

Annual Report 2019-20



Behtar Raaste...
Badhta Bharat

BRNL
Bharat Road Network Ltd.

BOARD OF DIRECTORS

Mr. Brahm Dutt (w.e.f. 14th May, 2020)	Chairman
Mr. Bajrang Kumar Choudhary	Managing Director
Mr. Pradeep Singh	
Dr. (Ms.) Tuk Tuk Ghosh Kumar	
Prof. Santanu Ray (w.e.f. 30th July, 2019)	
Mr. Praful Tayal (w.e.f. 14th May, 2020)	

BOARD COMMITTEES

AUDIT COMMITTEE

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

NOMINATION AND REMUNERATION COMMITTEE

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

STAKEHOLDERS RELATIONSHIP COMMITTEE

Mr. Praful Tayal	Chairman
Mr. Brahm Dutt	
Mr. Bajrang Kumar Choudhary	
Mr. Pradeep Singh	
Mr. Naresh Mathur	Secretary

CORPORATE SOCIAL RESPONSIBILITY COMMITTEE

Dr. (Ms.) Tuk Tuk Ghosh Kumar	Chairperson
Mr. Bajrang Kumar Choudhary	
Mr. Praful Tayal	
Mr. Naresh Mathur	Secretary

COMMITTEE OF DIRECTORS

Mr. Bajrang Kumar Choudhary	Chairman
Prof. Santanu Ray	
Mr. Praful Tayal	
Mr. Naresh Mathur	Secretary

CHIEF FINANCIAL OFFICER

Mr. Arindam Bhowmick
(w.e.f. 24th July, 2020)

COMPANY SECRETARY

Mr. Naresh Mathur

CORPORATE INFORMATION

CORPORATE IDENTIFICATION NUMBER (CIN)

L45203WB2006PLC112235

REGISTERED OFFICE

Plot X1 – 2 & 3, Ground Floor, Block – EP
Sector – V, Salt Lake City, Kolkata – 700 091
Tel : +91 33 6602 3609
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

Kfin Technologies Private Limited
(Previously Karvy Fintech Private Limited)
Selenium, Tower B, Plot No- 31 & 32
Financial District, Nanakramguda
Serilingampally, Hyderabad, Rangareddi
Telangana - 500032
Tel : + 91 40 6716 2222
Fax : +91 40 2342 0814
Email : enward.ris@kfintech.com

STATUTORY AUDITORS

S. S. Kothari Mehta & Company, Chartered Accountants

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Forward looking statements

In this annual report, we have disclosed certain 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.

DIRECTORS' PROFILE

MR. BRAHM DUTT (DIN: 05308908)

He has been appointed as the Chairman of the Board and Independent Director of our Company since May, 2020. 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 of the Ministry of Road Transport and Highways and the Principal Home Secretary of State of Karnataka.

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.

DR. (MS.) TUK TUK 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 has been an Independent Director of our Company since July, 2019. He is a Fellow Member of the Institute of Chartered Accountants 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. PRAFUL TAYAL (DIN: 00826834)

He has been an Independent Director of our Company since May, 2020. Mr. Praful Tayal is a Graduate Civil Engineer from M.I.T, Manipal and M. Tech (Naval Construction) from I.I.T., Delhi. He is a former Commander of the Indian Navy. During a span of 42 years, he has worked in many shipyards & dockyards within the Country as well as abroad. He was the Chairman and Managing Director of Central Inland Water Transport Corporation Limited (CIWTC). He has also served as the Technical Advisor of Braithwaite & Co Ltd., A Government of India Undertaking, Ministry of Railways.

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.

DIRECTORS' REPORT

Dear Members,

Your Directors have the pleasure in presenting the Thirteenth Annual Report, together with the Audited Accounts of your Company, for the Financial Year ended on 31st March, 2020. The summarized financial performance of your Company is as under:

FINANCIAL RESULTS AND OPERATIONS

(₹ In Lakhs)

Particulars	Standalone		Consolidated	
	Current Financial Year (2020)	Previous Financial Year (2019)	Current Financial Year (2020)	Previous Financial Year (2019)
Revenue from Operations	667.46	1,052.60	29,922.38	40,140.75
Other Income	1,073.89	6,394.65	2,926.91	4,805.28
Total Income	1,741.35	7,447.25	32,849.29	44,946.03
Profit/(loss) before Depreciation, Finance Costs, Exceptional items and Tax Expense	535.78	6,434.22	21,298.56	22,341.80
Less: Depreciation / Amortisation / Impairment	4.20	4.70	3,635.05	3,370.20
Profit/(loss) before Finance Costs, Exceptional items and Tax Expense	531.58	6,429.52	17,663.51	18,971.60
Less: Finance Costs	203.65	4,395.44	19,343.94	20,482.13
Profit/(loss) before share of Profit/(Loss) of Associates, Exceptional items and Tax Expense	327.93	2,034.08	(1,680.43)	(1,510.53)
Add/(less): Share of Profit/ (Loss) of Associates	–	–	497.92	(2,238.06)
Profit/(loss) before Tax Expense	327.93	2,034.08	(1,182.51)	(3,748.59)
Less: Tax Expense (Current & Deferred)	102.67	606.28	110.72	604.83
Profit/(loss) for the year (1)	225.26	1,427.80	(1,293.23)	(4,353.42)
Total other Comprehensive Income/(loss) (2)	15.95	0.30	(2.19)	2.09
Total (1+2)	241.21	1,428.10	(1,295.42)	(4,351.33)
Profit / (Loss) for the year attributable to:				
Owners of the Company	–	–	(1,597.31)	(3,825.77)
Non-Controlling Interest	–	–	304.08	(527.65)
Other Comprehensive Income/(loss) for the year attributable to:				
Owners of the Company	–	–	5.50	2.85
Non-Controlling Interest			(7.69)	(0.76)
Total Comprehensive Income/(loss) for the year attributable to:				
Owners of the Company	–	–	(1,591.81)	(3,822.92)
Non-Controlling Interest			296.39	(528.41)
Balance brought forward from the previous year	3,463.96	2,541.89	(15,563.79)	(11,234.84)
Profit/(loss) available to Owners for appropriation	225.26	1,427.80	(1,597.31)	(3,825.77)
Appropriations:				
Dividend	(419.75)	(419.75)	(419.75)	(419.75)
Tax on Dividend	(86.28)	(86.28)	(86.28)	(86.28)
Adjustment for Other Comprehensive Income/(Loss)	15.95	0.30	5.50	2.85
Balance carried to Balance Sheet	3,199.14	3,463.96	(17,661.63)	(15,563.79)

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, 2020, prepared as per Indian Accounting Standards (Ind-AS).

During the year under review, Your Company has earned on a Standalone basis, Net Profit of ₹ 327.93 Lakhs, as against Net Profit of ₹ 2034.08 Lakhs earned in the previous Financial Year. Gross Revenue was ₹ 1,741.35 Lakhs as against ₹ 7,447.25 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) Regulations, 2015 are as under –

Particulars	FY 2019-20 (%)	FY 2018-19 (%)
Debtors Turnover Ratio	0.64	0.39
Inventory Turnover Ratio	NA	NA
Interest Coverage Ratio	2.61	1.46
Current Ratio	0.99	1.18
Debt Equity Ratio	0.23	0.12
Operating Profit Margin	0.31	0.86
Net Profit Margin	0.13	0.19
Return on Net Worth	0.00	0.01

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 –

- The significant change in Debtors Turnover Ratio has been recorded due to significant decrease in Turnover.
- The significant change in Interest Coverage Ratio has been recorded due to significant decrease in Finance Cost.
- Current Ratio has reduced as Long-Term debt borrowings moved within 1-year bucket and further increase in short term borrowings.
- The significant change in Debt Equity Ratio has been recorded due to significant increase in debt.
- Net Profit Margin (%) and the Net Worth Ratio (%) has decreased primarily due to reduction in revenue from operations and other income.

The 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

With a view to conserve capital due to ongoing Covid-19 pandemic, the Board of Directors has not recommended any dividend on Equity Shares of the Company for the Financial Year ended 31st March, 2020.

TRANSFER TO RESERVES

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

PROMOTERS' GROUP SHAREHOLDING

As on March 31, 2020, the total shareholding of Promoter Group of your Company stood at 53.76% (previous year 53.76%) 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, 2020, 22.16% (previous year 22.16%) 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 global economy is currently vexed with an unprecedented global crisis due to COVID-19 pandemic which threatens to put the world economy into the deepest recession since the Second World War. It has caused a devastating blow to the lives and livelihood of billions of people worldwide and jeopardized the decades of socio-economic progress made by both advanced as well as emerging economies.

The Global Economic Prospects, by World Bank group predicts an alarming rate of 5.2 percent contraction in global GDP in 2020. While advanced economies are expected to witness a contraction of 7.0 percent in real GDP, the emerging market and developing economies would be faring little better with an estimated contraction of 2.5 percent.¹ The report estimates that global GDP in real terms could register a growth of 4.2 percent next year but the recovery largely hinges on the prospect of an early control over the pandemic.

Amid a fragile global economy which has been affected with rising trade protectionism and political uncertainties at various geographies, the Indian economy has showed remarkable resilience during Financial Year 2019-20. However, the pandemic stuck a devastating blow to the ambitious growth plan of the nation. According to the estimates from World Bank Group, the real GDP in India is estimated to be contracted by 3 percent against earlier estimates of 6 percent growth in GDP.

Since private consumption, investment and external trade gets severely affected; the economic growth is most likely to remain muted in during next few quarters. Barring a few sectors, almost all the major contributors to GDP are likely to witness existential crisis. Amid this emerging crisis, the enhanced allocation on

¹ Global Economic Outlook, June 2020, World Bank Group, <https://www.worldbank.org/en/news/feature/2020/06/08/the-global-economic-outlook-during-the-covid-19-pandemic-a-changed-world>

infrastructure would be only glimmering hope for bringing in the required momentum in demand supply mechanism in our economy.

Over the past few years, Government of India has been consistently displaying unwavering thrust on infrastructure sector. At a time of muted economic growth and sluggish pace in infrastructure creation, the announcement of National Infrastructure Pipeline last year provided much needed push to the economy. With a vision to spend INR 100 lakh crore on infra over FY20-25, the announcement was aimed at improving India's global competitiveness by creating new & upgrading existing infrastructure.

Among the core infrastructure verticals, the Roads and Highways continues to be the driving force as the highway construction in India recorded CAGR of 21.44 per cent between FY16-FY19. In FY19, 10,855 km of highways were constructed. The government is now aiming to construct almost 65,000 km of national highways at a cost of Rs 5.35 lakh crore by 2022 under Bharatmala Pariyojana.

Renewed thrust on revival of economic growth in post COVID scenario, preference of road in freight traffic, spurt in private participation and constant surge in passenger traffic and vehicle density continues to be the key growth drivers for increased investments in the Roads and Highways sector. The production of commercial vehicles in India has increased to 717,688 units in FY20 from 614,948 units in FY15. The passenger vehicle sales in India increased from 2,601,236 units in FY15 to 2,773,575 units in FY20. The sharp increase in domestic vehicle sales indicate the need for a stronger road network in India.

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.

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

- **Potential Focus on Infrastructure for Economic Revival:** The economic revival in post COVID-19 scenario hinges primarily on pace of recovery and control over the pandemic. Simultaneously Government also needs to focus on infrastructure development not just for asset creation for the future but also to generate employment in the construction sector. Considering the multiplier effect of infrastructure sector on the economic revival, the crisis has offered an opportunity to revisit infrastructure development mechanism right from project conceptualization to operation and maintenance of physical infrastructure.
- **National Infrastructure Pipeline (NIP):** The Government has recently announced National Infrastructure Pipeline of around Rs 100 lakh crores out of which ₹ 20 lakh crore has been earmarked for development of Roads and Highways. Although an annual outlay ₹ 3- 4 lakh crores have been envisaged during next three years, it is also expected that Government may re-prioritize and redistribute the annual outlays by frontloading the investments to provide momentum to economic activities and generate employment during post COVID scenario.
- **Increased Budgetary Allocation:** Under Union Budget 2020-21, the government of India has allocated ₹ 91,823 crore for the Ministry of Road Transport and Highways. The transfer to National Investment Fund (NIF) for 2019-20 has also been estimated to be ₹ 6,070 crore.
- **Focus on Growing Private Sector Participation:** The cumulative BOT / HAM contracts awarded (% of total km awarded) over the past few years have been on the ebb and have been 15% in FY19 owing the liquidity crunch in the market, rising interest cost and stressed balance sheet of the developers. With renewed thrust on revamping BOT Model Concession Agreement and implementation of Hybrid Annuity Model (HAM), the private investment is set to increase substantially. As on December 2019, 824 projects were recommended for development by Public Private Partnership (PPP) Appraisal Committee and an Investment of INR 2.320 lakh crore for national highways is expected in PPP by 2020.
- **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:** There has been a steady inflow of Private Equity players and global pension funds in Roads and Highways sector in India. Going ahead, Private Equity investment can further pick up, following the recent announcements of 100% exit policy for debt- stressed operators for toll roads. The vibrancy in the secondary market due to demand for operational assets with healthy cash flow, the capricious success of Asset Monetisation through Toll Operate Transfer model and potential realization through InvIT model, indicates incessant involvement of global private equity players and pension funds looking for long term investment opportunity with a steady return on capital.
- **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.

COVID-19 has also put the onus back on digital transformation of highway operation and maintenance. With NHA recently announcing its complete digital transformation with the launch of unique cloud-based and artificial intelligence powered big data analytics platform, it has now become first such construction sector organization in India to go full-digital. The digital transformation is likely to expedite decision making as advance analytics adopted by them is expected to forecast delays, predict disputes and help in streamlining the system and processes.

II. OPPORTUNITIES

The World Economic Forum Global Competitiveness Report 2019 has ranked India on 72nd position in terms of Road Connectivity. India ranks 48th in terms of Quality of Road Infrastructure. The infrastructure deficit of such humongous proportion could not be aligned with the aspirational goal of the nation to be self-sufficient without minimizing the reliance on external factors.

With such an objective, Government has taken up a massive infrastructure development programme under National Infrastructure Pipeline which envisaged investment of about Rs 100 lakh crores which offers massive investment opportunities across various infrastructure verticals.

The Roads and Highways sector also offers a plethora of opportunities for the companies engaged in Highway construction and development. The NIP has earmarked almost 20 lakh crores for development of Roads and Highways whereas the focused Highway development programme under Bharatmala Pariyojana envisages to build 83,677 km of road by 2022 with a total estimated investment at INR 6.92 lakh crores. Total 246 road projects with an aggregate length of about 10,100 km have been awarded till February, 2020 under Bharatmala Pariyojana with Total Cost of ₹ 2,38,413 crores approximately, which also include projects on Greenfield Corridors.

The government of India has set a target for construction of 12,000 km national highway in FY20. During April-September 2019, a total of length of 4,622 km of national highways was constructed.

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.

NHAI also plans to offer 19 projects worth ₹ 35,000 crores under the InvIT model. Most of these projects are likely to be the ones constructed on government-funded or in engineering-procurement-construction mode.

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

Our 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 our Company's projects are implemented through Special Purpose Vehicles (SPVs), either directly or in partnership with other infrastructure players.

The main business operations of our 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, our Company has focused on all these areas to augment resources. Our 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. All the six projects in our portfolio, are in Tolling & Operational phase covering approximately 2100 Lane kms. The Operational projects are located in the states of Kerala, Madhya Pradesh, Haryana, Uttar Pradesh, Odisha, and 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.
6. **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 Foreclosed:

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 mutually foreclose the said Agreement without any penalty, however, with a condition that the performance bank guarantees must be kept alive and agreed to address the claims / losses of OSEPL through ISAAC (NHA)'s

dispute redressal mechanism) failing which OSEPL may refer to 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". As NHAI despite requests did not constitute the ISAAC, OSEPL invoked arbitration and submitted a claim of around ₹ 945 crores against NHAI towards total losses incurred finance and capital 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 ₹ 322.78 Crores (including interest) on 31st March 2019. 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 application for setting aside the award under section 34 of the Arbitration and Conciliation Act, 1996 and its amendments before the Delhi High Court. NHAI has deposited the total award amount with the High Court Registry. Currently, the matter is pending before the Delhi High Court for adjudication.

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. With the commencement of tolling on 82.95 km of Solapur-Maharashtra/ Karnataka border section of NH-9, all the projects under the portfolio of your Company are now revenue generating projects.

• COVID-19 Impact

With the nationwide lockdown announced to curb the spread of COVID19 pandemic, the inter-state and intra state traffic came to a grinding halt. Following the promulgation of lockdown since 25th March 2020, the National Highways Authority of India announced suspension of tolling till 19th April 2020 on all National Highways across the nation. Some states extended the prohibitory orders on traffic movement and hence tolling on Thrissur- Angamali section of NH-47 under GIPL and Indore-Ujjain section on State Highway 27 remained suspended till 3rd May 2020 whereas on others, the suspension of tolling was applicable as per NHAI directives.

The suspension of tolling and dip in passenger and freight traffic during the subsequent phases of lockdown has so far resulted in an estimated loss of ₹92.53 crore in toll revenue across all the operational projects till 30th June, 2020. NHAI has announced a compensation for the revenue loss by way of extension of concession period for the period of toll suspension as well as for days where toll revenue is less than 90% of daily toll collection of FY19-20.

• Traffic and Revenue Growth

During the year under review, the Traffic across our various road projects witnessed a degrowth of 1.2% from last year due to several factors such as COVID 19, economic slowdown, Lok Sabha elections, adjacent competing road (Kundli Manesar Palwal Expressway) operational at KEPL & several force majeure incidents such as political protests, natural calamities like cyclones and floods. Although these events adversely affected the traffic growth across our project stretches, the Average Daily Revenue (ADR) across all the operational projects increased by 12% to ₹185.68 Lakhs in Financial Year 2019-20 from ₹165.84 Lakhs in Financial Year 2018-19. The toll revenue

is expected to recover from initial slump during COVID-19 impact period and improve further with increased economic activity across the high growth industrial corridors along the project stretches. All of our Company's projects have implemented new updated most modern Tolling system (ETC operations) which reflected in higher Toll collection & decrease in operational cost.

- o **Ghaziabad Aligarh Expressway Private Limited:** Due to overall economic slowdown, general elections restricting traffic movement & COVID 19 during the fag end of the financial year, the project has been able to register a modest toll revenue growth of 0.6% as Average Daily Revenue increased from ₹57.79 Lakhs in FY 2018-19 to ₹58.13 lacs in FY 2019-20. Major increase in Revenue was on account of growth of freight traffic on this corridor. The toll revenue is expected to improve further as soon as the 4 laning of Aligarh Kanpur section is completed.
- o **Mahakaleshwar Tollways Private Limited:** Post installation of new upgraded Toll Management System (TMS), the project has been able to register toll revenue growth of 1% as the Average Daily Revenue increased from ₹8.61 Lakhs in FY 2018-19 to ₹8.69 lacs in FY 2019-20 inspite of economic slowdown & COVID 19 impact. The company is also pursuing claims on Madhya Pradesh Road Development Corporation (MPRDC) for the Toll loss due to forced exemptions and loss of actual Toll during demonetization and Simhashta Parva periods.
- o **Shree Jagannath Expressways Private Limited:** The project has been provisionally completed and the balance work is being expeditiously implemented on the stretches which were handed over late to the Company due to Right of Way (ROW) issues. The Average Daily Revenue (ADR) sharply improved to 48.47 Lakhs in FY 2019-20 as compared to ₹ 42.79 Lakhs in FY 2018-19. The reason for this spurt in revenue is due to increase in freight traffic because of spurt in the economic activity in the region. 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 ₹150 Crore towards loss of Toll that was not allowed to be collected by NHAI after the completion of construction of Mahanadi Bridge.
- o **Kurukshetra Expressway Private Limited:** Operation of parallel competing road corridor Kundli Manesar Palwal Expressway opened by the Haryana Government resulted in stagnation of Toll collections. The Average Daily Revenue slightly increased to ₹20.81 lakhs in FY 2019-20 from ₹ 19.62 Lakhs in FY-2018-19. The company also won an Arbitration Award of ₹47 Crores and an extension of 58 days in the concession period which has been challenged by NHAI at the Delhi High Court.
- o **Guruvayoor Infrastructure Private Limited:** During the year under review, the Company has shown a modest growth of 5.08% in Average Daily Revenue to ₹ 33.27 lakhs in FY 2019-20 as against ₹ 31.66 Lakhs in FY 2018-19. The Company has also been suffering loss in revenue due to non-payment of toll by KSRTC buses and for the free passes issued as per the Govt of Kerala. Hence the company has invoked arbitration against NHAI for all the claims which are pending for adjudication.
- o **Solapur Tollways Private Limited:** During the year under review, the company achieved substantial work progress by

completing almost 82% of the project. At certain locations, the Project suffered due to delay in acquisition of land and shifting of utilities. The extension of project completion date has been recommended by NHAI till 31st March, 21. The company has achieved provisional commercial operation for 82.95 Km length and commenced Toll operations with effect from 3rd February 2020. During the 2 months of operations, the project has been able to achieve an ADR of ₹16.31 lacs during the FY 2019-20.

• **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 successfully implemented Hybrid ETC system in all its operational projects. 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. The company has also initiated Centralized Control Room in Registered office Kolkata to monitor all Toll Management System at individual SPV which will be unique in nature.

• **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 focused on value accretion and strengthening operational efficiency.

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-tender 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. Our 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 and arbitration.

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 as 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 ₹ 340 lakh crores 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 a strong 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.

Over the past few years, there has been a lot of proactive measures being taken up for reviving the infrastructure sector and thankfully Roads and Highways sector has so far been the biggest beneficiary of Government's thrust on infrastructure. Economic growth, preference of road in freight traffic, spurt in private participation and surge in passenger traffic and vehicle density are key growth drivers for infrastructure investments. Greater connectivity between different cities, towns and villages has led to increased road traffic over the years.

The opportunities under Bharatmala Pariyojana and National Infrastructure Pipeline open a plethora of opportunities for growth in the primary market. Simultaneously, the asset monetization initiatives taken up by National Highways Authority of India and Ministry of Road Transport and Highways have evinced considerable interest among the global private equity players and pension funds to leverage on the investment opportunities in Indian Roads and Highways sector. It has helped in bringing buoyancy in the secondary market in the sector.

NHAI has started the tendering process for projects worth ~Rs 1 lakh crore. Out of this, HAM accounts for ~60% of the tender value with EPC accounting for the rest. Currently BOT projects are not being actively tendered by NHAI.

The Government of India is quite empathetic to the concerns of the industry and has shown intent to resolve the crisis through a series of reform measures, the actual action on the ground needs to be effective enough to tackle the core issues related to land acquisition, time bound resolution of disputes, faster settlement of claims and local administrative support to streamline on-ground execution mechanism.

VII. RISK MANAGEMENT

Risk management forms an integral part of your Company's future growth strategy. The risk management strategy of your Company hinges on a clear understanding of various risks and adherence to well-laid out risk policies and procedures that are benchmarked with industry best practices. Your Company has developed robust systems and embraced sturdy practices for identifying, measuring and mitigating various risks and ensuring that they are maintained within pre-defined risk appetite levels.

Risk and Concern

• Growth Risk

Growth risk is the inability to effectively manage growth or to successfully implement business plans which depends heavily on the ability to plan and execute the growth strategy. Growth Risk can impact organic as well as inorganic growth vision of the Company

in the form of inability to successfully bid for new projects at attractive IRR or acquisition of existing stressed projects at attractive valuation.

Your Company's growth risk mitigation strategy is guided by constant review and analysis of market opportunities and trends in both organic and inorganic space for selective bidding for new projects and acquisition for projects falling within our stringent investment criteria.

• Business Risk

Business Risk includes risks with respect to competition, capital intensiveness, input cost, traffic growth for BOT projects and labour.

Your Company faces risk of competition as the sector is growing and more players get qualified to bid for new projects, also as the business which your company operates is capital intensive by nature, availability of sufficient funds is critical for bidding of projects, particularly in case of fund-based projects such as BOT- toll, HAM and TOT model. Further, availability of the right quality and quantity of resources is critical for the timely completion of infrastructure projects, any unexpected increase in the input costs will have direct impact on overall margins. Moreover undue attrition of manpower could lead to loss of competitive edge as it may lead to project delays.

Your Company has a well-designed mitigation plan to address these business risks. Company adapts its policies and procedures to ensure a sustained business model. Your Company strives to execute maximum number of projects before their scheduled completion and within the budgeted cost. Your Company operates its working capital cycle in a highly optimized manner, your company enters into contracts with EPC Partners which has the relevant cost escalation provisions that protect your Company's margins. Further, your company's focus is to build an organisation of highly motivated employees, having the ability to execute ambitious business goals with passion and commitment, thereby exceeding customer aspirations. The working environment of the Company is cordial and employee-friendly. The remuneration is at par with the industry standards.

• Regulatory Risk

The business of the company is significantly dependent on various Government entities and could be adversely affected if there are adverse changes in the policies adopted by such Government entities.

Your Company regularly reviews and monitors government policies and likely developments along with an impact assessment of those policies so that necessary actions can be planned and implemented from time to time.

VIII. HUMAN RESOURCES AND INDUSTRIAL RELATIONS

Your Company has shown commitment in embracing an integrated approach towards the overall development of Human Resources and adopted best human resource practices over the past few years. In terms of its manpower strength, the overall headcount of the group (including the SPVs) till 31st March 2020 is 1442 which includes 11 employees of Bharat Road Network Limited & 1431 at project SPVs, consisting of on-roll employees & off-roll resources of 748 & 694 respectively.

The Human Resources department acts as a catalyst to enable employees under BRNL and its SPV to contribute at optimum levels