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Annual Report
2005 - 2006

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Contents

Chairman's Letter	1
Board of Directors	2
Consortium Bankers & Auditors	3
Consolidating Position as an Industry leader	4
Projects being executed as on 31st March, 2006	5
Financial highlights	6
Performance Highlights	8
Top Projects under execution	10
Public Private Partnership Projects	12
Gammon's Projects	14
Directors Report	17
Report on Corporate Governance	23
Management discussion and analysis	32
Gammon India Limited - 83rd Annual Report	40
Consolidated Accounts	65





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'.

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
- **C. C. Dayal**
Director
- **S. K. Guha Thakurta**
Director
- **Atul Dayal**
Director
- **Naushad Forbes**
Additional Director

REGISTERED OFFICE

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

Tel : +91-22-6661 4000
+91-22-2430 6761
+91-22-2430 1084

Fax : +91-22-2430 0529
+91-22-2430 0221
+91-22-6661 4025

Email : gammon@gammonindia.com



Chennai Flyover



Paradip Haldia Pipeline



Delhi Metro Rail Project



Consortium

Bankers



Water Treatment Works at Shirbhavi



Dolphin Jetty

CANARA BANK

PUNJAB NATIONAL BANK

ALLAHABAD BANK

ICICI BANK

SYNDICATE BANK

IDBI BANK

ING VYSYA BANK

AUDITORS

NATVARLAL VEPARI & CO.



Parbati Hydro Electric Power Project

an industry leader

Balance Sheet (Rs. In Lacs)

Particulars	As at 31st March 2006	As at 31st March 1998	Particulars	As at 31st March 2006	As at 31st March 1998
SOURCES OF FUNDS :			APPLICATION OF FUNDS :		
Own Funds	85848	3952	Fixed Assets	30972	4622
Borrowed Funds	17059	3666	Investments	11618	724
Deferred Tax Liability	3452	-	Working Capital	63769	2272
	10,6359	7618		10,6359	7618

Profit & Loss Account (Rs. In Lacs)

Particulars	Jan.05 to Mar.06 (15 months)	Apr.04 to Dec.04 (9 months)	2003-2004	2002-2003	2001-2002	2000-2001	1999-2000	1998-1999	1997-1998
Turnover	146793	86660	111972	72665	51399	50376	45167	32768	21501
Profit Before Tax	11117	5159	5446	3528	3158	2016	1820	1241	1016

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Strong Financial Ratings

CARE has assigned the following rates :

	TENURE (Months)	AMOUNT (Rs. In lacs)	RATING
Short Term	12	17500	PR1 ⁺
Long Term	120	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.

Kaiga Nuclear Power Project



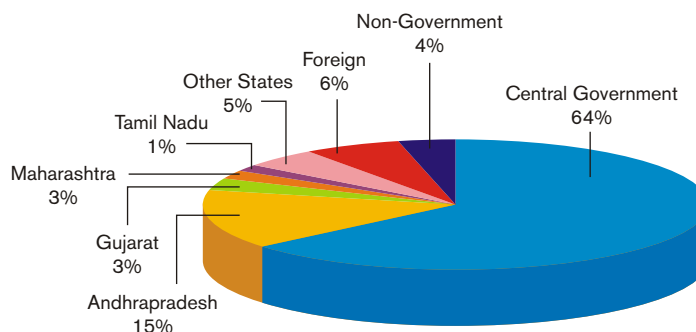
Projects being executed as on 31st March, 2006

Areas of Specialisation	North	South	East	West	Foreign	Total
Transportation Engineering	6	1	13	3	0	23
Energy Projects & Highrise Structures	7	4	2	4	0	17
Hydraulic Works & Irrigation Projects	0	4	0	0	0	4
Tunnel Engineering	2	0	1	0	0	3
Public Utility Structures	1	0	0	2	0	3
Ground Engineering & Environment Protection	0	1	0	1	0	2
Pipelines	0	0	1	1	1	3
Total	16	10	17	11	1	55



Client profile

(Contracts - value wise)



financial highlights

	1996-97	1997-98	1998-99
A. OPERATING RESULTS :			
TURNOVER	17,478.14	21,501.02	32,768.15
Other Income	899.88	252.41	295.84
TOTAL INCOME :	18,378.02	21,753.43	33,063.99
Net Profit After Tax	454.53	700.96	1,000.89
Dividend Distributed	75.73	75.73	95.34
Tax on Dividend	7.57	7.57	9.53
Retained Earnings	180.89	662.30	711.02
Depreciation	363.40	390.92	491.20
Cash Profits	817.93	1,091.88	1,492.09
B. FINANCIAL POSITION :			
ASSETS :			
Fixed Assets (Net) (Excluding Revaluation of Assets)	3,656.53	4,622.03	5,891.56
Amount of Revaluation	0.00	0.00	7,860.00
Total Net Fixed Assets (Including Revaluation of Assets)	3,656.53	4,622.03	13,751.56
Current Assets (Net)	2,929.30	2,271.77	2,832.12
Investments	709.63	724.63	1,663.39
TOTAL ASSETS	7,295.46	7,618.43	18,247.07
LIABILITIES :			
Share Capital	216.38	216.38	630.30
Reserves & Surpluses (Excluding Revaluation of Assets)	3,106.22	3,736.13	5,846.32
Revaluation Reserve	0.00	0.00	7,860.00
SHAREHOLDERS' FUNDS	3,322.60	3,952.51	14,336.62
Loan Funds	3,972.86	3,665.92	3,910.45
Deferred Tax Liability	0.00	0.00	0.00
TOTAL CAPITAL EMPLOYED	7,295.46	7,618.43	18,247.07
C. EQUITY SHARE DATA :			
Earnings Per Share (Rs) (On Base Capital of 1996-97)	21.00	32.00	46.00
Earnings Per Share (Rs) (On Weighted Average Capital)	21.01	32.39	25.27
D. IMPORTANT RATIOS :			
Debt Equity Ratio			
Sales / Average of Net Fixed Assets (Number of Times)	1.20	0.93	0.60
Sales / Average of Net Working Capital (Number of Times)	4.93	5.19	6.23
Book value of Share (Without Revaluation Reserve)	6.56	8.27	12.84



Dolphin Jetty, Bangladesh

(Rs. In Lacs)

1999-2000	2000-2001	2001 - 2002	2002 - 2003	2003 - 2004	Apr 04 - Dec 04 (9 Months)	Jan 05 - Mar 06
45,167.26	50,375.51	51,398.92	72,664.82	111,971.53	86,659.60	146,793.34
508.61	701.35	660.92	962.28	996.78	1,603.26	3,319.64
45,675.87	51,076.86	52,059.84	73,627.10	112,968.31	88,262.86	150,112.98
1,397.78	1,486.32	1,967.10	2,092.63	3,408.80	4,290.19	10,284.17
116.85	252.82	126.41	316.03	316.03	384.55	524.82
13.43	25.79	0.00	40.49	40.49	54.75	73.61
631.89	320.71	1,963.02	1,663.00	1,497.98	2,302.98	8,543.15
671.53	898.68	1,175.05	1,692.52	1,994.26	1,645.31	3,710.37
2,069.31	2,385.00	3,583.15	4,700.15	5,940.06	6,396.10	13,787.54
8,213.21	10,298.19	16,787.01	21,517.30	22,509.28	25,333.97	30,971.90
7,675.06	7,499.20	7,331.94	7,172.88	7,021.59	6,913.17	6,733.79
15,888.27	17,797.39	24,118.95	28,690.18	29,530.87	32,247.14	37,705.69
4,136.90	5,637.82	9,420.70	4,919.37	9,667.40	32,192.14	63,769.32
1,774.83	1,725.06	1,570.42	7,689.37	8,048.79	8,962.20	11,618.23
21,800.00	25,160.27	35,110.07	41,298.92	47,247.06	73,401.48	113,093.24
630.62	656.70	1,283.81	1,283.81	1,283.81	1,557.91	1,769.11
6,935.72	8,119.40	9,831.27	11,355.01	13,924.99	30,962.00	84,079.83
7,675.06	7,499.20	7,331.94	7,172.88	7,021.59	6,913.17	6,733.79
15,241.40	16,275.30	18,447.02	19,811.70	22,230.39	39,433.08	92,582.73
6,558.60	8,884.97	14,916.77	18,825.94	21,818.39	30,309.52	17,058.63
0.00	0.00	1,746.28	2,661.28	3,198.28	3,658.88	3,451.88
21,800.00	25,160.27	35,110.07	41,298.92	47,247.06	73,401.48	113,093.24
65.00	69.00	91.00	97.00	158.00	199.00	476.00
22.49	23.88	24.86	15.06	23.42	29.60	13.43
0.87	1.01	1.34	1.49	1.43	0.93	0.20
6.40	5.44	3.80	3.79	5.09	3.62	5.21
12.96	10.31	6.83	10.13	15.35	4.14	3.06
119.98	133.64	86.58	98.45	118.47	208.74	485.27
241.69	247.83	143.69	154.32	173.16	253.12	523.33

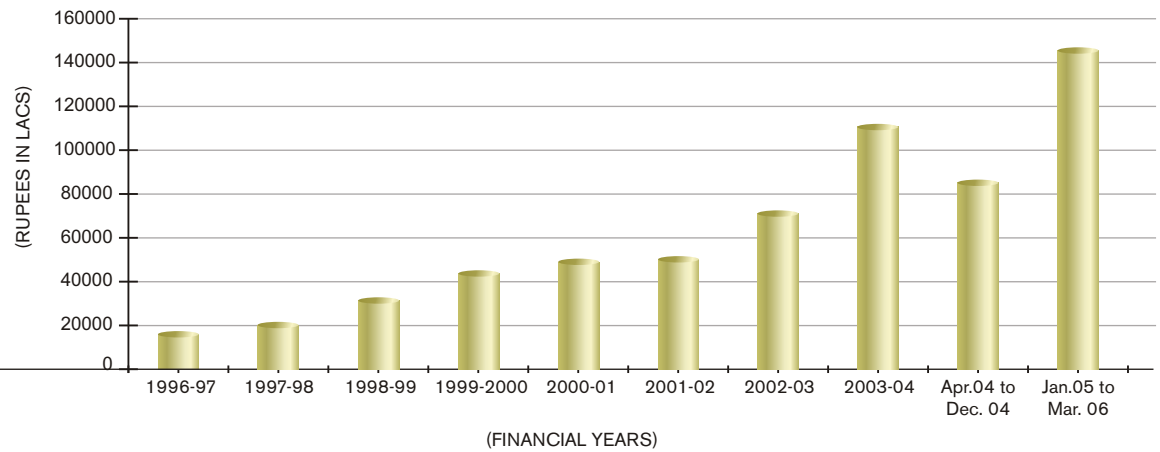
The Company had a "Rights Issue" in the ratio of 2:1 in October, 1998 and in the ratio of 1:1 in December, 2001.

The Company had allotted 18,25,000 new Equity Shares under preferential issue in November, 2004 and had allotted 9,16,030 new equity shares under the Global Depository Receipts in December, 2004.

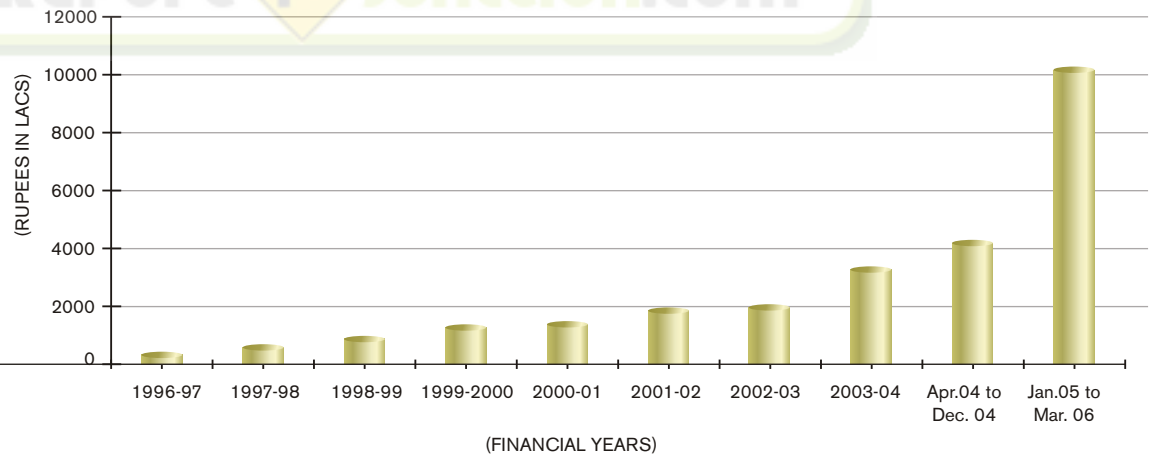
The Company had allotted 91,86,900 new equity shares under the Global Depository Receipts in January, 2006. The Company further allotted 13,72,700 new equity shares under the Global Depository Receipts in February, 2006 under Greenshoe option. EPS of shares indicated above is on increased share capital.

highlights

TURNOVER



NET PROFIT AFTER TAX



Delhi Metro Rail

