



Growth Trajectory!

GPT INFRAPROJECTS LIMITED
37th Annual Report 2016-17



Forward-looking statement

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 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 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.



Contents

02	Corporate identity	14	Corporate information
04	Our management	15	Director's report
06	Chairman's review	38	Management discussion and analysis
10	How we enhanced value in the last few years	45	Report on corporate governance
11	Operational review	62	Standalone financials
12	Our robust business model	111	Consolidated financials



Infrastructure growth will drive India.

There is a growing consensus that India represents possibly the world's most attractive infrastructure opportunity.

Marked by unprecedented investments in railway facilities, roads, airports and ports.

This emphasis on infrastructure will benefit focused and specialized companies like GPT Infraprojects.

GPT Infraprojects Limited.

One of India's leading infrastructure construction companies.

Possessing strong project execution capabilities

Marked by knowledge and competence across the project value chain

Possessing a strong, liquid and credible Balance Sheet

Enjoying an attractive and profitable order book

Background

GPT Infraprojects Limited is the flagship company of GPT Group (incorporated in 1980) headquartered out of Kolkata. The Company is engaged in civil and infrastructure projects.

The Company comprises two businesses:

Infrastructure: GPT addresses engineering, procurement, and construction (EPC) projects in sectors like railways, roads, power and industry.

Concrete sleeper: GPT manufactures pre-stressed concrete sleepers in India and Africa. We also export to neighbouring countries such as Bangladesh and Sri Lanka.

Capabilities



1. Infrastructure



Steel Bridges



Roads, Bridges and Highways



Railway Tracks



Metro



Power and Industrials



2. Concrete sleepers

Manufacturing locations

Panagarh

4,80,000

sleepers per annum

Ramwa and Pahara

4,80,000

sleepers each per annum

Ladysmith (South Africa)

5,00,000

sleepers per annum

Tsumeb (Namibia)

2,00,000

sleepers per annum

Shareholder value

GPT Infraprojects' market capitalization increased by 12% in 2016-17.

Market capitalization as on
31st March 2016 (₹ cr)

320

Market capitalization as on
31st March 2017 (₹ cr)

358

Order book

The Company's order book grew 12 % through 2016-17.

Order book as on
31st March 2016 (₹ cr)

1650

Order book as on
31st March 2017 (₹ cr)

1851

Clientele (limited list)

- Indian Railways
- Rail Vikas Nigam Limited
- Ircon International Limited
- BHEL
- RITES Limited
- Arunachal Pradesh PWD
- Hooghly River Bridge Commissioners
- GMR Infrastructure Limited
- Transnet Freight Rail
- TransNamib Holdings Limited
- DVC
- West Bengal PWD
- MoRTH

Awards and accreditations

- Awarded Emerging India Award for Infrastructure from ICICI Bank, CNBC TV-18 and CRISIL in 2011.
- Quality Standard ISO 9001:2015.
- Star Export House Certification by Ministry of Commerce, Government of India.
- Awarded Best Infrastructure Brand, 2016 by The Economic Times

Listing

- GPT Infraprojects Limited is listed on BSE Limited and National Stock Exchange of India Limited and its shares are actively traded.



Our management



DWARIKA PRASAD TANTIA
Chairman

With an experience of over 45 years, he leads the Company's growth initiatives. He was the person responsible for the Company's entry into the sleeper business both in India and internationally.

Chairman: CSR Committee
Stakeholders Relationship Committee
Executive Committee

Member: Nomination & Remuneration Committee



SHREE GOPAL TANTIA
Managing Director

He has an experience of over 35 years in the infrastructure space and heads the Group's EPC business segment and manages its strong and diverse customer base.

Member: CSR Committee
Stakeholders Relationship Committee
Executive Committee



ATUL TANTIA
Executive Director

B.S. Finance,
Wharton School
B.S. Systems Engineering
University of Pennsylvania

Leads the Company's manufacturing operations and manages relationships with banks and financial institutions.

Member: Executive Committee



VAIBHAV TANTIA
Director and COO

B.S. Finance,
Wharton School
B.S. Civil Engineering
University of Pennsylvania

Leads the EPC segment including management of projects and business development.



ARUN KUMAR DOKANIA
Chief Financial Officer

B.Com, FCA

Has over 35 years of experience in the industry and is an experienced finance professional, responsible for the Company's finance, accounts, banking and legal matters.

Independent Directors



VISWA NATH PUROHIT

Independent Director

Is a fellow member and holds certificate of practice with the ICAI. He carries more than 55 years of experience in Accounts, Finance and Taxation.

Chairman: Audit Committee

Member: Nomination & Remuneration Committee, CSR Committee



MAMTA BINANI

Independent Director

A fellow member and holds certificate of practice with the ICSI. Was President of ICSI in 2016 and has more than 15 years of experience in Corporate Consultation & Advisory.

Member: Audit Committee



SUNIL PATWARI

Independent Director

Holds PGDM degree from IIM, Ahmedabad and is an associate member with ICAI. Has wide experience in the area of Business Management, Accounts, Taxation and Finance.

Chairman: Nomination & Remuneration Committee



KUNAL KUMTHEKAR

Nominee Director

Holds a Bachelor's degree in Mechanical Engineering and an MBA degree. Is also a graduate of the Wharton Advanced Management Program. Has a rich experience in financial markets and was associated with JM Financial.

Member: Audit Committee, Nomination & Remuneration Committee



SHANKAR JYOTI DEB

Independent Director

Holds a Bachelor's degree in Science and Bachelor's degree in Civil Engineering. Has completed a financial management programme from IIM, Calcutta. Has wide experience in designing, engineering and implementation of civil projects.

Member: Stakeholders Relationship Committee



KASHI PRASAD KHANDELWAL

Independent Director

Is a fellow member and holds certificate of practice with the ICAI. Has wide knowledge on subjects such as Union Budget, Service Tax, Accounting, Auditing, Corporate Laws, Corporate Governance, Information Technology and Income Tax matters.

Member: Audit Committee

Chairman's review



The company enjoys the attractive coming together of the largest order book in its existence on the one hand of ₹1,850 cr and higher margins of the orders received, which should enhance our overall profitability going ahead.

On a promising growth trajectory

At GPT Infraprojects Limited, we believe that we are passing unprecedented times from an economic and national transformation point of view.

Economic overview

India is expected to remain the fastest growing major economy in 2017, according to International Monetary Fund. India's Current Account Deficit increased from about 1% of GDP in 2015-16 to 1.4% of GDP in the final quarter 2016-17 due to a widening of the trade deficit. As on May 12, 2017, India's foreign exchange reserves reached \$443.6 billion, representing a comfortable cover for about 12 months of imports. India graduated from the ninth largest manufacturing country to the sixth.

Infrastructure growth

This economy has started to generate infrastructure growth across various segments. Initiatives such as the Pradhan Mantri Gram Sadak Yojana and the Sagarmala projects are proof that infrastructure is what will drive our nation's growth. The same optimism has been carried forward to the railways sector. For 2017-18, the total capital and development expenditure of Railways was estimated at ₹1,310 billion. Railway lines of 3,500 km are likely to be commissioned in 2017-18 against 2,800 km in 2016-17. Some 953 km of new tracks were laid in 2016-17 against the targeted 400 km; track electrification of over 2,000 km, and gauge conversion of over 1,000 km.

In March 2016, the Union Government launched the Setu Bharatam programme to build Rail Over Bridges and Rail Under Bridges at railway crossings to minimize

₹217 cr

Value of the largest-ever construction order received by the Company

Ramwa and Pahara capacity

4,80,000

sleepers each per annum





frequent accidents and loss of lives at level crossings. As a result, more than 1,503 unmanned level crossings were eliminated in 2016-17; it is estimated that all unmanned level crossings on broad gauge lines will be eliminated by 2020.

Translating promise into performance

At GPT Infraprojects, we believe that we are at an attractive inflection point in our existence.

The company enjoys the attractive coming together of the largest order book of ₹1,850 cr in its existence on the one hand and orders with higher operating margins on the other hand. This should enhance our overall profitability going ahead.

Of the ₹711 cr orders received in the last year, the majority of the orders comprised construction projects, mostly for execution of steel girder bridges, ROB, and RUBs and contracts for the concrete sleeper segment. As you are aware, historically the company has solely participated in government contracts, wherein the visibility of funding and decision making is clear. We continue to carry forward the same approach in future as well. These contracts have been accompanied by better payment terms, marked by

mobilization advances and shorter receivable cycles. Besides, I am pleased to report that the average ticket size of our orders have improved from ₹40 cr a few years ago to more than ₹100 cr today, translating into project economies and increased profitability.

It would be pertinent to communicate that during the course of the year under review, the Company received its largest ever construction order of ₹217 cr in its name. This project comprises construction of bridges on the Mathura-Jhansi third line for Rail Vikas Nigam Limited and is to be completed within 36 months. On completion of this project, the company will be able to bid for projects in the range of ₹1,000 cr in its independent capacity from 2020 onwards.

Even as this has progressively evolved the quality and quantity of our order book, I am pleased to report that there has been an improvement in our cash flows and a corresponding decline in our

working capital cycle from 232 days as on 31st March, 2015, 152 days as on 31st March 2016 to 121 days as on 31st March 2017 following a quicker payments inflow.

This improvement had a trickle-down impact on the company's finance costs during the year under review. Even as turnover increased, which should have increased the company's working capital outlay and related costs, the company moderated its finance costs by ₹85 lacs to ₹37.8 cr during the course of the year under review.

What we could have done better

I am pleased to state that the improvement in the company's revenues, though by a marginal 2 per cent, and increase in profit after tax by 24.4 per cent came in the face of one of the most challenging sectoral realities during the last financial year.

The currency demonetization during the course of the year resulted in extensive absenteeism, affecting manpower mobilisation and deployment across project sites. This led to the deferment of execution of contracts in the third quarter

The company has successfully commissioned two concrete sleeper

Eligible to bid for ₹1,000 cr contracts in independent capacity from 2020 onwards

Of the ₹711 cr orders received, the majority of the orders comprised construction projects, a smaller quantity accounted by railway sleepers.



factories for DFCC in Uttar Pradesh in March 2017. The delay in commissioning due to the demonetization exercise led to a revenue postponement to financial year 2017-18.

The company's operations in South Africa and Namibia were subdued during the year under review. The company's South Africa operations declined by 30 per cent while Namibia operations declined 10 per cent during 2016-17 following a slowdown in the respective economies, slower payments by customers and an order slowdown. I am pleased to state that the order inflow began to revive in the last two months of the financial year; there is now a project and revenue visibility for the next two years.

Strengthening the business

I am pleased to report that the company strengthened its business beyond what may be evident in the financials of 2016-17.

Even as the company's revenues may have only been marginally higher than

in the previous year, the direction of the company continues to be positive. Besides, the projects are larger, the margins hurdle rate higher and each of these projects, when complete, will make it possible for the company to address even larger projects.

During the course of the year under review, the company's credit rating was enhanced from BBB minus to BBB by CARE. This development, when coupled with a decline in rates by the banks will help the Company moderate its finance cost further. Besides, the company conducted its growing business with less debt, strengthening its gearing from 1.43 at the close of 2015-16 to 1.26 at the close of 2016-17.

Outlook

The outlook for the company's sector and business appear optimistic.

The Indian government announced a slew of reforms in 2016-17; one of the big changes was the merging of the Rail Budget with the Union Budget,



Business optimism

■ Larger Railways outlay

There is increased focus in rail network decongestion, accelerating railway tenders. The Union Budget 2017-18 announced the largest allocation for Indian Railways of ₹1.3 trillion with a cross Budgetary support of ₹55,000 cr. The government announced the commissioning of 3,500 km railway tracks in 2017-18, an increase of almost 25% over 2016-17.

GPT is a railway-focused player, attractively placed to capitalise on track renewals, network decongestion and expansion projects.

■ Replacing legacy assets

The Indian Railways replaced 1,503 legacy unmanned level crossings and 84 manned level crossings with road-over-bridges and road-under-bridges in 2016-17.

Of India's 28,607 level crossings, 19,267 are manned and 9,340 unmanned; Indian Railways expects to eliminate all unmanned level crossings by 2020. The Central government has sanctioned approximately ₹2,300 cr for building road-over-bridges in West Bengal, a major market for GPT.

Of the 19 road-over-bridge projects expected to commence in West Bengal, GPT expects to be engaged in the construction of a sizable number.

■ Dedicated Freight Corridor

Dedicated Freight Corridor Corporation of India Limited is awarding contracts for eastern and western freight corridors. Around ₹14,000 cr contracts are expected to be awarded in 2017-18 resulting in project completion by 2019. The government announced three new dedicated