

BUY

TP: Rs 390 | ▲ 65%

**HG INFRA
ENGINEERING**

Infrastructure

24 December 2019

Gurgaon-Sohna site visit indicates steady execution progress

We visited HG Infra's (HGIEL) Gurgaon-Sohna NHAI HAM project site and also met CMD Harendra Singh. The visit reinforces our belief in the company's execution capabilities. Appointed dates for the balance two HAM projects are expected by mid-Jan'20, which should bolster execution. FY20 order inflow guidance stands at Rs 30bn-40bn and management expects NHAI order ramp-up by early-Jan'20. We revise FY20-FY22 EPS by -7% to +4% to bake in changes in revenue and margin expectations – our TP moves to Rs 390 (vs. Rs 385). **BUY.**

Jiten Rushi

research@bobcaps.in

Strong execution momentum from Q4: Execution at the Gurgaon-Sohna project was halted for 40 days in Q3FY20 due to a construction ban in Delhi-NCR. The ban led to a Rs 0.7bn-1bn loss in revenue, prompting management to revise its FY20 revenue guidance down to ~Rs 24bn (from ~Rs 25bn). The ban has now been lifted partially and work has commenced. With appointed dates (AD) for the remaining two NHAI HAM projects likely by mid-Jan'20, for Goa airport project by end-Jan'20 and for Adani road EPC project by end-Feb'20, we expect execution to scale up from Q4 (100% executable backlog).

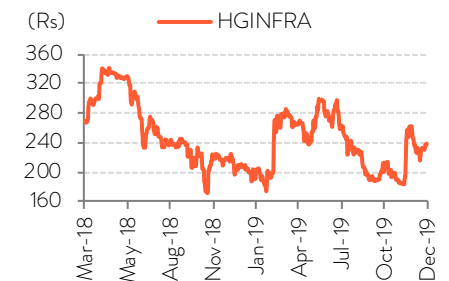
Bid pipeline remains healthy: Management expects NHAI to award 3,000-4,000km worth of projects in FY20. HGIEL's current outstanding bid pipeline stands at ~Rs 47bn (Delhi-Vadodara section worth Rs ~43bn and Rewari Bypass in Haryana worth ~Rs 4bn), where bids are likely to open soon. Further, in Q4, the company plans to participate in bids worth ~Rs 140bn. Accordingly, the order inflow guidance for FY20 stands at Rs 30bn-40bn (YTD inflow at Rs 9.5bn).

Maintain BUY: We revise our FY20/FY21/FY22 EPS estimates by -7%/-2%/+4% to factor in changes in revenue and margin expectations as well as higher interest cost. Reiterate BUY with a revised Sep'20 TP of Rs 390.

Ticker/Price	HGINFRA IN/Rs 237
Market cap	US\$ 216.4mn
Shares o/s	65mn
3M ADV	US\$ 0.2mn
52wk high/low	Rs 308/Rs 173
Promoter/FPI/DII	74%/0%/16%

Source: NSE

STOCK PERFORMANCE



Source: NSE

KEY FINANCIALS (STANDALONE)

Y/E 31 Mar	FY18A	FY19A	FY20E	FY21E	FY22E
Total revenue (Rs mn)	13,927	20,098	23,943	30,070	34,563
EBITDA (Rs mn)	2,081	3,032	3,588	4,517	5,191
Adj. net profit (Rs mn)	843	1,236	1,795	2,330	2,722
Adj. EPS (Rs)	20.3	19.0	27.5	35.8	41.8
Adj. EPS growth (%)	(31.7)	(6.4)	45.3	29.8	16.8
Adj. ROAE (%)	23.5	20.6	24.0	24.5	22.7
Adj. P/E (x)	11.7	12.5	8.6	6.6	5.7
EV/EBITDA (x)	8.0	5.6	4.9	4.1	3.5

Source: Company, BOBCAPS Research

BOB Capital Markets Ltd is a wholly owned subsidiary of Bank of Baroda

Important disclosures, including any required research certifications, are provided at the end of this report.



Gurgaon-Sohna (package-II) project

Project equity requirement at Rs 730mn; Rs 500mn invested so far and balance likely by end-Mar'20

- **Project details:** NHAI awarded the Gurgaon-Sohna HAM project in Mar'18 at a bid project cost (BPC) of Rs 6.06bn to Gurgaon Sohna Highway Pvt Ltd (GSHPL), a 100% subsidiary of HGIEL, for a concession period of 17.5 years. This includes a construction period of 910 days and concession period of 15 years post-commercial operation date (COD). HGIEL is the EPC contractor for the project (EPC cost of Rs 5.15bn).

The work consists of building a 12.7km six-lane highway that is part of NH-248A. Approximately 55% of the length involves construction of structures (two elevated structures, one vehicle underpass (VUP), one flyover, two new minor bridges and 13 box culverts).

- **Appointed date:** AD was awarded on 30 Jan 2019. As on date, 99.5% of land is available in the 3H stage and 100% land will be made available soon.
- **Capex:** Gross block deployed at Rs 450mn includes new capex of Rs 150mn. The company expects to incur additional capex of ~Rs 50mn, taking project gross block to ~Rs 500mn.
- **Aggregates:** Project aggregates are being purchased from three regions, viz. Charkhi Dadri in Haryana and Udaipurwati and Kotputli in Rajasthan.
- **Construction ban:** Execution was delayed by 40 days in Q3 due to a construction ban in Delhi-NCR from 1 November to 10 December. The company is likely to apply for an extension with NHAI under the 'force majeure' clause. The Supreme Court recently permitted a partial lift on the construction ban (allowed between 6am and 6pm), following which execution has commenced from 11 Dec 2019.
- **Execution status:** As on 20 December, 34% of the work is complete and HGIEL expects to finish ~55% by end-Mar'20 and the entire project by Jan'21, six months ahead of schedule (entails maximum early completion bonus of Rs 108.5mn).

Project completion as on 20-Dec stands at 34%, further broken down as under:

- ▶ Elevated structure-1: 23%
- ▶ Elevated structure-2: 65%
- ▶ VUP: 32%
- ▶ Flyover: 22%
- ▶ Main carriageway: 49%
- ▶ Service road: 66%

- **Other salient features of the contract are as under:**
 - **Performance security deposit:** 5% of BPC
 - **Early completion bonus:** NHAI shall pay a bonus equal to 0.5% of 60% of the BPC for the first 30 days by which COD shall precede the scheduled completion date
 - **O&M:** 15 years
 - **Mobilisation advance:** 10% of BPC (interest bearing at 9.25% p.a.)

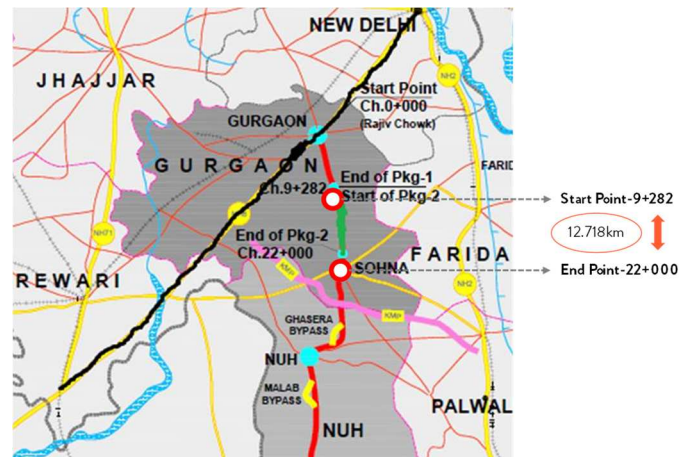
- **Payment during construction period:** 40% of BPC in five equal instalments on the basis of achievement of physical/financial milestones
- **Payment during operation period:** 60% of BPC in 15 years biannually as mentioned in the concession agreement

FIG 1 – PROJECT SNAPSHOT

Owner/Client	National Highways Authority of India (Ministry of Road Transport and Highways)
Concessionaire	Gurgaon Sohna Highway Private Limited
EPC Contractor	HG Infra Engineering Limited
Independent Engineer	TPF Getinsa Euroestudios with Segmental Consulting & Infra
Type of Contract	Hybrid Annuity Mode(HAM)
Project Value	Rs 6.06bn
NH No	NH-248A
Length of Project	12.718km
Construction Period	30 months (910 days)
Appointment Date	30 Jan 2019

Source: Company, BOBCAPS Research

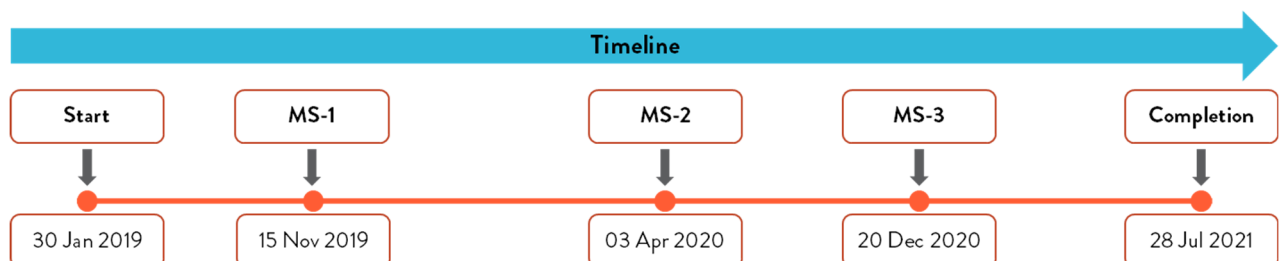
FIG 2 – PROJECT ALIGNMENT



Source: Company, BOBCAPS Research

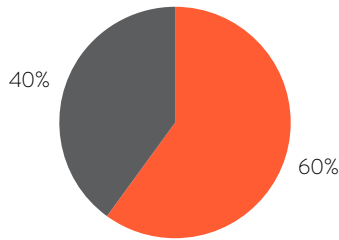
FIG 3 – PROJECT MILESTONES

SN	Milestone	From appointment date	Milestone event
1	MS-1	290 days	Concessionaire shall have expended not less than 20% of the total capital cost set forth in the financial package & achieved 20% physical progress
2	MS-2	430 days	Concessionaire shall have expended not less than 35% of the total capital cost set forth in the financial package & achieved 35% physical progress
3	MS-3	690 days	Concessionaire shall have commenced construction of all project facilities and expended not less than 75% of the total capital cost set forth in the financial package & achieved 75% physical progress
4	Scheduled Completion Days	910 days	Concessionaire shall have completed the project in accordance with the agreement



Source: Company, BOBCAPS Research

FIG 4 – PAYMENT MILESTONES



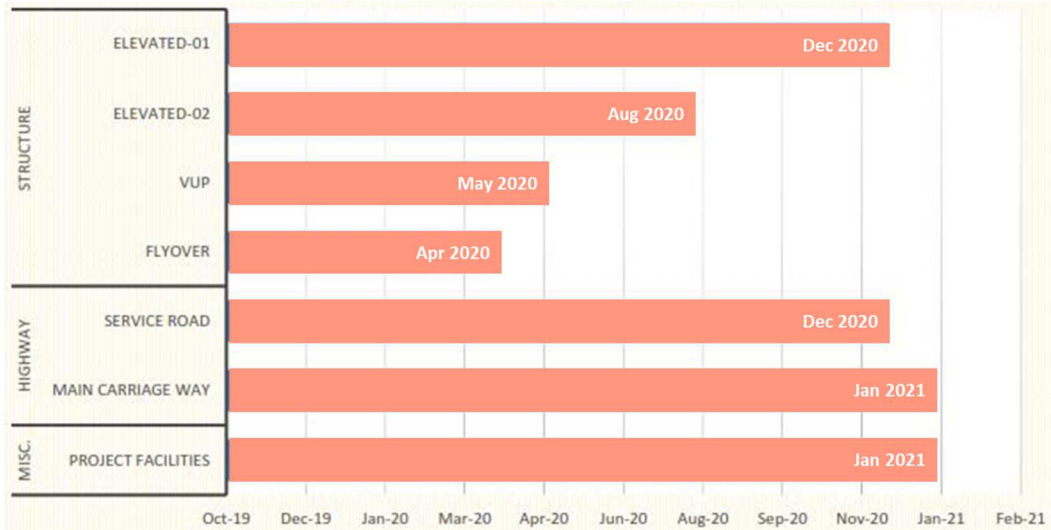
60% of the bid cost shall be paid in 15 years biannually

40% of the BPC, adjusted for the Price Index Multiple, shall be payable to the concessionaire in five equal instalments of 8% each during the construction period

Payment milestone	Physical progress (%)
I (first)	10*
II (second)	30*
III (third)	50
IV (fourth)	75
V (fifth)	90

Source: Company, BOBCAPS Research | *Achieved

FIG 5 – TARGET DATE OF COMPLETION



Source: Company, BOBCAPS Research

FIG 6 – PIER WORK IN PROGRESS



Source: Company, BOBCAPS Research

FIG 7 – LAUNCHING GIRDER STAGING AT ELEVATED STRUCTURE



Source: Company, BOBCAPS Research

FIG 8 – SPINE PRECAST



Source: Company, BOBCAPS Research

FIG 9 – SPINE PRECAST WORK IN PROGRESS



Source: Company, BOBCAPS Research

FIG 10 – WINGS PRECAST



Source: Company, BOBCAPS Research

FIG 11 – CURING OF RIGID PAVEMENT



Source: Company, BOBCAPS Research

Other meeting takeaways

- **Guidance:** Management has guided for FY20/FY21 revenue at ~Rs 24bn/ Rs 30bn-32bn, EBITDA margin in the range of 15.25-15.5% (we have conservatively assumed 15%), gross debt of Rs 2.7bn by Mar'20, and FY20 capex at Rs 450mn-Rs 500mn.
- **Revenue from key projects:** Revenue guidance for key projects is as under:
 - Delhi-Vadodara (Pkg 4) – Rs 2bn/Rs 6bn in FY20/FY21 (AD received on 10 Dec)
 - Hapur-Moradabad – Rs 2.25bn/Rs 5bn-5.5bn in FY20/FY21
 - Adani Road Transport road EPC project – Rs 250mn in FY20
 - Balance outstanding subcontracting work from Tata Projects likely to be completed by Mar'20 and from IRB by Jun'20
- **Prospective ~Rs 140bn bid pipeline:** HGIEL plans to participate in upcoming NHAI road EPC projects for the Delhi-Vadodara section (six packages worth Rs 80bn) and Amritsar-Jamnagar section (seven packages worth Rs 35bn). Additionally, the company shall participate in upcoming state highway projects by Rajasthan PWD worth Rs 10bn funded by World Bank, and two railways projects in Maharashtra worth Rs 14bn from Rail Vikas Nigam Ltd (RVNL) (Rs 7bn each; civil-cum-electrification work). The bids are to be submitted soon and likely awarded out before end-Mar'20.
- **New subcontracting job:** In Oct'19, the company won back-to-back subcontracting road EPC work from Adani Road Transport worth Rs 9.5bn. Project length stands at 43km (four lanes), of which ~50% of the land is available as on date and ~80% of land availability is likely by end-Feb'20.

The company has guided for an EBITDA margin of >15%, with capex requirement at Rs 50mn-60mn to set up a hot mix plant at the project site. AD is likely by end-Feb'20.
- **Diversification into new segments:** To maintain growth momentum, HGIEL intends to diversify into the water supply (executed one project in the past), railway (civil/electrical/track laying work), metro rail and airport civil work segments. Such projects have a lower retention period of six months as against road works where dues are retained for two years or more. Hence, the diversification will ensure better margins and steady cash flows.

The company may bid independently as well as in joint venture and is targeting an order backlog mix of 15% from the non-roads segment in a couple of years (~97% of the current order backlog is from the roads segment).

- **Rajasthan state PWD road projects (World Bank funded):** Of the original contract value of Rs 6bn (three projects), revenue of Rs 3.35bn has been booked so far. HGIEL has realised Rs 1.23bn while the balance payment of Rs 1.76bn is likely to be realised by end-Mar'20. Delays in payments were caused by state elections last year and other contractual issues.

As per management, the issues stand resolved and execution is progressing smoothly. The company expects project execution of ~Rs 5bn by end of Mar/Apr'20 and the remaining work of ~Rs 1bn to be completed in FY21 based on the supplementary agreement.

- **Goa airport runway:** Management is in advanced discussions with the awarding entity, Megawaide Construction DMCC, for a change in scope of work and expects a total revised work order of ~Rs 3.5bn (including the original contract value of Rs 1.9bn for airport runway & taxiway). Additional work includes construction of the airport building and approach road.

As on date, construction work has been stalled due to environmental issues. However, the company expects the ban to be lifted by Jan'20 and work to commence shortly. The project is a short cycle one and needs to be executed in 12 months.

- **Equity requirement in HAM projects:** Balance equity requirement for HAM works stands at Rs 2.4bn (total requirement of Rs 2.9bn; Fig 14), to be invested as under:
 - FY19: Rs 200mn invested
 - FY20: Rs 1.9bn (Rs 500mn invested so far)
 - FY21: Rs 882mn
- **Bank limits:** The current bank limit stands at Rs 9.6bn (fund limit at Rs 1.1bn and non-fund limit at Rs 8.5bn; ~90% utilised). HGIEL is in advanced discussion with its bankers to increase non-fund limits by Rs 1.4bn-1.5bn. With this, the total bank limits will increase to Rs 11bn-11.1bn.
- **Mobilisation advance:** HGIEL expects mobilisation advances of Rs 2.25bn from three projects, viz. Delhi-Vadodara (Pkg 4) – Rs 1bn and two NHAI HAM projects – Rs 1.25bn. These advances are interest bearing at 9.25% p.a.
- **GVK receivables:** According to management, outstanding receivables of Rs 260mn from GVK are likely to come in by end-Mar'20.

- **Competitive intensity:** According to management, competition in the roads space is intense. Nevertheless, the company does not intend to bid aggressively and compromise on margins.

FIG 12 – HAM PROJECTS DETAILS (RS 2.4BN OF PENDING EQUITY REQUIREMENT)

Projects	Awarding authority	State	BPC (Rs mn)	EPC (Rs mn)	Equity requirement (Rs mn)	Balance equity requirement (Rs mn)	Status
Six-laning of Gurgaon-Sohna (Pkg-II)	NHAI	Haryana	6,060	5,150	730	230	AD: 30-Jan-19; 34% execution completed up to 20-Dec-19; Rs 500mn of equity invested out of the total Rs 730mn
Four-laning of Rewari-Ateli Mandi	NHAI	Haryana	5,800	4,880	765	765	CA signed on 27-May-19; FC documents submitted to NHAI (with HDFC Bank at 10.1% pa); over 80% land available; AD likely by end-Dec-19
Six-laning of Ateli Mendi-Narnaul	NHAI	Haryana	9,521	8,010	1,450	1,450	CA signed on 27-May-19; FC documents submitted to NHAI (with SBI at 10.05% pa); over 80% land available; AD likely by mid of Jan-20
Total			21,381	18,040	2,945	2,445	

Source: Company, BOBCAPS Research | Note: AD – Appointed Date, CA – Concession Agreement, FC – Financial Closure

Valuation methodology

A strong order backlog of Rs 62.7bn (2.9x TTM revenue) and a favourable revenue mix lend visibility for a 20%/30% revenue/earnings CAGR over FY19-FY22. Backed by a well-managed balance sheet, we expect HGIEL's net D/E to improve to 0.1x by Mar'22 as against 0.3x as on Sep'19.

Key near-term catalysts for the company include the award of pending ADs in its HAM/EPC/airport projects, improvement in receivables from the Rajasthan state PWD contract (will support debt reduction), and pickup in awarding activity from NHA and states. Led by award of ADs, we expect the current order backlog to become 100% executable by end-Mar'20 – this should fuel higher execution from Q4FY20 (current executable order backlog stands at ~61%).

The stock is trading at 5.4x/4.6x FY21E/FY22E standalone earnings, which excludes Rs 45/sh for the value of its HAM projects. We revise our FY20/FY21/FY22 earnings estimates by -7.1%/-2.1%/+3.8% to factor in changes in revenue and margin expectations as well as higher interest cost. Reiterate BUY with a revised Sep'20 SOTP-based target price of Rs 390 (against Rs 385 earlier).

FIG 13 – REVISED ESTIMATES

(Rs mn)	FY20E			FY21E			FY22E		
	Old	New	Change (%)	Old	New	Change (%)	Old	New	Change (%)
Revenue	24,992	23,943	(4.2)	30,454	30,070	(1.3)	33,571	34,563	3.0
EBITDA	3,772	3,588	(4.9)	4,552	4,517	(0.8)	5,018	5,191	3.5
EBITDA margin (%)	15.1	15.0	(11bps)	14.9	15.0	7bps	14.9	15.0	7bps
Adjusted PAT	1,933	1,795	(7.1)	2,381	2,330	(2.1)	2,623	2,722	3.8
PAT margin (%)	7.7	7.5	(24bps)	7.8	7.7	(7bps)	7.8	7.9	6bps

Source: Company, BOBCAPS Research

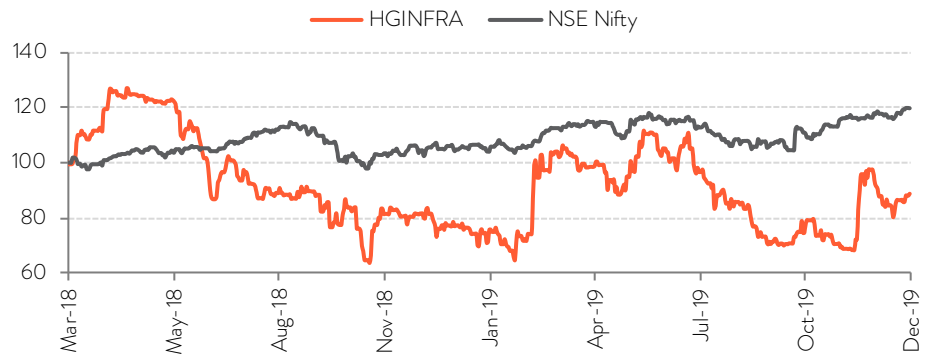
For our SOTP model, we value (1) the EPC business at Rs 344/sh (9x Sep'21E earnings and (2) HAM projects at Rs 45/sh (1x P/BV for investments made up to Mar'21E).

FIG 14 – SOTP-BASED TARGET PRICE OF RS 390

(Rs mn)	Basis of valuation	Value	Multiple (x)	Valuation	Per share (Rs)
Standalone business (EPC)	P/E on Sep'21E earnings	2,487	9	22,443	344
Value of subsidiaries	Equity investment as on Mar'21E - P/BV	2,945		2,945	45
-Gurgaon-Sohna (HAM)		730	1.0	730	11
-Rewari-Ateli Mandi (HAM)		765	1.0	765	12
-Ateli Mendi to Narnaul (HAM)		1,450	1.0	1,450	22
Total		5,431		25,388	390

Source: Company, BOBCAPS Research

FIG 15 – RELATIVE STOCK PERFORMANCE



Source: NSE

Key risks

- **Political risk:** HGIEL has a strong presence in its home state of Rajasthan. Any slowdown in state government spending may affect the company’s growth prospects.
- **Downturn in road sector capex:** Capex in the road sector has witnessed some revival over the last two years. Any slowdown in project awarding would impact the company’s growth and our estimates.
- **Execution risk:** While HGIEL has strong execution skills, the planned entry into new segments and geographies exposes it to execution risks. Also, as the average size and complexity of projects increases, the company faces the challenge of completing large works within the stipulated time and cost. Execution delays due to land acquisition hurdles or other regulatory bottlenecks (such as delays in AD) could further affect revenue.
- **Profitability risk:** Historically, HGIEL’s operating profit has been higher than peers due to its backward integrated model and concentration in the high-growth roads space in northern and western India. Any adverse development in these regions may lead to challenges in sustaining profitability. Further, any delay in payments from private clients can materially affect working capital levels, impacting the company’s balance sheet and earnings.

FINANCIALS (STANDALONE)

Income Statement

Y/E 31 Mar (Rs mn)	FY18A	FY19A	FY20E	FY21E	FY22E
Total revenue	13,927	20,098	23,943	30,070	34,563
EBITDA	2,081	3,032	3,588	4,517	5,191
Depreciation	(539)	(755)	(799)	(958)	(1,098)
EBIT	1,542	2,278	2,789	3,558	4,094
Net interest income/(expenses)	(401)	(490)	(500)	(570)	(586)
Other income/(expenses)	47	115	121	125	130
Exceptional items	0	0	0	0	0
EBT	1,188	1,902	2,410	3,114	3,637
Income taxes	(345)	(667)	(615)	(784)	(916)
Extraordinary items	0	0	0	0	0
Min. int./Inc. from associates	0	0	0	0	0
Reported net profit	843	1,236	1,795	2,330	2,722
Adjustments	0	0	0	0	0
Adjusted net profit	843	1,236	1,795	2,330	2,722

Balance Sheet

Y/E 31 Mar (Rs mn)	FY18A	FY19A	FY20E	FY21E	FY22E
Accounts payables	3,281	3,994	4,318	5,355	6,155
Other current liabilities	1,556	873	1,762	1,890	2,101
Provisions	93	163	196	247	284
Debt funds	4,058	3,804	3,506	3,456	2,063
Other liabilities	447	257	327	412	473
Equity capital	652	652	652	652	652
Reserves & surplus	4,757	5,940	7,696	9,987	12,669
Shareholders' fund	5,409	6,592	8,348	10,638	13,321
Total liabilities and equities	14,844	15,682	18,456	21,999	24,397
Cash and cash eq.	2,289	1,002	476	760	907
Accounts receivables	4,366	6,244	6,280	7,662	8,806
Inventories	1,068	1,161	1,308	1,648	1,894
Other current assets	2,010	1,596	1,701	2,142	2,462
Investments	0	200	2,060	2,945	2,945
Net fixed assets	4,119	4,619	4,319	4,161	4,314
CWIP	86	0	0	0	0
Intangible assets	0	0	0	0	0
Deferred tax assets, net	61	84	76	76	76
Other assets	846	776	2,235	2,606	2,994
Total assets	14,844	15,682	18,456	21,999	24,397

Source: Company, BOBCAPS Research

Cash Flows

Y/E 31 Mar (Rs mn)	FY18A	FY19A	FY20E	FY21E	FY22E
Net income + Depreciation	1,382	1,990	2,594	3,288	3,820
Interest expenses	401	490	500	570	586
Non-cash adjustments	0	0	0	0	0
Changes in working capital	(1,708)	(1,601)	(424)	(1,231)	(990)
Other operating cash flows	0	0	0	0	0
Cash flow from operations	74	879	2,671	2,627	3,415
Capital expenditures	(2,693)	(1,169)	(500)	(800)	(1,250)
Change in investments	0	(200)	(1,860)	(885)	0
Other investing cash flows	0	0	0	0	0
Cash flow from investing	(2,693)	(1,369)	(2,360)	(1,685)	(1,250)
Equities issued/Others	3,166	0	0	0	0
Debt raised/repaid	2,022	(255)	(298)	(50)	(1,393)
Interest expenses	(401)	(490)	(500)	(570)	(586)
Dividends paid	(39)	(39)	(39)	(39)	(39)
Other financing cash flows	(361)	(14)	0	0	0
Cash flow from financing	4,386	(798)	(837)	(659)	(2,018)
Changes in cash and cash eq.	1,767	(1,287)	(526)	283	147
Closing cash and cash eq.	2,250	1,002	476	760	907

Per Share

Y/E 31 Mar (Rs)	FY18A	FY19A	FY20E	FY21E	FY22E
Reported EPS	20.3	19.0	27.5	35.8	41.8
Adjusted EPS	20.3	19.0	27.5	35.8	41.8
Dividend per share	0.5	0.5	0.5	0.5	0.5
Book value per share	83.0	101.2	128.1	163.2	204.4

Valuations Ratios

Y/E 31 Mar (x)	FY18A	FY19A	FY20E	FY21E	FY22E
EV/Sales	1.2	0.9	0.7	0.6	0.5
EV/EBITDA	8.0	5.6	4.9	4.1	3.5
Adjusted P/E	11.7	12.5	8.6	6.6	5.7
P/BV	2.9	2.3	1.8	1.4	1.2

DuPont Analysis

Y/E 31 Mar (%)	FY18A	FY19A	FY20E	FY21E	FY22E
Tax burden (Net profit/PBT)	71.0	65.0	74.5	74.8	74.8
Interest burden (PBT/EBIT)	77.0	83.5	86.4	87.5	88.9
EBIT margin (EBIT/Revenue)	11.1	11.3	11.6	11.8	11.8
Asset turnover (Revenue/Avg TA)	135.4	131.7	140.3	148.7	149.0
Leverage (Avg TA/Avg Equity)	2.9	2.5	2.3	2.1	1.9
Adjusted ROAE	23.5	20.6	24.0	24.5	22.7

Source: Company, BOBCAPS Research | Note: TA = Total Assets

Ratio Analysis

Y/E 31 Mar	FY18A	FY19A	FY20E	FY21E	FY22E
YoY growth (%)					
Revenue	31.9	44.3	19.1	25.6	14.9
EBITDA	67.2	45.7	18.3	25.9	14.9
Adjusted EPS	(31.7)	(6.4)	45.3	29.8	16.8
Profitability & Return ratios (%)					
EBITDA margin	14.9	15.1	15.0	15.0	15.0
EBIT margin	11.1	11.3	11.6	11.8	11.8
Adjusted profit margin	6.1	6.1	7.5	7.7	7.9
Adjusted ROAE	23.5	20.6	24.0	24.5	22.7
ROCE	23.4	23.1	25.2	27.6	27.9
Working capital days (days)					
Receivables	114	113	96	93	93
Inventory	28	21	20	20	20
Payables	86	73	66	65	65
Ratios (x)					
Gross asset turnover	3.9	3.6	3.7	4.3	4.3
Current ratio	2.0	2.0	1.8	1.9	1.9
Net interest coverage ratio	3.8	4.6	5.6	6.2	7.0
Adjusted debt/equity	0.3	0.4	0.4	0.3	0.1

Source: Company, BOBCAPS Research

Disclaimer

Recommendations and Absolute returns (%) over 12 months

BUY – Expected return >+15%

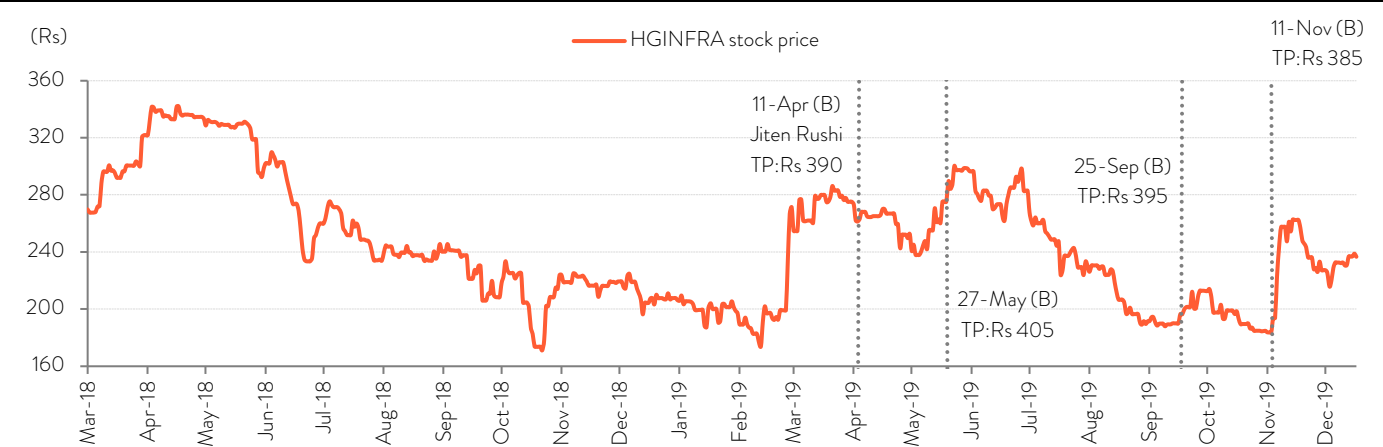
ADD – Expected return from >+5% to +15%

REDUCE – Expected return from -5% to +5%

SELL – Expected return <-5%

Note: Recommendation structure changed with effect from 1 January 2018 (Hold rating discontinued and replaced by Add / Reduce)

HISTORICAL RATINGS AND TARGET PRICE: HG INFRA ENGINEERING (HGINFRA IN)



B – Buy, A – Add, R – Reduce, S – Sell

Rating distribution

As of 30 November 2019, out of 81 rated stocks in the BOB Capital Markets Limited (BOBCAPS) coverage universe, 48 have BUY ratings, 18 are rated ADD, 9 are rated REDUCE and 6 are rated SELL. None of these companies have been investment banking clients in the last 12 months.

Analyst certification

The research analyst(s) authoring this report hereby certifies that (1) all of the views expressed in this research report accurately reflect his/her personal views about the subject company or companies and its or their securities, and (2) no part of his/her compensation was, is, or will be, directly or indirectly, related to the specific recommendation(s) or view(s) in this report. Analysts are not registered as research analysts by FINRA and are not associated persons of BOBCAPS.

General disclaimers

BOBCAPS is engaged in the business of Institutional Stock Broking and Investment Banking. BOBCAPS is a member of the National Stock Exchange of India Limited and BSE Limited and is also a SEBI-registered Category I Merchant Banker. BOBCAPS is a wholly owned subsidiary of Bank of Baroda which has its various subsidiaries engaged in the businesses of stock broking, lending, asset management, life insurance, health insurance and wealth management, among others.

BOBCAPS's activities have neither been suspended nor has it defaulted with any stock exchange authority with whom it has been registered in the last five years. BOBCAPS has not been debarred from doing business by any stock exchange or SEBI or any other authority. No disciplinary action has been taken by any regulatory authority against BOBCAPS affecting its equity research analysis activities.

BOBCAPS has obtained registration as a Research Entity under SEBI (Research Analysts) Regulations, 2014, having registration No.: INH000000040 valid till 03 February 2020. BOBCAPS is also a SEBI-registered intermediary for the broking business having SEBI Single Registration Certificate No.: INZ000159332 dated 20 November 2017.

BOBCAPS prohibits its analysts, persons reporting to analysts, and members of their households from maintaining a financial interest in the securities or derivatives of any companies that the analysts cover. Additionally, BOBCAPS prohibits its analysts and persons reporting to analysts from serving as an officer, director, or advisory board member of any companies that the analysts cover.

Our salespeople, traders, and other professionals may provide oral or written market commentary or trading strategies to our clients that reflect opinions contrary to the opinions expressed herein, and our proprietary trading and investing businesses may make investment decisions that are inconsistent with the recommendations

expressed herein. In reviewing these materials, you should be aware that any or all of the foregoing, among other things, may give rise to real or potential conflicts of interest. Additionally, other important information regarding our relationships with the company or companies that are the subject of this material is provided herein.

This material should not be construed as an offer to sell or the solicitation of an offer to buy any security in any jurisdiction where such an offer or solicitation would be illegal. We are not soliciting any action based on this material. It is for the general information of BOBCAPS's clients. It does not constitute a personal recommendation or take into account the particular investment objectives, financial situations, or needs of individual clients. Before acting on any advice or recommendation in this material, clients should consider whether it is suitable for their particular circumstances and, if necessary, seek professional advice.

The price and value of the investments referred to in this material and the income from them may go down as well as up, and investors may realize losses on any investments. Past performance is not a guide for future performance, future returns are not guaranteed and a loss of original capital may occur. BOBCAPS does not provide tax advice to its clients, and all investors are strongly advised to consult with their tax advisers regarding any potential investment in certain transactions — including those involving futures, options, and other derivatives as well as non-investment-grade securities — that give rise to substantial risk and are not suitable for all investors. The material is based on information that we consider reliable, but we do not represent that it is accurate or complete, and it should not be relied on as such. Opinions expressed are our current opinions as of the date appearing on this material only. We endeavour to update on a reasonable basis the information discussed in this material, but regulatory, compliance, or other reasons may prevent us from doing so.

We and our affiliates, officers, directors, and employees, including persons involved in the preparation or issuance of this material, may from time to time have “long” or “short” positions in, act as principal in, and buy or sell the securities or derivatives thereof of companies mentioned herein and may from time to time add to or dispose of any such securities (or investment). We and our affiliates may act as market makers or assume an underwriting commitment in the securities of companies discussed in this document (or in related investments), may sell them to or buy them from customers on a principal basis, and may also perform or seek to perform investment banking or advisory services for or relating to these companies and may also be represented in the supervisory board or any other committee of these companies.

For the purpose of calculating whether BOBCAPS and its affiliates hold, beneficially own, or control, including the right to vote for directors, one per cent or more of the equity shares of the subject company, the holdings of the issuer of the research report is also included.

BOBCAPS and its non-US affiliates may, to the extent permissible under applicable laws, have acted on or used this research to the extent that it relates to non-US issuers, prior to or immediately following its publication. Foreign currency denominated securities are subject to fluctuations in exchange rates that could have an adverse effect on the value or price of or income derived from the investment. In addition, investors in securities such as ADRs, the value of which are influenced by foreign currencies, effectively assume currency risk. In addition, options involve risks and are not suitable for all investors. Please ensure that you have read and understood the Risk disclosure document before entering into any derivative transactions.

In the US, this material is only for Qualified Institutional Buyers as defined under rule 144(a) of the Securities Act, 1933. No part of this document may be distributed in Canada or used by private customers in the United Kingdom.

No part of this material may be (1) copied, photocopied, or duplicated in any form by any means or (2) redistributed without BOBCAPS's prior written consent.

Company-specific disclosures under SEBI (Research Analysts) Regulations, 2014

The research analyst(s) or his/her relatives do not have any material conflict of interest at the time of publication of this research report.

BOBCAPS or its research analyst(s) or his/her relatives do not have any financial interest in the subject company. BOBCAPS or its research analyst(s) or his/her relatives do not have actual/beneficial ownership of one per cent or more securities in the subject company at the end of the month immediately preceding the date of publication of this report.

The research analyst(s) has not received any compensation from the subject company in the past 12 months. Compensation of the research analyst(s) is not based on any specific merchant banking, investment banking or brokerage service transactions.

BOBCAPS or its research analyst(s) is not engaged in any market making activities for the subject company.

The research analyst(s) has not served as an officer, director or employee of the subject company.

BOBCAPS or its associates may have material conflict of interest at the time of publication of this research report.

BOBCAPS's associates may have financial interest in the subject company. BOBCAPS's associates may hold actual / beneficial ownership of one per cent or more securities in the subject company at the end of the month immediately preceding the date of publication of this report.

BOBCAPS or its associates may have managed or co-managed a public offering of securities for the subject company or may have been mandated by the subject company for any other assignment in the past 12 months.

BOBCAPS may have received compensation from the subject company in the past 12 months. BOBCAPS may from time to time solicit or perform investment banking services for the subject company. BOBCAPS or its associates may have received compensation from the subject company in the past 12 months for services in respect of managing or co-managing public offerings, corporate finance, investment banking or merchant banking, brokerage services or other advisory services in a merger or specific transaction. BOBCAPS or its associates may have received compensation for products or services other than investment banking or merchant banking or brokerage services from the subject company in the past 12 months.