financial and performance bank guarantees as part of its business. Its inability to arrange such guarantees or the invocation of such guarantees may adversely affect cash flows and financial condition***:* As per the terms of the EPC agreements executed by HG Infra, it is typically required to provide financial and performance bank guarantees in favour of its clients to secure its financial/performance obligations under the respective contracts for its projects. In addition, letters of credit are often required to satisfy payment obligations to suppliers and sub-contractors. HG Infra may not be able to continue obtaining new financial and performance bank guarantees in sufficient quantities to match its business requirements. If it is unable to provide sufficient collateral to secure the financial bank guarantees, performance bank guarantees or letters of credit, its ability to enter into new contracts or obtain adequate supplies could be limited. Providing security to obtain letters of credit, financial and performance bank guarantees also increases its working capital requirements. If HG Infra is not able to continue obtaining new letters of credit, bank guarantees and performance bank guarantees in sufficient quantities to match its business requirements, it could have a material adverse effect on its business, results of operations and its financial condition.

**Ability to complete HG Infra's projects in a timely manner and operate, maintain and expand its roads and highway projects, is subject to performance of contractors*:*** HG Infra engage third-party contractors and sub-contractors to perform parts of its contract or provide services or manpower. Although its contractors are qualified, it do not have control over their day to day performance. It cannot ensure that there will be no delay in performance of duties by its contractors, which may cause a delay in completion of its projects. HG Infra may also be exposed to risks relating to the ability of the contractors to obtain requisite approvals for the operation and maintenance activities as well as the quality of their services, equipment and supplies. Further, while the company may sub-contract its construction work and may be indemnified by the subcontractor for any loss or damage due to their default, it may still be liable for accidents on the projects due to defects in design and quality of construction of its projects during their construction and operation. If HG Infra's contractors are unable to perform in accordance with their commitments on time or meet the quality standards required, its ability to complete projects on time or at all could be impaired. Further, if a sub-contractor becomes insolvent, it may be unable to recover damages or compensation for defective work and it may incur additional expenditure as a result of correcting any defective work. This may have an adverse effect on HG Infra reputation, cash flows, business, results of operations and financial condition.

**HG Infra may not be able to realise the amounts, partly or at all, reflected in its Order Book which may materially and adversely affect business, prospects, reputation, profitability, financial condition and results of operation:** As of November 30, 2017, HG Infra's Order Book was Rs 37,078.10 million. Future earnings related to the performance of projects in the order book may not be realized and although the projects in the order book represent business that is considered firm, cancellations or scope or schedule adjustments may occur. HG Infra also encounter problems executing the project as ordered, or executing it on a timely basis. Moreover, factors beyond its control or the control of its clients may postpone a project or cause its cancellation, including delays or failure to obtain necessary permits, authorizations, permissions, right-of-way, and other types of difficulties or obstructions. Due to the possibility of cancellations or changes in scope and schedule of projects, resulting from its client's discretion or problems it encounters in project execution or reasons outside its control or the control of its clients, it cannot predict with certainty when, if or to what extent a project forming part of its order book will be performed. Delays in the completion of a project can lead to clients delaying or refusing to pay the amount, in part or full, that it expects to be paid in respect of such project. Even relatively short delays or surmountable difficulties in the execution of a project could result in failure to receive, on a timely basis or at all, all payments due to it on a project. Any delay, reduction in scope, cancellation, execution difficulty, payment postponement or payment default in regard to its order book projects or any other incomplete projects, or disputes with clients in respect of any of the foregoing, could adversely affect cash flow position, revenues and earnings.

**Business is dependent on a few customers and the loss of, or a significant reduction in award of contracts by such customers could adversely affect the business*:*** Revenues from any particular client may vary significantly from reporting period to reporting period depending on the nature of ongoing contracts projects and the implementation schedule and stage of completion of such projects. Larger contracts from few customers may represent a larger part of portfolio, increasing the potential volatility of its results and exposure to individual contract risks. Such concentration of its business on a few projects or clients may have an adverse effect on its results of operations and result in a significant reduction in the award of contracts which could also adversely affect the business if HG Infra do not achieve its expected margins or suffer losses on one or more of these large contracts, from such clients. Further, it cannot be assured that it can maintain the historical levels of project orders from these clients or that it will be able to find new clients in case it lose any of them. Furthermore, major events affecting its clients, such as adverse market conditions, regulatory changes, adverse cash flows, change of management, mergers and acquisitions by clients could adversely impact its business. If any of its major clients become bankrupt or insolvent, it may lose some or all of its business from that client and its receivables from that client may have to be written off, thus adversely impacting its cash flows and financial condition.

**A significant part of business transactions are with governmental or government-funded entities or agencies and any change in government policies or focus, or delay in payment may adversely affect the business and results of operations*:*** HG Infra's business is dependent on infrastructure projects undertaken by certain governmental authorities including among others, the NHAI, MoRTH and the state PWDs. Sustained increases in budgetary allocations by the central and state governments for investments in the infrastructure sector, the development of a structured and comprehensive infrastructure policies that encourage greater private sector participation and sharing of risks and returns and increased funding by international and multilateral development financial institutions in infrastructure projects in India, has contributed to and resulted in increased investment by the private sector in infrastructure projects in India. Any change in government policies that results in a reduction in capital investment in the infrastructure sector could affect the company adversely. If there is any change in the government or in governmental policies, practices or focus that results in a slowdown in infrastructure projects, HG Infra's business, prospects, financial condition and results of operations may be materially and adversely affected. It may further encounter disputes with certain governmental authorities in respect of the projects awarded by them which may cause delay to its receiving payments due from such parties, or may inhibit its ability to recover costs. While the financial implication of such disputes individually may not be significant, any adverse adjudication in these matters may have a material adverse impact on the business.

**Business is manpower intensive and any unavailability of employees or shortage of contract labour or any strikes, work stoppages, increased wage demands by workmen or changes in regulations governing contractual labour may have an adverse impact on cash flows and results of operations:** HG Infra's business is manpower intensive and it is dependent on the availability of its permanent employees and the supply of a sufficient pool of contract labourers at its project locations. Unavailability or shortage of such a pool of workmen or any strikes, work stoppages, increased wage demands by workmen or changes in regulations governing contractual labour may have an adverse impact on cash flows and results of operations. The number of contract labourers employed by the company varies from time to time based on the nature and extent of work contracted to it and the availability of contract labour. HG Infra may not be able to secure the required number of contractual labourers required for the timely execution of its projects for a variety of reasons including, but not limited to, possibility of disputes with sub-contractors, strikes, less competitive rates to its sub-contractors as compared to its competitors or changes in labour regulations that may limit availability of contractual labour. Further, there can be no assurance that disruptions in its business will not be experienced if there are strikes, work stoppages, disputes or other problems with sub-contractors or contract labourers deployed at its projects. This may adversely affect the business and cash flows and results of operations.

**HG Infra owns a large fleet of equipment and has a large number of employees, resulting in increased fixed costs to the Company:** As on November 30, 2017, HG infra had 2,447 permanent employees, amongst which 310 were engineers, 46 held a degree in master's in business administration and 112 were managers It also employed 10 chartered accountants / cost and works accountant and three company secretaries. Additionally, it owns a large fleet of sophisticated and modern construction equipment, resulting in increased fixed costs to the Company. It has neither historically used nor currently use second-hand or used equipment to undertake its business. Accordingly, the cost of maintaining and keeping such capital equipment in proper working condition constitutes a significant portion of its operating expenses. In the event, HG Infra is unable to generate or maintain adequate revenues by successfully bidding for projects or recover payments from its clients in a timely manner or at all, it could have a material adverse effect on its financial condition and operations. Further, HG Infra maintain a workforce based upon its current and anticipated workloads. If the Company does not receive future contract awards or if these awards are delayed, it could incur significant costs in the interim. If a contract, which it expects will be awarded, is delayed or not received, it could incur costs due to maintaining under-utilized staff and facilities, which could have a material adverse effect on its profitability, financial condition and results of operations and financial condition.

**Business is dependent on a continuing relationship with clients and strategic partners:** HG Infra's business is dependent on highway construction projects undertaken by large Indian and international conglomerates and on infrastructure projects undertaken by governmental authorities funded by governments or by international and multilateral development finance institutions. It therefore must develop and maintain strategic alliances with other construction developers that undertake contracts for such infrastructure development projects and it intends to continue to explore entering into joint ventures, consortia or sub-contract relationships for specific projects with certain of these EPC contractors In addition, HG Infra develops and maintain relationships and pre-qualified status with certain major clients and obtaining a share of contracts from such clients. Its business and results of operations will be adversely affected if it is unable to develop and maintain a continuing relationship or pre-qualified status with certain of its key clients and strategic partners The loss of a significant client or a number of significant clients may have a material adverse effect on its results of operations.

**HG Infra cannot assure that it will be able to successfully execute its growth strategies, which could affect the business prospects and results of operations:** HG Infra's growth strategies could place significant demand on its management and its administrative, technological, operational and financial infrastructure. As a result, it may be unable to maintain the quality of its services as business grows. HG Infra growth strategies are dependent on various circumstances, including business developments, new business(es) (including those incidental to its EPC business and road business focused activities), on-time completion of its projects, investment opportunities or unforeseen contingencies. It could also encounter difficulties and delays in executing its growth strategies due to a number of factors, including, without limitation, unavailability of human and capital resources, delayed payments or non-payments by clients, failure to implement bidding strategy, failure to correctly identify market trends, increase in cost of raw material, fuel, labour etc., failure to form and maintain alliance with joint venture partners, failure on the part of its joint venture partners to perform their contractual obligations or any other risk that it may or may not have foreseen and such difficulties may result in delay in the execution of its projects. HG Infra's management may also change its view on the desirability of current strategies, and any resultant change in its strategies could put significant strain on its resources. It may also be unable to achieve the targeted levels of operations from its future projects. If it is unable to successfully execute its growth strategies, its business, prospects and results of operations could be materially and adversely affected.

**Business is relatively concentrated in northern and western part of India and any adverse development in these regions may adversely affect the business, results of operations and financial condition*:*** While HG Infra carry on business in various states of India, its project portfolio has historically been concentrated in the northern and western States of India. It started its business operations in Rajasthan and has gradually expanded to Uttar Pradesh, Haryana, Uttarakhand, Maharashtra and Arunachal Pradesh. Due to its limited experience in undertaking certain types of projects or offering certain services, HG Infra's entry into new business segments or new geographical areas may not be successful, which could hamper its growth and damage its reputation. HG Infra may be unable to compete effectively for projects in these segments or areas or execute the awarded projects efficiently. Further, its new business or projects may turn out to be mutually disruptive and may cause an interruption to its business as a result. While it strive to geographically diversify its project portfolio and reduce its concentration risk, it cannot be assured that adverse developments associated with the region will not impact on its business. If HG Infra is unable to mitigate the concentration risk, it may not be able to develop its business as planned and its business, financial condition and results of operation could be adversely affected.

**HG Infra's projects are exposed to various implementation and other risks and uncertainties which may adversely affect its business, results of operations and financial condition*:*** HG Infra's projects in its business are under construction or development. The construction or development of these new projects involves various implementation risks including construction delays, delay or disruption in supply of raw materials, delays in acquisition of land, delays in obtaining environmental clearance, unanticipated cost increases, force majeure events, cost overruns or disputes with its joint venture partners HG Infra's may be further subject to regulatory risks, financing risks and the risks that these projects may ultimately prove to be unprofitable. In addition, even where a project proceeds as scheduled, it is possible that contracting parties may default and fail to pay amounts owed on the receivables due. If any or all of these risks materialise, it may suffer significant cost overruns or even losses in these projects due to unanticipated increase in costs as a result of which its business, profits and results of operations will be materially and adversely affected.

**HG Infra's ability to complete projects in a timely manner and operate, maintain and expand roads and highway projects, is subject to performance of the contractors*:*** HG Infra's engage third-party contractors and sub-contractors to perform parts of its contract or provide services or manpower. Although its contractors are qualified, it do not have control over their day to day performance. HG Infra cannot ensure that there will be no delay in performance of duties by its contractors, which may cause a delay in completion of its projects. It may also be exposed to risks relating to the ability of the contractors to obtain requisite approvals for the operation and maintenance activities as well as the quality of their services, equipment and supplies. Further, while HG Infra may sub-contract its construction work and may be indemnified by the subcontractor for any loss or damage due to their default, it may still be liable for accidents on the projects due to defects in design and quality of construction of its projects during their construction and operation. If its contractors are unable to perform in accordance with their commitments on time or meet the quality standards required, its ability to complete projects on time or at all could be impaired. Further, if a sub-contractor becomes insolvent, it may be unable to recover damages or compensation for defective work and it may incur additional expenditure as a result of correcting any defective work. This may have an adverse effect on reputation, cash flows, business, results of operations and financial condition.

**HG Infra depends on forming joint ventures to qualify for the bidding process for and to implement large projects and its inability to enter into or successfully manage such joint ventures could impose additional financial and performance obligations resulting in reduced profits or in some cases, significant losses from the joint venture, which could have a material adverse effect on its business, financial condition and results of operation*:*** In order to be able to bid for certain large scale infrastructure projects, where HG Infra do not suffice eligibility criteria independently, it enter into joint venture agreements with other companies to meet capital adequacy, technical or other requirements that may be required as part of the pre-qualification for bidding or execution of the contract. The success of these joint ventures depends significantly on the satisfactory performance by its joint venture partners and fulfilment of their obligations under the EPC contracts, including among others, the obligations relating to equity funding and debt risk. Delays in infusing equity contributions on the part of its joint venture partners may potentially adversely affect the ability to subscribe to equity in its incorporated joint ventures as the relevant shareholding percentages may be fixed under the relevant joint venture agreements. In such cases, any excess contributions made by HG Infra may be treated as loans and therefore, would not ensure returns equal to that of equity contributions. Further, it do not have a controlling interest in some of its joint ventures. As a result, its joint venture partners may take actions which may be in conflict with its and its shareholder's interests or take actions contrary to its instructions or requests or contrary to the joint ventures' policies and objectives. Its joint venture partners may have economic or business interests or goals that are inconsistent with the company. Any of these factors could adversely affect its business, financial condition, results of operations, cash flows and business prospects including obtaining work from Government entities in future.

**Ability to complete projects in a timely manner and operate, maintain and expand EPC Projects is subject to performance of its contractors*:*** HG Infra engage third-party contractors and sub-contractors to perform parts of its contract or provide services or manpower. Although its contractors are qualified, it do not have control over their day to day performance. It cannot ensure that there will be no delay in performance of duties by its contractors, which may cause a delay in completion of construction of its projects. It may also be exposed to risks relating to the ability of the contractors to obtain requisite approvals for the operation and maintenance activities as well as the quality of their services, equipment and supplies. Further, while it may sub-contract its construction work and may be indemnified by the sub-contractor for any loss or damage due to their default, it may still be liable for accidents on the projects due to defects in design and quality of construction of its projects during their construction and operation. If HG Infra contractors are unable to perform in accordance with their commitments on time or meet the quality standards required, its ability to complete projects on time or at all could be impaired. Further, if a sub-contractor becomes insolvent, it may be unable to recover damages or compensation for defective work and it may incur additional expenditure as a result of correcting any defective work. This may have an adverse effect on its reputation, cash flows, business, results of operations and financial condition.

**HG Infra's actual cost in executing an EPC contract may vary substantially from the assumptions underlying its bid. It may be unable to recover all or some of the additional expenses, which may have a material adverse effect on its results of operations, cash flows and financial condition*:*** Under the terms and conditions of HG Infra's EPC contracts, based on its internal estimates and belief, it includes appropriate escalation provisions in the cost estimates at the time of bidding for a project. However, it may enter into EPC contracts in the future which may not contain price escalation clauses covering increase in the cost of construction materials, fuel, labour and other inputs. Its ability to pass on increases in the purchase price or manufacturing cost of raw materials and other inputs may be limited in the case of contracts with limited or no price escalation provisions and it cannot be assured that these variations in cost will not lead to financial losses to the Company. Further, other risks generally inherent to the development and construction industry may result in HG Infra's profits from a project being less than as originally estimated or may result in experiencing losses due to cost and time overruns, which could have a material adverse effect on its cash flows, business, financial condition and results of operations.

**HG infra's profitability and results of operations may adversely be affected in the event of any disruption in the supply of raw materials or increase in the price of raw materials, fuel costs, labor or other inputs:** The timely and cost effective execution of HG Infra's projects is dependent on the adequate and timely supply of key raw materials, such as steel and cement. While it has entered into memorandum of understandings with certain entities for the long-term supply of petroleum products, such as bitumen, high-speed diesel and furnace oil, it typically do not enter into any long-term contracts for the purchase of other raw materials with suppliers It cannot be assured that it will be able to procure adequate supplies of raw materials in the future, as and when it need them on commercially acceptable terms. Additionally, HG Infra typically use third-party transportation providers for the supply of most of its raw materials. Unanticipated increases in the price of raw materials, fuel costs, labor or other inputs not taken into account in the company's bid can also have compounding effects by increasing costs of performing other parts of the contract. These variations and other risks generally inherent to the construction industry may result in profits from a project being less than as originally estimated or may result in its experiencing losses. Depending on the size of a project, these variations from estimated contract performance could have a significant effect on its profitability, financial condition and results of operations.

**Increases in interest rates may materially impact profits and reduce ability to take further Debt:** Substantially all of HG Infra's secured debt carries interest at fixed rates or at rates that are subject to adjustments at specified intervals. It is exposed to interest rate risk in respect of contracts for which it has not entered into any swap or interest rate hedging transactions in connection with its loan agreements, although it may decide to engage in such transactions in the future. HG Infra may further be unable to pass any increase in interest expense to its existing customers Any such increase in interest expense may have a material adverse effect on its business, prospects, financial condition and results of operations. Furthermore, if HG infra decides to enter into agreements to hedge its interest rate risk, there can be no assurance that it will be able to do so on commercially reasonable terms, that its counterparties will perform their obligations, or that these agreements, if entered into, will protect it fully against its interest rate risk.

**HG Infra has, until date, not undertaken any project under the recently introduced hybrid annuity model for implementing a highway project. It cannot be assured that it will be successful in executing the project or if it will achieve better returns as compared to its existing EPC projects, or any returns at all*:*** Under the contracts for carrying out HAM projects, 60% of the project cost are to be borne by the concessionaire through a combination of equity and debt, and the remaining 40% of the project cost are to be paid to the concessionaire by the client in equal instalments, which will be linked to the project completion milestones. During the construction phase, 40% of project cost would be shared by the client and the balance is payable in pre-approved instalments as per schedule. Thereafter, on completion of the project, the 60 % of the project cost is required to be paid to the concessionaire in semi-annual annuity payments. Since this is a relatively new mode of implementing highway projects, HG Infra cannot assure that it will have the requisite skill and experience to be able to successfully execute projects which may be awarded to it under this mode. HAM projects require a concessionaire to provide part-financing for the project. The lenders may not be willing to lend to such projects as the risks related to the same may not be ascertainable as these type of projects are new. Further, HG Infra may also be subject to the various risks that arise due to fluctuating interest rate. It cannot be assured if it will be successful in executing this project or if HG Infra will achieve better returns as compared to its existing EPC projects, or any returns at all which may have a material adverse effect on its financial condition and results of operations.

**Operates in a very competitive industry and failure to successfully compete could result in the loss of one or more of significant customers and may adversely affect the business*:*** HG Infra operates in a very competitive environment and compete against various domestic engineering, construction and infrastructure companies. Its competition varies depending on the size, nature and complexity of the project and on the geographical region in which the project is to be executed. It may be unable to compete with larger infrastructure companies for high-value contracts, as many of them may have greater financial resources, economies of scale and operating efficiencies. If it is unable to bid for and win projects, whether large or small, or compete with larger competitors, it may be unable to sustain or increase, its volume of order intake and its results of operations may be materially adversely affected. Further, in the event that HG Infra's competitors follow a policy of severely under-bidding in the projects that it bid for, its revenues may be adversely affected. These competitive factors may result in reduced revenues, reduced margins and loss of market share. Failure to compete successfully against current or future competitors could harm its business, operating cash flows and financial condition.

**Business is subject to seasonal and other fluctuations that may affect the functioning of the projects thereby adversely affecting cash flows and business operations**: HG Infra's business and operations may be affected by seasonal factors which may restrict its ability to carry on activities related to its projects and fully utilize resources. Heavy or sustained rainfalls or other extreme weather conditions such as cyclones could result in delays or disruptions to its operations during the critical periods of the projects and cause severe damages to premises and equipment. In particular, the monsoon season may restrict HG Infra's ability to carry on activities related to its projects and fully utilize its resources. This may result in delays in execution of projects and also reduce its productivity. During periods of curtailed activity due to adverse weather conditions, it may continue to incur operating expenses and its project related activities may be delayed or reduced. Adverse seasonal developments may also require the evacuation of personnel, suspension or curtailment of operations, resulting in damage to construction sites or delays in the delivery of materials. Such fluctuations may adversely affect its toll revenues, cash flows, results of operations and financial conditions.

**Construction faults may arise in projects, which may result in delays in completion and revision in estimated costs, thereby affecting business and results of operations:** HG Infra may, in the course of its operations, encounter construction faults on account of factors including design related deficiencies arising in its projects. Such construction related faults typically result in revision/modification to its design and engineering thereby resulting in increased interest cost due to delay, increase in estimated cost of operations on account of additional work executed towards rehabilitation and further expenditure incurred towards appointment of external consultants for assistance in revising its design. It may further face delays in the estimated project completion schedule in respect of such projects on account of additional works required to be undertaken towards rectifying such construction faults, and are dependent upon its clients permitting extension of time of completion of such projects. There can be no assurance that any cost escalation or additional liabilities in connection with the development of such projects would be fully offset by amounts due to its pursuant to the guarantees and indemnities, if any, provided by its contractors or insurance policies that it maintains. Further, such construction faults may result in loss of goodwill and reputation, and may furthermore have a material and adverse impact HG Infra's eligibility in respect of future bids made by it towards projects, thereby affecting future operations and revenues.

**One of the Group Company, H.G. Infra Toll Way Private Limited is engaged, and is authorized by its constitutional documents to engage, in business activities which are similar to those undertaken by the Company, which may result in conflict of interest*:*** HG Infra's Group Company, H.G. Infra Toll Way Private Limited, is currently engaged in and/or authorized under its memorandum of association to carry on the business of construction, development and management of infrastructure projects which is similar to the business of the company. It cannot be assured that its Group Company, H.G. Infra Toll Way Private Limited, will not compete with its existing business or any future business that it may undertake or that their interests will not conflict with its. Any such present and future conflicts could have an adverse effect on HG Infra's reputation, business and results of operations.

**Operations of HG Infra are subject to physical hazards and similar risks that could expose it to material liabilities, loss in revenues and increased expenses:** While construction companies, including HG Infra, conduct various scientific and site studies during the course of bidding for projects, there are always anticipated or unforeseen risks that may come up due to adverse weather conditions, geological conditions, specification changes and other reasons. Additionally, its operations are subject to hazards inherent in providing engineering and construction services, such as risk of equipment failure, work accidents, fire or explosion, including hazards that may cause injury and loss of life, severe damage to and destruction of property and equipment, and environmental damage. Its policy of covering these risks through contractual limitations of liability, indemnities and insurance may not always be effective and this may have a material adverse effect on its reputation, business, financial condition and results of operation.

**Changing laws, rules and regulations and legal uncertainties, including adverse application of corporate and tax laws, may adversely affect business, prospects and results of operations*:*** The regulatory and policy environment in which HG Infra operates is evolving and subject to change. Such changes, including the instances mentioned below, may adversely affect its business, results of operations and prospects, to the extent that it is unable to suitably respond to and comply with any such changes in applicable law and policy. HG Infra has not determined the effect of such legislations on its business. In addition, unfavourable changes in or interpretations of existing, or the promulgation of new, laws, rules and regulations including foreign investment laws governing its business, operations and group structure could result in HG Infra's being deemed to be in contravention of such laws or may require it to apply for additional approvals. It may incur increased costs and other burdens relating to compliance with such new requirements, which may also require significant management time and other resources, and any failure to comply may adversely affect its business, results of operations and prospects. Uncertainty in the applicability, interpretation or implementation of any amendment to, or change in, governing law, regulation or policy, including by reason of an absence, or a limited body, of administrative or judicial precedent may be time consuming as well as costly for HG Infra to resolve and may affect the viability of its current business or restrict its ability to grow its business in the future.

**Any downgrading of India's debt rating by an international rating agency could have a negative impact on business and the trading price of the Equity Shares*:*** India's sovereign debt rating could be downgraded due to various factors, including changes in tax or financial policy or a decrease in India's foreign exchange reserves. India's foreign exchange reserves has grown consistently in the past. However, any decline in foreign exchange reserves could adversely affect the valuation of the Indian Rupee and could result in reduced liquidity and higher interest rates that could adversely affect HG Infra's future financial performance and the market price of the Equity Shares and could result in a downgrade of India's debt ratings.

**Consolidated Profit & Loss** **Rs in million**

| Particulars | H1FY18 | FY17 | FY16 | FY15 |
|---|---|---|---|---|
| Revenue from Operations | 5673.4 | 10548.9 | 7408.8 | 3650.8 |
| Other Income | 21.8 | 36.9 | 24.0 | 25.2 |
| Total Income | 5695.3 | 10585.8 | 7432.9 | 3675.9 |
| Total Expenditure | 4875.1 | 9347.2 | 6627.6 | 3211.1 |
| Cost of material consumed | 2464.5 | 4088.7 | 2830.9 | 1196.7 |
| Contract and site expenses | 2020.1 | 4735.6 | 3335.1 | 1768.3 |
| Employee benefits expense | 326.1 | 416.6 | 299.6 | 207.3 |
| Other Expenses | 64.4 | 106.3 | 162.0 | 38.8 |
| PBIDT | 820.2 | 1238.6 | 805.3 | 464.8 |
| Interest | 152.0 | 192.7 | 159.9 | 158.2 |
| PBDT | 668.2 | 1045.9 | 645.4 | 306.6 |
| Depreciation | 217.2 | 256.0 | 183.4 | 171.5 |
| PBT | 451.0 | 789.9 | 462.0 | 135.1 |
| Tax (incl. DT & FBT) | 158.3 | 297.0 | 160.2 | 42.9 |
| Tax | 160.0 | 311.4 | 165.9 | 58.8 |
| Deferred Tax | -1.7 | -14.5 | -5.7 | -15.8 |
| PAT | 292.8 | 493.0 | 301.8 | 92.2 |
| EPS (Rs.) | 4.49 | 27.4 | 16.7 | 6.0 |
| Equity | 540.6 | 180.2 | 180.2 | 152.5 |
| Face Value | 10.0 | 10.0 | 10.0 | 10.0 |
| OPM (%) | 14.1 | 11.4 | 10.5 | 12.0 |
| PATM (%) | 5.2 | 4.7 | 4.1 | 2.5 |

**Consolidated Balance Sheet:** **Rs in million**

| Particulars | H1FY18 | FY17 | FY16 | FY15 |
|---|---|---|---|---|
| **Equity & Liabilities** | | | | |
| **Shareholders Funds** | **2051.7** | **1758.9** | **1225.5** | **844.3** |
| Equity Share Capital | 540.6 | 180.2 | 180.2 | 152.5 |
| Reserves and surplus | 1511.1 | 1578.7 | 1045.3 | 691.8 |
| **Non-Current Liabilities** | **1518.1** | **937.7** | **378.6** | **246.1** |
| Long-term borrowings | 1130.1 | 634.8 | 284.5 | 155.0 |
| Other long-term liabilities | 378.2 | 295.4 | 88.5 | 87.1 |
| Long-term provisions | 9.8 | 7.5 | 5.7 | 4.0 |
| **Current Liabilities** | **4784.5** | **3006.9** | **2378.5** | **1298.1** |
| Short-term borrowings | 1428.2 | 932.9 | 589.9 | 377.9 |
| Trade payables | 1212.2 | 744.9 | 512.3 | 286.4 |
| Other current liabilities | 2014.7 | 1267.0 | 1271.9 | 630.6 |
| Short-term provisions | 129.4 | 62.1 | 4.5 | 3.2 |
| **Total Equity & Liabilities** | **8354.2** | **5703.4** | **3982.6** | **2388.5** |
| **Assets** | | | | |

| | | | | |
|---|---|---|---|---|
| **Non-Current Assets** | **3903.8** | **2312.3** | **1482.2** | **1099.7** |
| Tangible assets | 3,073.47 | 2041.3 | 1160.9 | 835.8 |
| Intangible assets | 4.1 | 2.5 | 0.8 | 0.5 |
| Capital work in progress | 348.4 | 6.9 | 48.3 | 0.0 |
| Deferred Tax Assets (Net) | 21.8 | 20.1 | 8.2 | 1.5 |
| Long-term loans and advances | 304.6 | 180.9 | 191.9 | 163.3 |
| Other non-current assets | 151.5 | 60.7 | 72.0 | 98.6 |
| **Current assets** | **4450.4** | **3391.1** | **2500.4** | **1288.9** |
| Inventories | 643.0 | 492.0 | 435.3 | 217.9 |
| Trade Receivables | 826.9 | 1127.8 | 926.6 | 420.9 |
| Cash and bank balances | 33.9 | 170.3 | 43.5 | 47.2 |
| Short-term loans and advances | 1128.1 | 991.6 | 684.5 | 293.3 |
| Other Current Assets | 1818.5 | 609.4 | 410.5 | 309.6 |
| **Total Assets** | **8354.2** | **5703.4** | **3982.6** | **2388.5** |

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