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GAMMON INDIA LIMITED



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Vidyasagar Setu

Cover Photograph - Parabati Hydro Power Project

Chairman's Letter



Dear Shareholders,

It gives me great pleasure to share my thoughts with you once again.

The process of infrastructure development in our country has now irreversibly caught the imagination of all the stakeholders. The policy makers, the investors, the financial markets, the developers and the contractors are all contributing towards ensuring that this process continues the momentum that has gradually built-up in the last few years.

The central government as well as the state governments are accelerating the implementation of projects across a wide spectrum of sectors like transportation, power, energy, water and waste water management, ports, airports, urban infrastructure, irrigation and pipelines. These projects are being funded by a mix of government spending and private sector participation.

Your company is well positioned to take advantage of these developments. The contracting business has over the years been the core strength of your company. Further your company has been an early entrant in public-private partnership projects which are being managed through Gammon Infrastructure Projects Limited, a subsidiary of your company.

The year under review was a modest year as far as top line growth is concerned with the turnover growing marginally. This however has to be seen in the backdrop of the company having more than doubled its turnover in the preceding two years. The order backlog is approximately Rs.3800 crores indicating that your company should once again post a surge in turnover during 2005-2006.

Last year the macro economic factors were favourable for the capital markets. Heightened interest in the infrastructure sector saw most of the large companies opting to strengthen their net worth. Your company made a preferential issue of equity shares as well as a GDR issue totaling Rs.145 crores. Consequently the net worth of your company has increased from Rs.150 crores to Rs.325 crores.

Our sights are now on the future, full of emerging opportunities. Having formidable engineering and technological expertise at its command, your company is set to scale greater heights in the years ahead when India is poised for sustained economic growth riding on its infrastructure development.

Your company owes this remarkable growth to the spirited efforts and dedication of its human resources, which has resulted in it deservingly being called the 'Builders to the Nation'.

A handwritten signature in blue ink, consisting of a stylized 'A' followed by a series of loops and a final horizontal stroke.

Abhijit Rajan
Chairman & Managing Director



Board of Directors

Abhijit Rajan
Chairman & Managing Director

Peter Gammon
Chairman Emeritus

Himanshu Parikh
Executive Director

Rajul A. Bhansali
Executive Director

W. Paul Harriman
Director

C. C. Dayal
Director

S. K. Guha Thakurta
Director

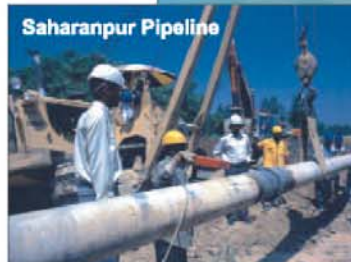
Atul Dayal
Director

Shobhit Rajan
Director

Kunal Shroff
Additional Director



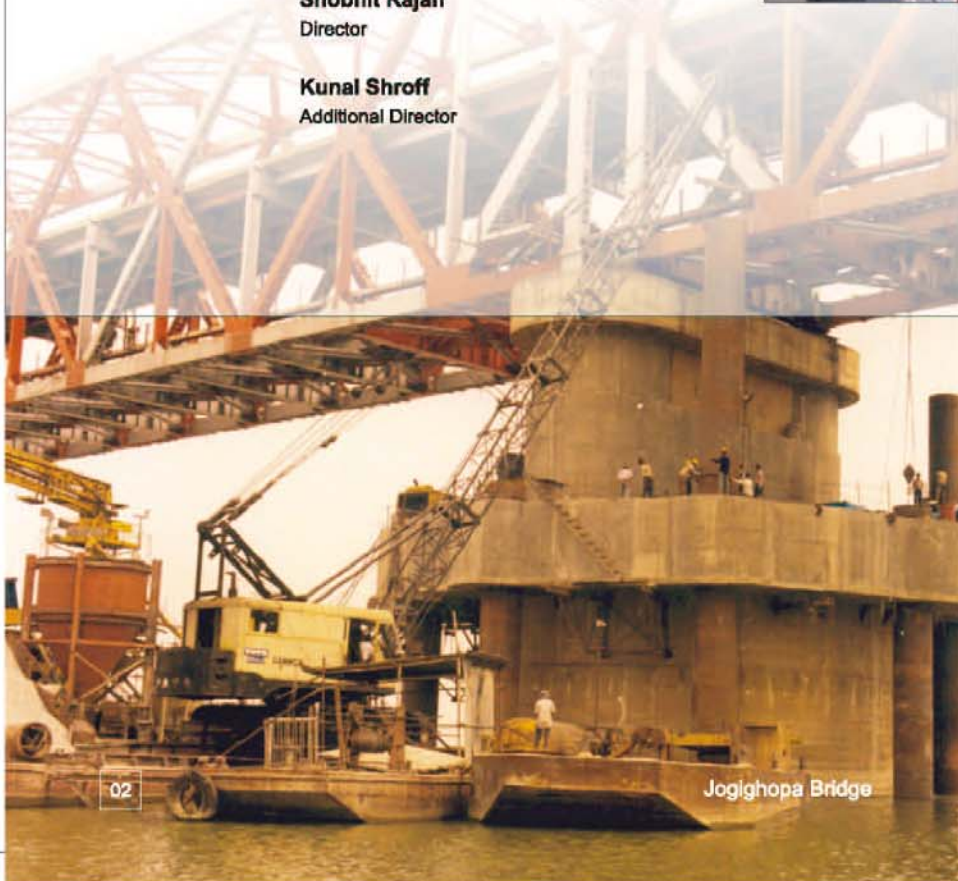
Pumban Bridge



Saharanpur Pipeline



Chennai Flyover



Jogighopa Bridge

REGISTERED OFFICE

Gammon House, Veer Savarkar Marg,
Prabhadevi, Mumbai - 400 025

Tel: +91-22-5661 4000

+91-22-2430 6761

+91-22-2430 1084

Fax: +91-22-2430 0529

+91-22-2430 0221

+91-22-5661 4025

gammon@gammonindia.com

Consortium Bankers

CANARA BANK

PUNJAB NATIONAL BANK

ALLAHABAD BANK

ICICI BANK

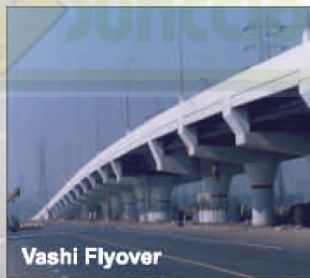
SYNDICATE BANK

IDBI BANK

ING VYSYA BANK



J.J. Flyover



Vashi Flyover



Parbati Hydro Electric Power Project



Haldia IDCT

AUDITORS
NATVARLAL VEPARI & CO.



Gammon's Projects



Andheri Sports Complex



Panvel Bridge



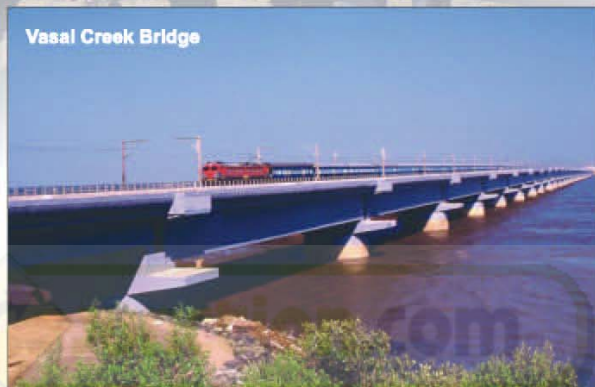
Delhi Metro Rail



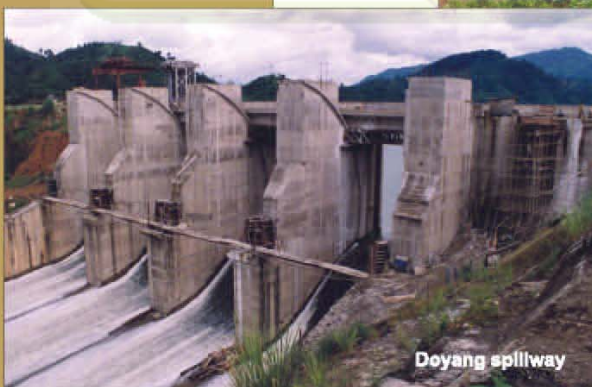
Bangaladesh Jetty



Saharanpur Pipeline



Vasal Creek Bridge



Doyang spillway



Jadukatta Bridge



Consolidating position as an industry leader

Balance Sheet (Rs. In Lacs)

| Particulars | As at 31st December 2004 | As at 31st March 1998 | Particulars | As at 31st December 2004 | As at 31st March 1998 |
|-------------------------------|-----------------------------|--------------------------|-----------------------------------|-----------------------------|--------------------------|
| SOURCES OF FUNDS : | | | APPLICATION OF FUNDS : | | |
| Own Funds | 32520 | 3952 | Fixed Assets | 25334 | 4622 |
| Borrowed Funds | 30309 | 3666 | Investments | 8962 | 724 |
| Deferred Tax Liability | 3659 | - | Working Capital | 32192 | 2272 |
| | 66488 | 7618 | | 66488 | 7618 |

Profit & Loss Account (Rs. In Lacs)

| Particulars | Apr.04 to Dec.04 (9 months) | 2003-2004 | 2002-2003 | 2001-2002 | 2000-2001 | 1999-2000 | 1998-1999 | 1997-1998 |
|-------------------|--------------------------------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|
| Turnover | 86660 | 111972 | 72665 | 51399 | 50376 | 45167 | 32768 | 21501 |
| Profit Before Tax | 5159 | 5446 | 3528 | 3158 | 2016 | 1820 | 1241 | 1016 |

Consistent Growth in Work Order Position

| Year Ended | Annual Turnover (Rs. In Lacs) | Closing Work Order Position (Rs. In Lacs) | Cover Annualised (Expressed in years) |
|------------------------------|----------------------------------|--|--|
| March, 1998 | 21501 | 77135 | 3.6 |
| March, 1999 | 32768 | 95725 | 2.9 |
| March, 2000 | 45167 | 98815 | 2.2 |
| March, 2001 | 50376 | 133045 | 2.6 |
| March, 2002 | 51399 | 228130 | 4.4 |
| March, 2003 | 72665 | 285915 | 3.9 |
| March, 2004 | 111972 | 307848 | 2.7 |
| December, 2004 (9 months) | 86660 | 374668 | 3.2 |

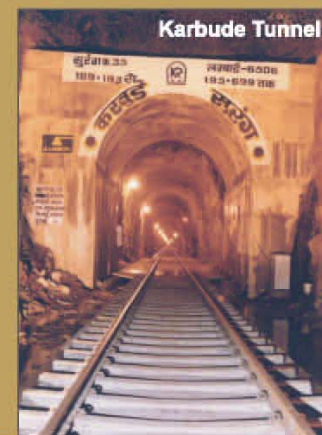
Strong Financial Ratings

CARE has assigned the following rates :

| | TENURE (Months) | AMOUNT (Rs. In lacs) | RATING |
|------------|-----------------|----------------------|------------------|
| Short Term | 12 | 13500 | PR1 ⁺ |
| Long Term | 84 | 4000 | AA |
| Long Term | 120 | 5000 | AA |
| Long Term | 120 | 5000 | AA |

and

CRISIL has assigned a "AA, stable rating" for Non Convertible Debenture of Rs 5000 lacs.



Undale Water Treatment Plant



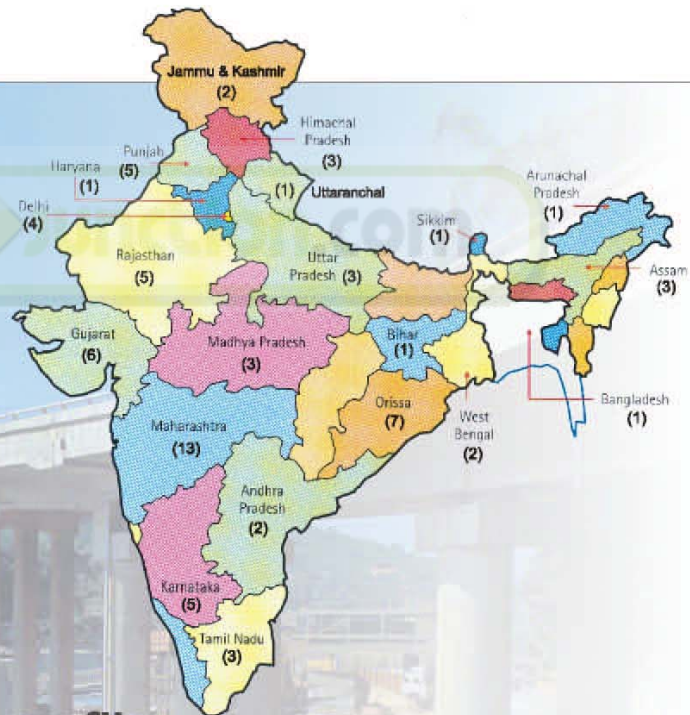
Jogighopa Bridge

Projects being executed as on 31st December, 2004

Areas of Specialisation

| | | | | | | |
|---|-----------|-----------|-----------|-----------|----------|-----------|
| Transportation Engineering | 12 | 2 | 10 | 5 | - | 29 |
| Energy Projects & Highrise Structures | 3 | 4 | - | 6 | - | 13 |
| Hydraulic Works & Irrigation Projects | 2 | 2 | 1 | 2 | - | 7 |
| Tunnel Engineering | 2 | - | - | - | 1 | 3 |
| Marine Structures | - | - | - | - | 1 | 1 |
| Public Utility Structures | 3 | 1 | 1 | 1 | - | 6 |
| Ground Engineering & Environment Protection | 1 | - | 1 | 6 | - | 8 |
| Pipelines | 1 | 1 | 1 | 2 | 1 | 6 |
| Total | 24 | 10 | 14 | 22 | 3 | 73 |

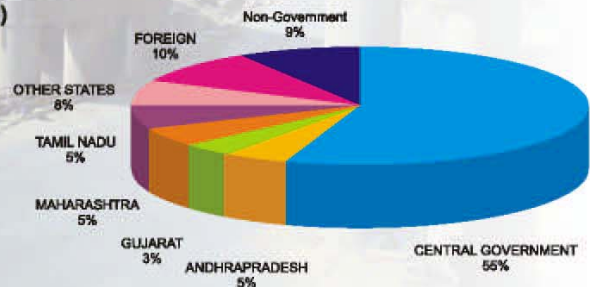
| North | South | East | West | Foreign | Total |
|-------|-------|------|------|---------|-------|
| 12 | 2 | 10 | 5 | - | 29 |
| 3 | 4 | - | 6 | - | 13 |
| 2 | 2 | 1 | 2 | - | 7 |
| 2 | - | - | - | 1 | 3 |
| - | - | - | - | 1 | 1 |
| 3 | 1 | 1 | 1 | - | 6 |
| 1 | - | 1 | 6 | - | 8 |
| 1 | 1 | 1 | 2 | 1 | 6 |
| 24 | 10 | 14 | 22 | 3 | 73 |



Client profile

(Contracts - value wise)

- Central Government
- Andhra Pradesh
- Gujarat
- Maharashtra
- Tamil Nadu
- Other States
- Foreign
- Non-Government





Ten years of financial highlights

| | 1995-96 | 1996-97 | 1997-98 |
|---|---------------|---------------|---------------|
| A.FINANCIAL POSITION : | | | |
| Share Capital | 216 | 216 | 216 |
| Reserves & Surpluses (Excluding Revaluation of Assets) | 2,722 | 3,106 | 3,736 |
| Revaluation Reserve | - | - | - |
| SHAREHOLDERS' FUNDS | 2,938 | 3,322 | 3,952 |
| Loan Funds | 3,686 | 3,973 | 3,666 |
| Deferred Tax Liability | - | - | - |
| TOTAL CAPITAL EMPLOYED | 6,624 | 7,295 | 7,618 |
| ASSETS : | | | |
| Fixed Assets (Net) (Excluding Revaluation of Assets) | 3,391 | 3,657 | 4,622 |
| Amount of Revaluation | - | - | - |
| Total Net Fixed Assets (Including Revaluation of Assets) | 3,391 | 3,657 | 4,622 |
| Current Assets (Net) | 2,400 | 2,929 | 2,272 |
| Investments | 833 | 709 | 724 |
| TOTAL ASSETS | 6,624 | 7,295 | 7,618 |
| B.OPERATING RESULTS : | | | |
| TURNOVER | 15,157 | 17,478 | 21,501 |
| Other Income | 1,684 | 900 | 252 |
| TOTAL INCOME : | 16,841 | 18,378 | 21,753 |
| Net Profit After Tax | 656 | 455 | 701 |
| Dividend Distributed | 76 | 76 | 76 |
| Tax on Dividend | - | 8 | 8 |
| Cash Profits | 966 | 818 | 1,092 |
| C.EQUITY SHARE DATA : | | | |
| Earnings Per Share (Rs) (On Base Capital of 1995-96) | 30 | 21 | 32 |
| Earnings Per Share (Rs) (On Weighted Average Capital) | 30 | 21 | 32 |
| D.IMPORTANT RATIOS : | | | |
| Debt Equity Ratio | 1.25 | 1.20 | 0.93 |
| Sales / Average of Net Fixed Assets (Number of Times) | 4.97 | 4.96 | 5.19 |
| Sales / Average of Net Working Capital (Number of Times) | 7.64 | 6.56 | 8.27 |
| Book value of Share (Without Revaluation Reserve) | | | |
| Book value of Share (With Revaluation Reserve) | | | |

Jindal Chimney