# GAMMON

BUILDERS TO THE NATION

## ANNUAL REPORT 2009-10

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Cover page image: Turbine made at Franco Tosi

# CHAIRMAN'S ADDRESS

**Dear Shareholders,**

As I reflect on the year that was, three things strike me as key influencing factors that shaped our ability to combat and successfully address uncertainties of the market environment and its dynamics during the period. These were the attributes of patience and perseverance; preparedness and thirdly, a single minded dedication born out of confidence in one's capabilities and strengths.

The year 2009 was a significantly test of our fundamental strengths. The aftermath of the global meltdown and the economic slowdown and more so it's unpredictable characteristic, was a real test of our resilience. At Gammon, one can say with a reasonable amount of satisfaction, that we demonstrated our resilience, by adopting the adage that 'patience and perseverance' pays. More so, when it is combined with dedication. This helped us capitalise on our fundamental strengths and address the second factor of preparedness with optimism when the year beginning 2010 showed signs of revival. The Indian economy which had consistently clocked an impressive performance for over a decade, posted a growth of around 7.5% during the Financial Year 2009-10.

As we look ahead, given the global context and India's emerging stature as a destination of growth, especially in the Infrastructure space, a growth rate of 8% during the coming year, is more than likely. It is a fact that all experts in the business and academic arena, concur on a definite shift in the centre of gravity towards Asia and in particular to India and China, in the very near future. In this scenario, our Government is rightly intending to double its investment in the key domain of Infrastructure development. This is expected to be close to US one trillion dollars ($ 1 trillion). We at Gammon as 'Builders to the Nation' are delighted at this wonderful opportunity wherein we can actively participate and partner in this growth agenda for the Nation. We are confident that given our fundamental competencies and commitment, Gammon can match the best of standards be it through its capabilities in turnkey projects, technical know-how or skilled talent pool.

In this context, it gives me pleasure to confirm that your company is well on track by making a significant headway towards new horizons of success and glory. This is reflected in the impressive results that your company has posted in the Financial Year 2009-10.

Your company's consolidated turnover during the Financial Year 2009-10 increased by more than 33% to ₹ 7070 crore from ₹ 5220 crore, on a year on year basis. This was ably supported by the good performance of our foreign entities which also showed a positive turnaround during the year. The operating profits of the company soared from ₹ 351 crore to ₹ 534 crore registering a growth of 52% during the same period. The profit post tax increased marginally from ₹ 64 crore to ₹ 70 crore. While potentially this could have been higher, the uncertainty in the international monetary climate led to a huge fluctuation in the foreign exchange, resulting in a sizable increase in financing costs. The Company's standalone order book as of June 2010 registered a solid score of ₹ 15000 crore.

At Gammon, we are now focussing on reinforcing our organisational excellence model. With this in perspective, we are enhancing our engagement and attention in the areas of customer relationships; speed of execution and on delivering maximum synergies across all the cross-functional operations of our various business units. Towards this, the organisation recently undertook a major restructuring of its business verticals. As a result; through mergers and acquisitions, we have been able to successfully garner our diverse resources. This in turn has enabled your company to revitalise the contribution from all its business entities. All in all, our business entities have together played a pivotal role in potentially tapping their key business facets and priming the company's growth agenda, in right earnest. Thanks to this and the dedicated efforts of all the employees, your company also successfully raised ₹ 305 crore through a Qualified Institutional Placement (QIP) programme. This resource will be used as a prime source of funding for your company's ongoing demands for business expansion, fixed assets and working capital requirements.

We are also happy to report that your company's strategic investments in Franco Tosi Meccanica and Ansaldo Caldaie have already started reaping benefits within a year. Gammon now plans to aggressively set its sights on the Power Generation business. Given its fairly strong in-house capabilities in the areas of Transmission and Distribution, Gammon will be well positioned to be in the forefront of this Energy space, steadily establishing its presence across the entire value chain of this business.

As pointed out earlier the recipe of persistence and perseverance hardly goes unnoticed and unrewarded. Given its innate strengths and skill sets, your company is very well equipped to meet and capitalise on the new and exciting opportunities that are now increasingly presenting themselves across all its business operations. We at Gammon are confident that the continuing efforts that are on in improving our project execution capabilities and turnaround time will complement our focus on expanding our business avenues. Concurrently, our dedicated efforts at speed tracking our customer relationship engagements alongside a committed management vision, will help your company remain vibrant and competitive.

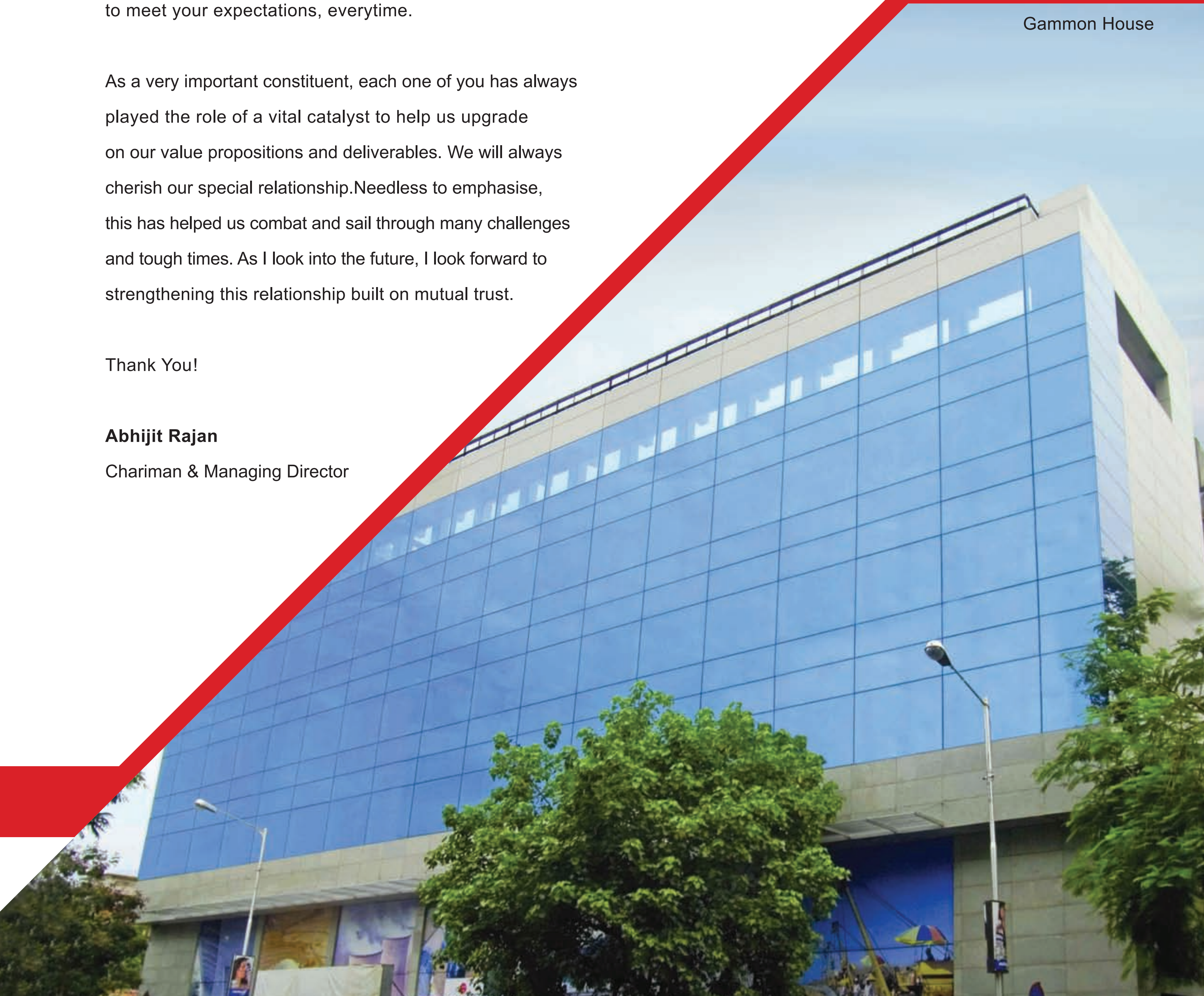
Finally and importantly, a word of gratitude and acknowledgement towards all our stakeholders. Stakeholders form the foundation for all that we have and are to accomplish. Our stakeholders have always remained supportive and gracious in all that we have undertaken. I take this platform to express my deepest sense of gratitude and appreciation to each one of our stakeholders. This includes among others; the investors, shareholders, our diverse customers, bankers and all those who have played a key role in Gammon's success till date. We as torch bearers of your company shall always endeavour to deliver beyond our potential so as to meet your expectations, everytime.

As a very important constituent, each one of you has always played the role of a vital catalyst to help us upgrade on our value propositions and deliverables. We will always cherish our special relationship.Needless to emphasise, this has helped us combat and sail through many challenges and tough times. As I look into the future, I look forward to strengthening this relationship built on mutual trust.

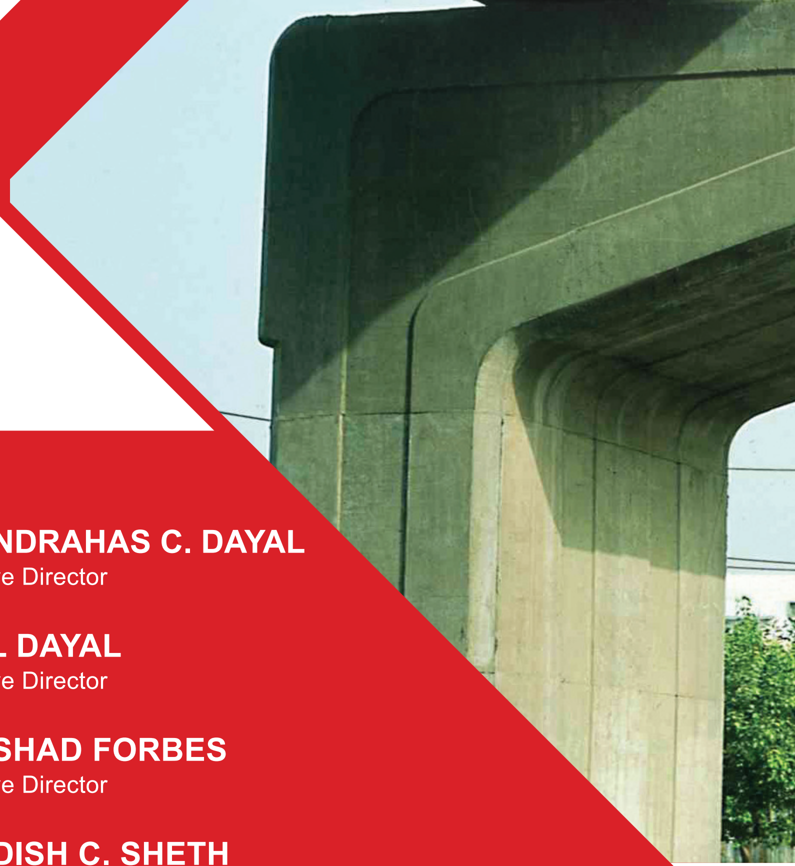
Thank You!

**Abhijit Rajan**

Chariman & Managing Director



Gammon House



# BOARD OF DIRECTORS

**MR. PETER GAMMON**
Chairman Emeritus

**MR. ABHIJIT RAJAN**
Chairman & Managing Director

**MR. ROHIT MODI**
Dy. Managing Director

**MR. HIMANSHU PARIKH**
Executive Director

**MR. RAJUL A. BHANSALI**
Executive Director
International Operations

**MR. DIGAMBAR C. BAGDE**
Director & CEO-(T & D Business)

**MR. CHANDRAHAS C. DAYAL**
Non-Executive Director

**MR. ATUL DAYAL**
Non-Executive Director

**DR. NAUSHAD FORBES**
Non-Executive Director

**MR. JAGDISH C. SHETH**
Non-Executive Director

**MRS. URVASHI SAXENA**
Non-Executive Director

**MR. ATUL KUMAR SHUKLA**
Non-Executive Director

**MR. NAVAL CHOUDHARY**
Non-Executive Director

Haldia Cooling Towers

## CONSORTIUM BANKERS

Canara Bank

Punjab National Bank

Allahabad Bank

ICICI Bank

Syndicate Bank

IDBI Bank

Oriental Bank of Commerce

Bank of Baroda

## COMPANY SECRETARY

GITA BADE

## AUDITORS

NATVARLAL VEPARI & CO.

Bellary Cooling Towers

Andhra Expressway


Saharanpur Pipeline