

# BHARAT ROAD NETWORK LIMITED



**ANNUAL REPORT**  
**2018-19**

## BOARD OF DIRECTORS

Mr. Bajrang Kumar Choudhary      Managing Director  
Mr. Pradeep Singh  
Mr. Atanu Sen  
Dr. (Ms.) Tuk Tuk Ghosh Kumar  
\*Prof. Santanu Ray  
(\*w.e.f. 30th July, 2019)  
\*\* Mr. Ashok Kumar Mangotra  
(\*\* w.e.f. 30th September, 2019)

## BOARD COMMITTEES

### AUDIT COMMITTEE

Prof. Santanu Ray      Chairman  
Mr. Pradeep Singh  
Dr. (Ms.) Tuk Tuk Ghosh Kumar  
Mr. Atanu Sen  
Mr. Naresh Mathur      Secretary

### NOMINATION AND REMUNERATION COMMITTEE

Mr. Ashok Kumar Mangotra      Chairman  
Mr. Pradeep Singh  
Dr. (Ms.) Tuk Tuk Ghosh Kumar  
Mr. Naresh Mathur      Secretary

### STAKEHOLDERS RELATIONSHIP COMMITTEE

Mr. Pradeep Singh      Chairman  
Mr. Atanu Sen  
Mr. Ashok Kumar Mangotra  
Mr. Naresh Mathur      Secretary

### CORPORATE SOCIAL RESPONSIBILITY COMMITTEE

Dr. (Ms.) Tuk Tuk Ghosh Kumar      Chairperson  
Mr. Atanu Sen  
Mr. Bajrang Kumar Choudhary  
Prof. Santanu Ray  
Mr. Naresh Mathur      Secretary

### COMMITTEE OF DIRECTORS

Mr. Atanu Sen      Chairman  
Prof. Santanu Ray  
Mr. Bajrang Kumar Choudhary  
Mr. Ashok Kumar Mangotra  
Mr. Naresh Mathur      Secretary

## CHIEF FINANCIAL OFFICER

Mr. Jai Prakash Shaw

## COMPANY SECRETARY

Mr. Naresh Mathur

## CORPORATE INFORMATION:

### CORPORATE IDENTIFICATION NUMBER (CIN)

L45203WB2006PLC112235

### REGISTERED OFFICE

Vishwakarma Building, 86C, Topsia Road (South),  
Kolkata, Parganas South, West Bengal-700046  
Tel: +91 33 6602 3609, Fax: +91 33 6602 3243  
Email: cs@brnl.in; Website: www.brnl.in

### STOCK EXCHANGES/LISTING

BSE Limited (Scrip Code - 540700)  
National Stock Exchange of India Limited (Symbol-BRNL)

### DEPOSITORIES

National Securities Depository Limited  
Central Depository Services (India) Limited

### REGISTRAR AND SHARE TRANSFER AGENTS

Karvy Fintech Private Limited  
(Previously Karvy Computershare Private Limited)  
Karvy Selenium, Tower B, Plot 31-32, Financial District,  
Nanakramguda, Serilingampally Hyderabad  
Rangareddi, Telangana- 500032  
Tel: +91 40 6716 2222; Fax: +91 40 2342 0814  
Email: compliance.kfpl@karvy.com / einward.ris@karvy.com

### STATUTORY AUDITORS

S. S. Kothari Mehta & Co., Chartered Accountants

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## Forward looking statements

In this annual report, we have disclosed forward-looking information to enable investors to comprehend our prospects and take informed investment decisions.

This report and other statements - written and oral- that we periodically make may contain forward-looking statements that set out anticipated results based on the management's plans and assumptions. We have tried wherever possible to identify such statements by using words such as 'anticipates', 'estimates', 'expects', 'projects', 'intends', 'plans', 'believes', and words of similar substance in connection with any discussion of future performance.

We cannot guarantee that these forward-looking statements will be realised, although we believe we have been prudent in our assumptions. The achievement of results is subject to risks, uncertainties and even inaccurate assumptions. Should known or unknown risks or uncertainties materialise, or should underlying assumptions prove inaccurate, actual results could vary materially from those anticipated, estimated or projected. Readers should kindly bear this in mind.

We undertake no obligation to publicly update any forward-looking statements, whether as a result of new information, future events or otherwise.

# HIGHLIGHTS OF THE YEAR

2018-19

## OPERATIONAL HIGHLIGHTS



**2095** Lane km of  
Highways Across India



**1.07** Lakhs  
Average Daily Traffic



**6883** Crores  
Highways Assets  
under Management



**624** Crores  
Annual Toll  
Collection

## FINANCIAL HIGHLIGHTS

**BHARAT ROAD NETWORK LIMITED  
HAS BEEN AWARDED THE**



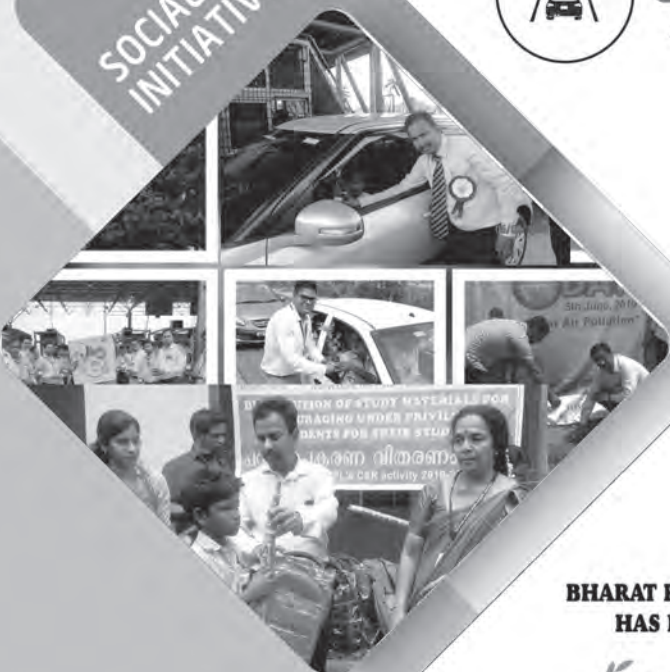
by  
CAPITAL FINANCE INTERNATIONAL

**BRNL**

Behtar Raaste, Badhta Bharat

## AWARDS & ACCOLADES

## SOCIAL INITIATIVES



**WEST BENGAL  
BEST EMPLOYER BRAND  
AWARDS 2018.**



Presented to

**BRNL**  
Behtar Raaste, Badhta Bharat

## HR HIGHLIGHTS



# DIRECTORS' PROFILE:

## MR. PRADEEP SINGH (DIN: 00304825)

He has been an Independent Director of our Company since September 2015. He has completed his Masters in Public Administration from the Kennedy School of Government, Harvard University, where he received the Littauer Award for "Academic Excellence and Promise of Leadership" and was a Graduate Fellow at Stanford University. He also holds a Master of Science degree in Physics from Punjabi University and an MBA from Panjab University. He was a member of the Indian Administrative Service and served, inter alia, as the Director, Ministry of Defence, Deputy Secretary of the Ministry of Home Affairs and Managing Director of Assam State Textile Corporation. After resigning from the IAS, he worked as the CEO of ILFS Infrastructure Development Corporation, as Vice Chairman and Managing Director of IDFC Projects Limited, and later as CEO and Deputy Dean of the Indian School of Business. Till recently he was serving as the Advisor (Infrastructure Development) to the Government of Jammu and Kashmir in the office of the Chief Minister.

## MR. ATANU SEN (DIN: 05339535)

He has been an Independent Director of our Company since September 2016. He holds a Master of Arts degree in Economics from University of Calcutta and is a Certified Associate of The Indian Institute of Bankers. He was the Managing Director and CEO of SBI Life Insurance Company. He has also served, amongst others as the Deputy Managing Director (Chief Credit and Risk Officer) of the State Bank of India. He is also the trustee to the National Pension Scheme of Government of India.

## DR. (MS.) TUKTUK GHOSH KUMAR (DIN: 06547361)

She has been an Independent Director of our Company, since October, 2016. She holds Master of Philosophy degree and degree of Doctor of Philosophy in History from the University of Delhi and has been a lecturer there from 1979-1981. She was a member of the Indian Administrative Service of West Bengal Cadre between 1981-2015. She retired in the rank of Secretary, Government of India. Post retirement, she serves on the Board of a few Companies/ Authorities in the private and public sector, as well as Academic and philanthropic organisations and commentates on governance issues in the media and public sphere.

## PROF. SANTANU RAY (DIN: 00642736)

He is a Director as on our Board since July, 2019. He is a Fellow Member of the Institute of Chartered Accountant of India (ICAI). He is currently the Mentor & Adviser to Chancellor, Sister Nivedita University, Kolkata. He is serving as an Independent Director across the Board of various listed Companies. In his career spanning for about 47 years, he has served diverse Corporate Entities in various capacities and has also been associated with many of them in the Advisory role. He has conducted large number of management development programs with leading corporates and published several books, research papers and articles. He has also been associated with various academic institutes viz. ICFAI Business School (IBS), Kolkata, NSHM Knowledge Campus, NSHM Business School, and B.P. Poddar Institute of Management & Technology and Techno India Group.

## MR. ASHOK KUMAR MANGOTRA (DIN: 02228858)

He is a Director on our Board since September, 2019. He has around 35 years of experience in the Higher Civil Service of India (IAS). He has Honors Degree in Electrical Engineering from BITS, Pilani and a Post-Graduate Diploma in Public Administration. He has also served as Joint Secretary in various Ministries and also as the Secretary to the Government of India, Ministry of Home Affairs.

## MR. BAJRANG KUMAR CHOUDHARY (DIN: 00441872)

He has been a Director on our Board since March 2011 and has been elevated as the Managing Director of our Company in November, 2016. He has completed his bachelor of commerce from Shriram College of Commerce, New Delhi and he is an associate member of the Institute of Chartered Accountants of India. He is a former Chief Executive Officer - Infrastructure Project Development of Srei Infrastructure Finance Limited, managing portfolio across roads, ports, water and economic zones. He has previously served as the "Chairman- Expert Committee on Infrastructure" of Indian Chamber of Commerce. He has an experience of over two decades in infrastructure asset management, project development, project implementation, Private Equity and M&A.

## ADVISOR TO THE BOARD OF DIRECTORS

### MR. BRAHM DUTT

He has served as the Chairman of the Board and an Independent Director of our Company till 4th January, 2019. He is currently the Non-Executive part time Chairman of Yes Bank Ltd. He holds a Master of Science degree in Physics, Master of Arts degree in Economics and a Bachelor's degree in Law. He was a member of the Indian Administrative Service and during his service, he inter alia, served as the Secretary in the Ministry of Road Transport and Highways and as Principal Home Secretary of State of Karnataka. He is currently serving us as an Advisor to the Board of Directors of our Company.

# DIRECTORS' REPORT

Dear Members,

Your Directors have the pleasure in presenting the Twelfth Annual Report, together with the Audited Accounts of your Company, for the Financial Year ended on 31st March, 2019. The summarized financial performance of your Company is as under:

## FINANCIAL RESULTS AND OPERATIONS:

(₹ in Lakhs)

Particulars	Standalone		Consolidated	
	Year ended March 31, 2019	Year ended March 31, 2018	Year ended March 31, 2019	Year ended March 31, 2018
Revenue from Operations	1,052.60	3,333.41	40,140.75	15,320.49
Other Income	6,394.65	3,084.02	4,805.28	9,751.37
<b>Total Income</b>	<b>7,447.25</b>	<b>6,417.43</b>	<b>44,946.03</b>	<b>25,071.86</b>
Profit/(loss) before Depreciation, Finance Costs, Exceptional items and Tax Expense	6,434.22	4,927.42	22,341.80	14,168.15
Less: Depreciation / Amortisation / Impairment	4.70	3.25	3,370.20	42.56
Profit /(loss) before Finance Costs, Exceptional items and Tax Expense	6,429.52	4,924.17	18,971.60	14,125.59
Less: Finance Costs	4,395.44	872.51	20,482.13	4,385.71
Profit /(loss) before Share of Profit/(Loss) of Associates, Exceptional items and Tax Expense	2,034.08	4,051.66	(1,510.53)	9,739.88
Add/(less): Exceptional items	-	-	-	-
Share of Profit/(Loss) of Associates	-	-	(2,238.06)	(6,267.84)
<b>Profit /(loss) before Tax Expense</b>	<b>2,034.08</b>	<b>4,051.66</b>	<b>(3,748.59)</b>	<b>3,472.04</b>
Less: Tax Expense (Current & Deferred)	606.28	1,159.86	604.83	1,157.44
Profit /(loss) for the year (1)	1,427.80	2,891.80	(4,353.42)	2,314.60
Total other Comprehensive Income/(loss) (2)	0.30	(5.27)	2.09	(4.67)
<b>Total (1+2)</b>	<b>1,428.10</b>	<b>2,886.53</b>	<b>(4,351.33)</b>	<b>2,309.93</b>
<b>Profit/(Loss) for the year attributable to:</b>				
Owners of the Company	-	-	(3,825.77)	2,330.76
Non-Controlling Interest	-	-	(527.65)	(16.16)
<b>Other Comprehensive Income for the year attributable to:</b>				
Owners of the Company	-	-	2.85	(4.67)
Non-Controlling Interest	-	-	(0.76)	-
Total Comprehensive Income for the year attributable to:				
Owners of the Company	-	-	(3,822.93)	2,326.09
Non-Controlling Interest	-	-	(528.41)	(16.16)
Balance brought forward from the previous year	2,541.89	160.81	(11,234.84)	(13,055.48)
<b>Profit/(Loss) available to Owners for appropriation</b>	<b>1,427.80</b>	<b>2,891.80</b>	<b>(3,825.77)</b>	<b>2,330.76</b>
<b>Appropriations:</b>				
Dividend	(419.75)	(420.00)	(419.75)	(420.00)
Tax on Dividend	(86.28)	(85.45)	(86.28)	(85.45)
Adjustment for Other Comprehensive Income: Gain/(Loss)	0.30	(5.27)	2.85	(4.67)
<b>Balance carried to Balance Sheet</b>	<b>3,463.96</b>	<b>2,541.89</b>	<b>(15,563.79)</b>	<b>(11,234.84)</b>

**Note:** The above figures have been extracted from the Standalone and Consolidated Financial Statements of the Company, for the Financial Year ended on March 31, 2019, prepared as per Indian Accounting Standards (Ind-AS).

During the year under review, your Company has earned on a Standalone basis, Net Profit of Rs. 2034.08 Lakhs, as against Net Profit before tax of Rs. 4051.66 Lakhs earned in the previous Financial Year. Gross Revenue was Rs. 7447.25 Lakhs as against Rs. 6417.43 Lakhs in the previous Financial Year.

Key Financial Ratios in terms of Schedule V of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements), 2015 are as under -

Particulars	FY 2018-19 (%)	FY 2017-18 (%)
Debtors Turnover Ratio	0.39	1.21
Inventory Turnover Ratio	NA	NA
Interest Coverage Ratio	1.46	5.64
Current Ratio	1.18	2.09
Debt Equity Ratio	0.12	0.18
Operating Profit Margin	0.86	0.77
Net Profit Margin	0.19	0.45
Return on Net Worth	0.01	0.02

NA - Not applicable

Details of significant changes (i.e. change of 25% or more as compared to the immediately previous financial year) in key financial ratios, along with detailed explanations thereof is as mentioned below –

- There has been a reduction in Debtors Turnover Ratio mainly on account of reduction in Turnover.
- There has been a reduction in Interest Coverage Ratio mainly on account of increase in Finance Cost.
- There has been a reduction in Current Ratio mainly due to reduction in Loan and Trade receivable.
- There has been a reduction in Debt Equity Ratio mainly due to decrease in debt and other current liabilities.
- There has been a reduction in Net Profit Margin mainly due to fall in profitability.
- There has been a reduction in Return on Net Worth on account of lower profitability.

Your Company has adopted Indian Accounting Standards (referred to as "Ind-AS") notified under the Companies (Indian Accounting Standards) Rules, 2015 (as amended) read with Section 133 of the Companies Act, 2013 with effect from April 1, 2017 and therefore Ind-AS issued, notified and made effective till the financial statements are authorised have been considered for the purpose of preparation of these financial statements.

#### DIVIDEND

The Board of Directors at its meeting held on 28th May 2019 has recommended Dividend of Rs. 0.50 (5%) per Equity Share on 8,39,50,000 Equity Shares of the Company of Rs. 10 each fully paid-up for the Financial Year 2018-19 to the Members of your Company.

The proposal is subject to the approval of the Members at the ensuing Annual General Meeting of the Company. The Dividend, if paid, will entail a cash outflow of Rs. 4.20 crore (exclusive of Dividend Distribution Tax).

The dividend pay-out is in accordance with the Company's efforts to pay sustainable dividend linked to long-term growth objectives of the Company and enhancing stakeholder value.

#### TRANSFER TO RESERVES

No amount has been transferred to any Reserve during the year under review.

#### PROMOTERS' GROUP SHAREHOLDING

As on March 31, 2019, the total shareholding of Promoter Group of your Company stood at 53.76% (previous year 65.10%) in the Paid-up Share Capital of the Company.

Members may refer to the Extract of Annual Return (MGT-9) for details of Promoters' Group shareholding.

As on March 31, 2019, 22.16% (previous year 18.30%) of the Promoters' Group shareholding is under pledge.

In compliance with Regulation 31(2) of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("SEBI Listing Regulations, 2015"), the entire shareholding of Promoter(s) and Promoter group is in dematerialized form.

#### PUBLIC DEPOSITS

Your Company has not invited or accepted any deposits covered under Section 73 of the Companies Act, 2013, read with the Companies (Acceptance of Deposits) Rules, 2014, during the year under review.

#### MANAGEMENT DISCUSSION AND ANALYSIS REPORT

##### I. ECONOMY & INDUSTRY

The current global economic order is apparently heading towards significant stress due to the political uncertainty and rising trade protectionism. There have been signs of profound backlash against globalization and simmering trade conflict amid major economies. The International Monetary Fund (IMF) estimates the global economic growth to be at 3.3 per cent in 2019, down from 4 per cent in 2017 and 3.6 per cent in 2018.

Amid such global uncertainties, Indian economy continues to be the brightest spot and is expected to maintain its position as the fastest growing major economy in the world. The Organization for Economic Co-operation and Development (OECD) said in its Economic Outlook that Gross domestic product (GDP) growth in India is projected to strengthen to close to 7.25% in FY19 and close to 7.5% in FY20. However, there are various external factors such as rise in crude oil prices and currency depreciation which might make India's economic outlook vulnerable unless private investments and consumption drives the economy.

The Infrastructure sector continues to be the key driver of the Indian economy. A higher industrial growth supported by well-connected infrastructure facility is vital to maintain the momentum of higher sustainable economic growth.

Over the past few years, Government of India has been persistently displaying their unwavering thrust on infrastructure sector. Among the core infrastructure verticals, the Roads and Highways continue to receive fair share of allocation in the interim union budget for FY20. Announcing a capital outlay of INR 1.5 tn, up by 21% over the FY19 budgeted figure of INR 1.21 tn; the Government has amply demonstrated its commitment towards Roads and Highways sector.

Economic growth, increasing government thrust, preference of road in freight traffic, spurt in private participation and surge in passenger traffic and vehicle density continues to be the key growth drivers for increased investments in the Roads and Highways sector. Growing domestic trade flows have led to a rise in commercial vehicles and freight movement; supported by rise in sale of commercial vehicles from 6,32,851 in 2013-14 to 10,07,319 in 2018-19 at a Compounded Annual Growth Rate (CAGR) of 8%. Road's traffic share of the total traffic in India has grown from 13.8% to 65% in freight traffic and from 32% to 90% in passenger traffic over 1951-2017.

Government of India has therefore undertaken major initiatives to upgrade and strengthen highways and expressways in the country including enabling policy measures to facilitate private investments in this sector. Some of the key initiatives include Bharatmala and National Highway Development Program. In addition to Highway Development, focus remains on efficient operations & network management for improving logistics efficiency, which shall give rise to new investment opportunities.

Under the Bharatmala Pariyojana, Government of India plans to spend INR 6.92 tn on 83,677 kilometers of road construction by 2022 to boost economic growth and employment. The Bharatmala Pariyojana has six important components-development of economic corridors, development of inter-corridor and feeder routes, improvement of the efficiency of existing National Corridors (Golden Quadrilateral and the North-South & East-West corridors), development of coastal and port connectivity roads, development of border and international connectivity roads and development of Greenfield expressways.

The key drivers for growth in Roads and Highways sector are highlighted below:

- **Strong Project Pipeline:** Following record project awarding in FY18, the momentum in project ordering slowed down remarkably in FY19 due to delayed financial closure for HAM projects and land acquisition issues. A huge pipeline of project is expected in FY20-22 based on a basket of 26,000 km to be ordered in the next 2-3 years under the Bharatmala plan, of which DPR's are reportedly ready or in final stages for 17,000 km.
- **Judicious Mix of Project Award under EPC, HAM and BOT (Toll):** After successfully rolling out the Hybrid Annuity Model (HAM) projects over the past few years, a resurgence of Public Private Partnership (PPP) model under BOT (Toll) is expected in FY20. To encourage the private participation in the development of highways projects, NHAI has shown renewed interest in rejuvenating BOT (Toll) and they are considering a list

of potential projects under Bharat Mala for bidding under BOT (Toll) mode. Additionally, NHAI is also expected to award more EPC projects vs HAM in FY20, to avoid execution delay.

- **Asset Monetisation under Toll Operate Transfer:** Asset recycling, through the Toll-Operate-Transfer (ToT) Model has been taken up by NHAI. The first bundle of 9 highways with an aggregate length of about 680 km was monetised successfully for an investment of USD 1.45 bn. Although the lackluster response for TOT second bundle has compelled the Authority to opt for rebidding, it is expected to gain momentum once the projects are announced in smaller packages.
- **Fiscal Incentives:** 100% Foreign Direct Investment (FDI) through automatic route allowed subject to applicable laws and regulation. Right of Way (ROW) for project land made available to concessionaires free from all encumbrances. 100% tax exemption for 5 years and 30% relief for next 5 years, which may be availed of in 20 years.
- **Increasing participation of Private Equity funds:** Private Equity has contributed to road projects in the past. Going ahead, Private Equity investment can further pick up, following the recent announcements of 100% exit policy for debt-stressed operators for toll roads.
- **Technology and Automation in Highway Operations:** The decision of the Ministry of Roads Transport and Highways to roll out Electronic Toll Collection (ETC) programme in the country under the brand name 'FASTag' has resulted in greater user convenience through automation. Electronic Toll Collection is being encouraged to minimize toll collection time and reduce pilferage in toll collection on NHs. Enabling facilities for ETC is being put proactively to enable seamless movement of vehicles on the National Highways to promote digital transformation and cash less economy.

## II. OPPORTUNITIES

The Roads and Highways sector offers a plethora of opportunities for the companies engaged in Highway construction and development. The initiatives such as Bharatmala Pariyojana envisages to build 83,677 km of road by 2022 with a total estimated investment at INR 6.92 tn. The project will be implemented jointly by National Highway Authority of India (NHAI), Ministry of Road Transportation and Highways (MoRTH), National Highways and Infrastructure Development Corporation Limited (NHIDCL) and state Public Works Department (PWD) for faster execution of the project.

NHAI in FY18 awarded 150 road projects for constructing about 7,400 kilometers of highways worth Rs. 1.22 Lakhs crore. During FY18, National Highways of 9,829 Kms were constructed with a construction record of 28 Km per day. This represents ~20% growth over the last year, when 8,231 km were constructed.

### NHAI Road Awards

Year	Length (Km)
FY15	3,069
FY16	4,368
FY17	4,337
FY18	7,400
FY19	6,000

Source: NHAI

Over the next 5 years, the investment in National Highways awards will majorly be under EPC and HAM, a breakaway from past trends. BOT (toll) has also started seeing some interest from Authority and is likely to gain traction in FY20-22.

NHAI is also focused towards monetizing National Highway (NH) projects which are operational and are generating toll revenues for at least two years after the Commercial Operations Date (COD) through the Toll Operate Transfer (TOT) Model. Around 75 operational NH projects completed under public funding have been preliminarily identified for potential monetization using the TOT Model.

Monetization of public funded NH roads is expected to create a framework for attracting long term institutional investment on the strength of future toll receivables. Market feedback indicates that certain institutional investors from outside the country have a long term investment appetite and are keen to participate in operational highway projects with stable toll revenue outlook. These investors generally hesitate in taking construction risk but are willing to look at de-risked Brownfield road assets.

### III. BUSINESS & OPERATIONS

Your Company is a road BOT company in India, focused on development, implementation, operation and maintenance of National and State Highways with existing projects in states of Uttar Pradesh, Kerala, Haryana, Madhya Pradesh, Maharashtra and Odisha. At present, all of your Company's projects are implemented through Special Purpose Vehicles (SPVs), either directly or in partnership with other infrastructure players.

The main business operations of your company can be divided into three categories, i.e.

- (i) Project development and implementation;
- (ii) Tolling Operations and Highway Management; and
- (iii) Advisory Services and Project Management Services including Construction Supervision/Debt Syndication for your Company's projects.

During the year under review, your Company has focused on all these areas to augment resources.

Your Company has a project portfolio consisting of six (6) BOT Projects covering over 2000 Lane km of Roads and Highways across 6 states in India. Out of the six projects in our portfolio, five (5) projects are in Tolling & Operational phase covering approximately 1700 Lane kms, and one (1) Project is under construction which involves development of approximately 400 Lane kms. The Operational projects are located in the states of Kerala, Madhya Pradesh, Haryana, Uttar Pradesh and Odisha whereas the under construction project is located in the state of Maharashtra.

#### • Operational Projects:

1. **Guruvayoor Infrastructure Private Limited ("GIPL"):** Four laning of the existing two lane portion of the Thrissur-Angamali section of NH-47 from km 270.00 to km 316.70 and improvement, operation and maintenance of the Angamali-Edapalli section from km 316.70 to km 342.0 of NH-47 in the state of Kerala on BOT Toll basis.
2. **Mahakaleshwar Tollways Private Limited ("MTPL"):** Four laning of the Indore-Ujjain portion from Ch. 5/2 to

Ch. 53 on State Highway 27 on BOT Toll basis in the state of Madhya Pradesh.

3. **Ghaziabad Aligarh Expressway Private Limited ("GAEPL"):** Four laning of the Ghaziabad-Aligarh section of NH-91 connecting km 23.60 to km 140.20 of NH-91 and subsequent six laning of the project highway (excluding Aligarh bypass from km 129.60 to km 149.90) before the 12th anniversary of the appointed date on BOT (Toll) basis.
4. **Kurukshetra Expressway Private Limited ("KEPL"):** Four laning of the Rohtak-Bawal section of NH-71 from km 363.30 to km 450.80 in the state of Haryana on DBFOT Toll basis.
5. **Shree Jagannath Expressways Private Limited ("SJEPL"):** Six laning of the existing road from km 413.00 to km 418.00 and km 0.00 to km 62.00 on Chandikhole-Jagatpur-Bhubaneswar section of NH-5 in the state of Odisha on DBFOT Toll basis.

#### • Under Construction Projects:

1. **Solapur Tollways Private Limited ("STPL"):** Four laning of the Solapur-Maharashtra/Karnataka border section of NH-9 from km 249.00 to km 348.80 in the state of Maharashtra on DBFOT Toll basis.

#### • Project under Foreclosure:

1. **Orissa Steel Expressway Private Limited ("OSEPL"):** The OSEPL Project for augmenting the existing road on the Rimuli-Roxy-Rajamunda section of NH-215 from km 163.00 to km 269.00 on DBFOT basis was signed on July 6, 2010 with the NHAI. Due to non-unavailability of Land and Forest clearance issues, NHAI agreed to amicably foreclose the said Agreement without any penalty and agreed to address the claims/ losses of OSEPL through suitable redressal mechanism including Arbitration. Based on the same, a joint inspection of the Project site was carried on and thereafter the project was handed over to NHAI on 02-03-2017 on "as is where is basis". OSEPL submitted a claim of around Rs. 945 crore to NHAI towards losses including cost incurred, finance costs, overheads and loss of profit-up etc. to March 31, 2018. The Arbitration process duly commenced during the Financial year 2018-19 and the company successfully won the Award of approximately Rs. 350 Crores (including interest) on 31st March 2019. The Award is supposed to be executed after 90 days of date of award. It is one of the highest value awards won by any company against NHAI in their history on a single Arbitration on a single project.

However, NHAI has filed an appeal under section 34 of the Arbitration and Conciliation Act, 1934 in the High Court against the said order of the Arbitration Tribunal. Currently, the matter is subjudice.

### IV. BUSINESS PERFORMANCE

During the year under review, your Company continued its focus on improving operational efficiency through increased automation of services and adopted prudent project delivery mechanism to expedite execution of the existing asset under construction.



## • Traffic and Revenue Growth

Despite natural calamities and religious issues affecting Tolling of Kerala project, the Average Daily Revenue (ADR) across all the operational projects increased by 5.7% to Rs.165.84 Lakhs in Financial Year 2018–19 from Rs. 156.87 Lakhs in Financial Year 2017–18. The toll revenue is expected to improve further with increased economic activity across the high growth industrial corridors along the project stretches. Few of your Company's projects have implemented new updated most modern Tolling system which reflected in higher Toll collection.

- **Ghaziabad Aligarh Expressway Private Limited:** The project continues to register a impressive toll revenue growth as the Average Daily Revenue increased from Rs. 52.94 Lakhs in FY 2017–18 to Rs. 57.79 Lakhs in FY 2018–19. Major increase in Revenue was on account of growth of Goods carrying traffic on this corridor. The toll revenue is expected to improve further as soon as the 4 laning of Aligarh Kanpur section is completed.
- **Mahakaleshwar Tollways Private Limited:** Post installation of new upgraded Toll Management System (TMS), and by exerting stringent control over vehicle movement over Toll Plazas, the project has recorded a very healthy tolled traffic growth and improved revenue collections. In FY 2018-19, the Average Daily Revenue has grown by 19.7% to Rs. 8.61 Lakhs per day from Rs. 7.19 Lakhs per day in FY 2017-18. The company is also pursuing claims on Madhya Pradesh Road Development Corporation (MPRDC) for the Toll loss due to local political disturbance and loss of actual Toll during demonetization and Simhashta Parva.
- **Shree Jagannath Expressways Private Limited:** The project is nearing completion and has expeditiously executed the balance work on the stretches which were handed over late to the Company due to Right of Way (ROW) issues. The Average Daily Revenue (ADR) marginally improved to 42.79 Lakhs in FY 2018-19 as compared to Rs. 39.91 Lakhs in FY 2017-18. In the coming years, it is expected that revenue shall increase further on account of major boost in economy resulting from expected growth of mining industry in the hinterland. The Company has won the Arbitration Award of over Rs. 150 Crore towards loss of Toll for Mahanadi Bridge. The Company is on the verge of receiving such amount once the final hearing in honorable High Court is completed.
- **Kurukshetra Expressway Private Limited:** This project displayed remarkable improvement in traffic control after installation of state-of-the-art Toll Management Services (TMS). The Average Daily Revenue reached to Rs. 26.07 Lakhs from Rs. 24.28 Lakhs, an increase by 7% till October 2018 when a parallel corridor of Kundli Manesar Palwal (KMP) Expressway was opened by the Haryana Government which resulted in reduced Toll collections. The company is now contemplating taking contractual actions against NHAI on this issue. During the year the company also won the Arbitration Award of Rs. 47 Crore and 58 days extension of Concession Period which has been challenged by NHAI in High Court. The case is now under legal proceedings.

- **Guruvayoor Infrastructure Private Limited:** During the year under review, the Company badly suffered due to worst flood during August 2018 and subsequently due to political turmoil on Sabarimala shrine issue, restricting movement of pilgrims. Required claim has been lodged with NHAI and Insurance agencies to recover the damage and loss. In spite of the above the project has shown a robust growth of 1.7% in Average Daily Revenue to Rs. 31.66 Lakhs in FY 2018-19 as against Rs. 31.14 Lakhs in FY 2017-18 due to increased economic activity along the project corridor and strengthening of TMS technology.
- **Solapur Tollways Private Limited:** During the year under review, the company achieved substantial work progress by completing almost 75% of the project. At certain locations, the Project suffered due to delay in acquisition of land and shifting of utilities under responsibility of Concession Authority. The extension of project completion date has been recommended by NHAI till October, 2019 which is under process at NHAI-HQ. However the company plans to achieve partial COD for 75 Km length and commence Toll operations during 3rd Quarter of next Financial Year.
- **Technology Up-Gradation:** Your Company maintained its focus on strengthening IT system and capabilities to create digital, scalable and sustainable business eco system. The company has introduced the latest Hybrid ETC system in 2 projects and on course to install the system in other 3 NHAI projects under Change of Scope (COS) from NHAI. The company is committed towards driving efficiency through more advanced and fully proven technologies to minimize human errors resulting from manual intervention and also moving towards more robust system. During the year under review, your Company has continued its journey on a Digital Transformation initiative for automating operations across Toll Plaza and construction projects keeping an eye on further improvement in toll revenue, better operational efficiency and proactive business planning.
- **Effective Project Management and Delivery:** Your Company intends to focus on improving project monitoring and management capabilities to faster execution of project. The company also intends to implement robust systems through IT platforms for developing user friendly tools for Project Management.

## V. FUTURE BUSINESS PLANS

Your Company is a pure play BOT Company focused on development, implementation, operation and maintenance of roads/highways projects. As an infrastructure developer operating on the asset aggregation platform, your Company's business growth strategy is strongly driven by portfolio expansion and improving operational efficiency for value accretion.

### ○ Uniquely positioned to expand through Inorganic growth:

Leveraging on the domain knowledge and a decade long experience in the infrastructure space, your Company is looking at inorganic growth opportunities either through acquisition of projects or consolidation of its stake in existing projects. Your Company through increased activity in the secondary market is continuously evaluating assets which are available at attractive

valuation assuming such acquisitions are supported by sound strategic and financial objectives. Your Company has been able to consolidate its stake in one of its assets, Guruvayoor Infrastructure Private Limited in Kerala, where your Company acquired 73.98% stake (acquisition of 26% out of the 51% stake is under progress) from its partner. Your Company has created a platform where it expects to see a lot of consolidation play happening.

o **Evaluating opportunities in Primary Market:**

The Government is focusing on transforming India through infrastructure creation at gigantic scale with estimated investments of over Rs 6.9 tn towards constructing 83,677 Km of roads under Bharatmala Pariyojana and other road development programs. With such a huge opportunity shaping up the roadmap for growth of the sector, your Company is strongly placed to capitalise on its financial capability and asset management skill set, to make the most of the opportunities and strengthen its asset portfolio. Your Company is assessing commercial viability for bidding for primary market opportunities under Hybrid Annuity Model (HAM) and Toll Operate Transfer (TOT). Your Company will continue to leverage its expertise in managing infrastructure assets under the PPP model to drive long-term growth.

o **Shareholders' Value Enhancement :**

Your Company follows a policy of systematic review of the incremental value-creation potential of assets under its management and takes a strategic decision to maximize value of future cash flows by judicious churning of the portfolio either through asset restructuring or divestiture. As an infrastructure developer working on transportation asset ownership model, your company is committed to abide by a robust asset management policy aimed at strengthening its value creation capabilities through constant monitoring asset performance.

o **Optimizing Financial Structure:**

Your Company is exploring options for refinancing in various SPVs to lower borrowing costs and improve cash flows. The priority for your Company is to continue its effort towards repricing and re-tenure its debt in all its assets. Though your Company sources funding for existing projects primarily through long term loans from banks and other financial institutions, the Company intends to continue to evaluate various funding mechanisms which will enable it to enhance credit rating and in turn reduce borrowing cost and improve liquidity.

o **Claim and Contract Management**

Claims and Contract Management are an integral part of highway concession business. Your Company is committed towards adopting a mature Claims Management process across the value chain to create efficiency, effectiveness, and ultimately competitive differentiation in claims settlement and dispute resolution. With a constant focus on enhancing capabilities to better assess, manage, and mitigate claims and risk; the Company is correspondingly focused towards expeditious handling of claim through negotiation, mediation, arbitration, and finally, to litigation for earliest settlement.

o **Continue to focus on technology and operational efficiency:**

With gaining prominence of IT system and other internal processes in every aspect of business and operations, your Company is constantly strengthening the IT system and capabilities to create an environment friendly sustainable business eco system. Your Company is committed towards driving efficiency through more advanced and fully proven technologies to minimize human error resulting from manual intervention and also moving towards more environment friendly transportation solutions that are sustainable both from energy consumption and an environment perspective.

Your Company is constantly in the process of upgrading the existing IT systems and implementing a fully automated operation management system integrating technology primarily to monitor the flow of vehicular traffic, real time revenue and collection monitoring and improved road safety.

As part of the digital drive, your Company aims to create one single consolidated platform across all organizations for all stakeholders—Operations, Finance and Management to help them in enhancing their efficiencies in services like Revenue Reporting, Traffic Growth Analysis, Incidence Management and Administration through mobile and web channels. The emerging technology interventions such Sensor driven/ RFID driven auto capture or Internet of Things (IoT), Artificial Intelligence/Machine Learning driven smart projections or analytics, automated traffic volume reporting on real time basis, Cloud based Data Management System and Workflow Management are explored for better and informed decision making planning.

o **Enhancing in-house integration with an aim to improve performance and enhance returns:**

Your Company seeks to continue its focus on enhancing in-house competencies by expanding into various functional aspects of projects, thereby reducing dependency on third parties. Your Company intends to focus on strengthening project designing and engineering capabilities, Project Monitoring and Management capabilities. It is believed that developing specialized in-house capabilities would reduce dependency on third parties, thereby avoiding risks and minimizing costs associated with outsourcing.

## VI. FUTURE OUTLOOK

India has a massive infrastructure investment requirement to the tune of USD 4.54 tn by 2040 and infrastructure creation of such a gigantic scale does require a wide range of resources, expertise and skills together with funding either from public and private sources. Considering the limited scope to maneuver public spending of such a massive scale and size, the Public-Private Partnership (PPP) assumes significance, both for attracting investment in infrastructure and leverage on the asset management skill set of the private sector.

As PPP model is aimed at leveraging on the private capital for infrastructure development and making the best use of the asset management skill set of the infrastructure companies, your Company sees itself as an enabler for PPP projects while acting as a bridge between the Public Asset and Project Authority. Your company leverage on its strong asset management skill set, access to capital and rich pool of contractors and its expertise in financial engineering to implement projects.