



**GAMMON**

Builders to the Nation



**Gammon India Limited**  
Annual Report 2016-17





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# CORPORATE INFORMATION

## BOARD OF DIRECTORS

**Mr. Abhijit Rajan**

Chairman & Managing Director

**Mr. Rajul A. Bhansali**

Executive Director - International Operations

**Mr. Naval Choudhary**

Independent Director

**Mrs. Urvashi Saxena**

Independent Director

**Mr. Atul Kumar Shukla**

Independent Director

**Mr. Chayan Bhattacharjee**

Non-Executive and Non-Independent Director

**Chief Executive Officer**

**Mr. Ajit B. Desai**

## AUDITORS

**M/s. Natvarlal Vepari & Co.**

## REGISTERED OFFICE

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

Tel: +91 - 22- 6115 3000 / 6111 4000 / 6744 4000

Fax: +91 - 22- 2430 0221 / 6744 4105

Email: [investors@gammonindia.com](mailto:investors@gammonindia.com)

Website: [www.gammonindia.com](http://www.gammonindia.com)

## BANKERS / FINANCIAL INSTITUTIONS

ICICI Bank Limited

Canara Bank

IDBI Bank Limited

Punjab National Bank

Syndicate Bank

Bank of Baroda

United Bank of India

Union Bank of India

Allahabad Bank

Bank of Maharashtra

Oriental Bank of Commerce

UCO Bank

United India Insurance

Central Bank of India

Karnataka Bank

Indian Bank

DBS Bank

Life Insurance Corporation of India

General Insurance Corporation of India

## REGISTRAR & SHARE TRANSFER AGENT

M/s. Link Intime India Private Limited

C 101, 247 Park, L B S Marg, Vikhroli West,  
Mumbai - 400 083

Tel No: +91 22 49186000

Fax: +91 22 49186060

e-mail : [mumbai@linkintime.co.in](mailto:mumbai@linkintime.co.in)







“Our fingerprints  
don’t fade from the  
lives we touch...”

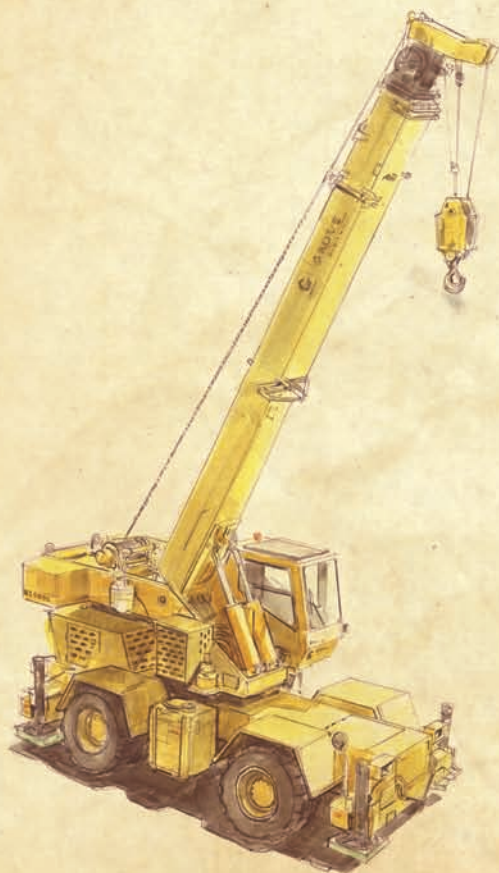
At **Gammon India**, we  
believe that the legacy  
of heroes is the memory  
of a great name and the  
inheritance of a great  
example.





## ABOUT GAMMON GROUP

Gammon India Limited ("GIL" or "the company") incorporated in 1922, is an engineering, procurement and construction company. It has been amongst the largest physical infrastructure construction companies in India with a prominent presence across all sectors of civil engineering, design and construction.



GIL has a track record of building iconic landmark structures. This includes "The Gateway of India", the piling and civil foundation work of which was successfully executed by GIL as its maiden project in 1919. GIL is also active through its operations in the realty project segment. Examples include residential complexes such as Pebble Bay and Godrej Woods Man Estate in Bangalore, Godrej Kalyan in Mumbai, Runwwal greens in Mumbai, Nathani Heights in Mumbai and hotel complexes such as Hotel Leela Palace, Chennai and G Staad, Bangalore besides commercial complexes such as Galleria Mall (INXS) in Bangalore. After the carve out of its T&D business and part of the Civil EPC business, GIL continues to carry out its business in the retained Civil EPC business in cooling towers, chimneys, water, environment, buildings and also real estate development.





## OVERSEAS PRESENCE

Our overseas presence includes a strategic holding in Italy- based Sofinter Group, with state-of-the art manufacturing facilities in Italy, Romania and India. The Group is engaged in the engineering, procurement and construction of steam and power generation boilers, water and waste treatment and flameless combustion technology with application in oil & gas, power generation and industrial sectors. Sofinter S.p.A., A.C.Boilers S.p.A (formerly AnsaldoCaldaie S.p.A)., ITEA and Europower are some companies under the Group. Our overseas transmission and distribution projects are executed by our international subsidiary, SAE Powerlines S.r.L, Italy. We also have a substantial stake in Puma Oil Block in the Oriente basin in Ecuador





## Area of Operations:

### Civil Engineering, Procurement and Construction

Transportation (roads, railways, bridges etc),	Power Generation (thermal, industrial and cogeneration plants, dams, nuclear and hydro energy, cooling towers and chimneys)	Environmental engineering (water treatment)	Industrial and residential High- rise buildings
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### Oil Exploration and Production

### Real Estate Development



### KEY PROJECTS – KYC

#### Jobs Under Progress

Name of Project	Location	Client	Contract Value
Package ANV2: Construction of Viaduct Including Related Works for 5.27 Km length, Kolkata Metro	Kolkata Project Implementation Unit, Kalighat Metro Railway Station Building (North East Corner), Third Floor, 41A, Rash Behari Avenue, Kolkata – 700026, West Bengal	Rail Vikas Nigam Limited	₹309 Crores
Supply of Cement & Reinforcement Steel At NPCIL Kota-Rajasthan for Design, Engg&Const of IDCT	Rawatbhata Rajasthan Site, Anushakti-323303.	Nuclear Power Corporation of India Ltd. (NPCIL)	₹13.89 Crores



# CHAIRMAN'S STATEMENT



Dear Shareholders,

It is my pleasure to present to you our Company's performance for the fiscal year 2016-17.

We started the year with the continuing financial stress in the midst of the ongoing debt restructuring which you are aware of. Fortunately we managed to overcome some of the biggest hurdles the Company has faced in its 100-year history and navigated this tough period which ultimately led the Company to exit under Strategic Debt Restructuring on May 17, 2017.

During the year we have successfully completed the remaining carve out of Transmission & Distribution (T&D) business to Transrail Lighting Limited (TLL), stake sale to new promoter Ajanma Holdings Private Limited and change in management. With the carving out of the T&D business Rs. 3,855.20 crores (both funded and non-funded) CDR Debt has been transferred to TLL.

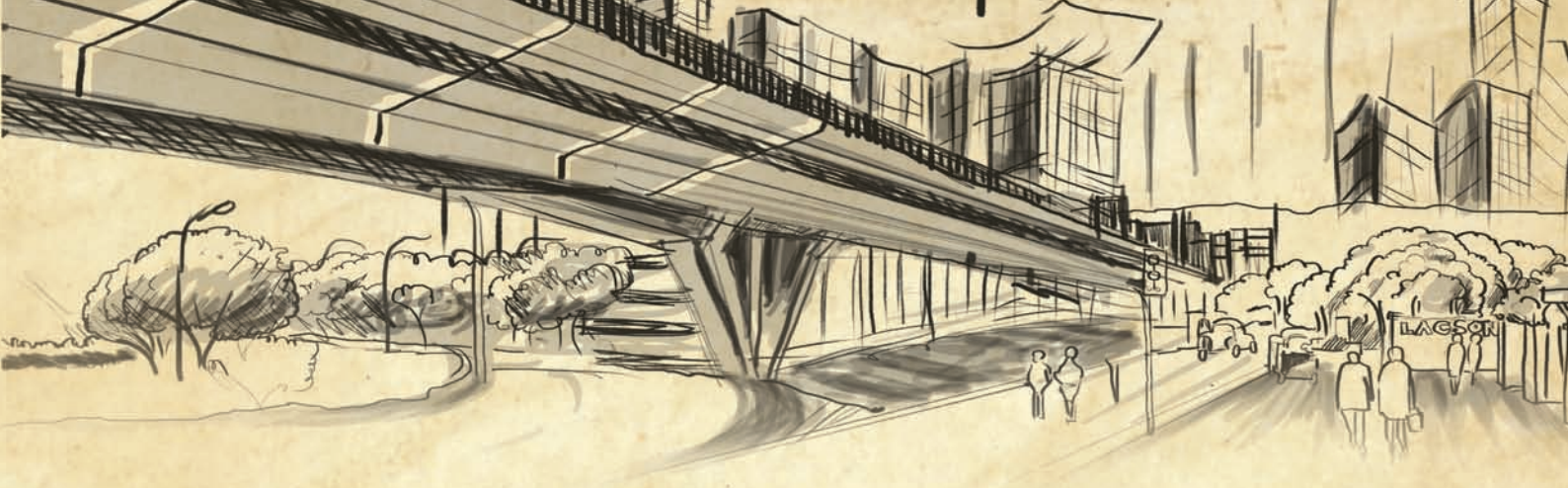
We also obtained shareholders, lenders and National Company Law Tribunal ("NCLT") approval and successfully completed the carve-out and transfer of Civil EPC business to Gammon Engineers and Contractors Pvt. Ltd. (GECPL). A new promoter GP Group of Thailand acquired 75% of the equity shares in GECPL. With this approximately Rs. 6,505.42 crores (both funded and non-funded) CDR Debt was transferred to GECPL.

As one of the first and few companies to successfully implement SDR, we have managed to resolve approx. 70% of lenders exposure. Both TLL and GECPL are now on a path to recovery, giving the traditional business lines nurtured and grown by Gammon India Ltd. over nine decades of its existence, a new lease of life and continuity.

The year 2016-17 continued to remain challenging for the Indian construction sector, but Government at Central and State levels have continued taking various steps for its revival. Some of these include:

- Increased spending in all areas of infrastructure: India's 2016-2017 Union Budget has increased infrastructure expenditure allocation to Rs. 3.96 lakh crore for the sector with significant impetus given for transportation especially roads, highways and metros.
- Implementation of a fair and speedy dispute resolution mechanism and contracting process: Introduction of the Arbitration and Conciliation (Amendment) Act, 2015, which facilitates faster and time bound decision making in the arbitration process coupled with NITI Aayog's initiative to disburse 75% of the awarded amount against margin free bank guarantees.
- Furthermore, the adoption of a model EPC contract in place of item rate contracts is a positive step.





## PERFORMANCE REVIEW

During the year under review the Turnover of the Company on a standalone basis stood at Rs. 1,069.85 crores, as compared to Rs. 6,697.50 crores during the previous 18 month period ended 31<sup>st</sup> March, 2016. The Company posted a Net Loss after Tax of Rs. 1,661.95 crores during the period ended 31<sup>st</sup> March, 2017, as against a Net profit after Tax of Rs. 100.52 Crores during the previous period ended 31<sup>st</sup> March, 2016.

On a Consolidated basis, the Turnover of Gammon Group during the period under review stood at Rs. 1,788.82 Crores as compared to Rs. 8072.57 Crores for the previous 18 month period ended 31<sup>st</sup> March, 2016. The Group posted a Net Loss after Tax of Rs. 1,153.77 Crores during the period ended 31<sup>st</sup> March 2017, as against a Net Loss after Tax of Rs. 883.93 Crores during the previous 18 month period ended 31<sup>st</sup> March, 2016.

The acute financial stress in the Company has severely impacted its operations. The mounting interest burden caused due to delays in monetization of assets have further added to the losses.

In its overseas operations the Company has posted a turn-around in Group Sofinter in Italy. However, the operations in its marginal oil-field in Ecuador continues to be under extreme stress due to lack of financial support needed to fund capex interventions under the strategic debt restructuring plan.

We continue to strive vigorously to meet our debt obligations and to resolve the remaining 30% of the debt. We are exploring various strategic and tactical options to reduce the debt burden and improve financial viability of the business including carve out of the retained Civil EPC business to enable strategic

investors to invest in the business, monetization of non-core assets like investments in domestic and overseas subsidiaries as well as real estate holdings and expediting the collection of old receivables. The Company has over Rs. 3000 crores of outstanding arbitration claims of which it is expected to recover atleast Rs. 850 crores with possibility to collect 75% against a bank guarantee in case further legal processes are initiated.

We have also diluted our stake in Gammon Infrastructure Projects Limited (GIPL), a infra development company to repay our debts. We, however continue to hold 39.61% in GIPL which eventually will be sold to repay our debts to our lenders. We are one of the few companies having made various efforts to resolve and repay our debts.

## ACKNOWLEDGEMENTS

Tough times call for supportive stakeholders and I would like to extend my heartfelt gratitude to all our stakeholders, our lenders and bankers, suppliers, employees, and shareholders for their continued support and the faith reposed in us.

We look forward to better times ahead and will continue to focus on achieving our stated goals with sincerity and dedication.

With best wishes

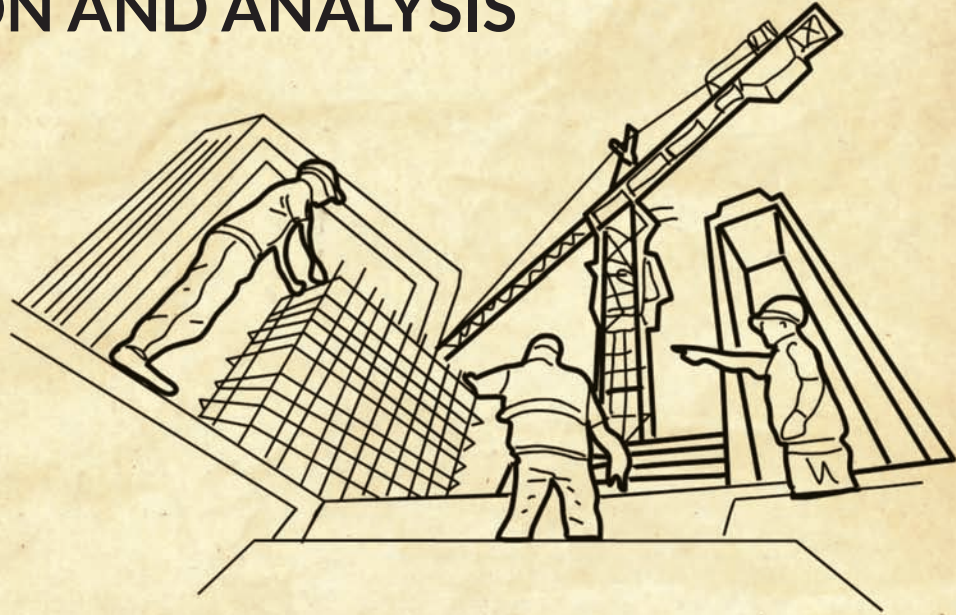
Abhijit Rajan,  
Chairman & Managing Director





**GAMMON**  
Builders to the Nation

# MANAGEMENT DISCUSSION AND ANALYSIS



## INDIAN ECONOMY IN FY16-17

In 2016-17 Indian economy took a sharp downward turn due to demonetization of currency notes with GDP growth rate at constant market prices for 2016-17 placed at 7.1 per cent as against 7.9% for 2015-16. Other major macroeconomic parameters like inflation, fiscal deficit and current account balance have exhibited distinct signs of improvement in 2016-2017. Central Government is confident of achieving fiscal deficit target of 3.5% of GDP for FY 16-17. Average retail inflation, measured by Consumer Price Index(CPI), in FY 16-17 (April – December) seen at 4.9%. Average Wholesale Price Index (WPI) inflation, in FY 16-17 (April –December) dropped to 3.4% from 5.1% in August 2015. RBI has cut the repo rate by 25 basis points each in April 2016 and October 2016 to 6.25%.

India is expected to be the fastest growing economy in the world in 2017-18 and will be a key driver for global growth, according to the International Monetary Fund (IMF). As per the Economic Survey

2016-17, the Indian economy should grow between 6.75% and 7.5% in FY 17-18. International agencies like IMF, World Bank have pegged India's GDP growth rate to be between 7.4 to 7.7% in 2017-18. Medium-term growth prospects are favorable, with growth forecast to rise to about 8 per cent due to the implementation of key reforms like GST, loosening of supply-side bottlenecks, and appropriate fiscal and monetary policies.

The introduction of GST will create a unified mechanism to improve the efficiency of tax, create a common Indian market, improve tax compliance and governance, boost investment and growth.

## INFRASTRUCTURE AND CONSTRUCTION SECTOR

Construction sector continues to remain the bedrock of Indian economy, directly employing more than 35 million people and contributing between 7.5% - 8% to GDP, 2nd only behind agriculture. The indirect impact of construction sector on downstream industries such as steel, cement, automotive is also significant.