

Sowing... what future will reap



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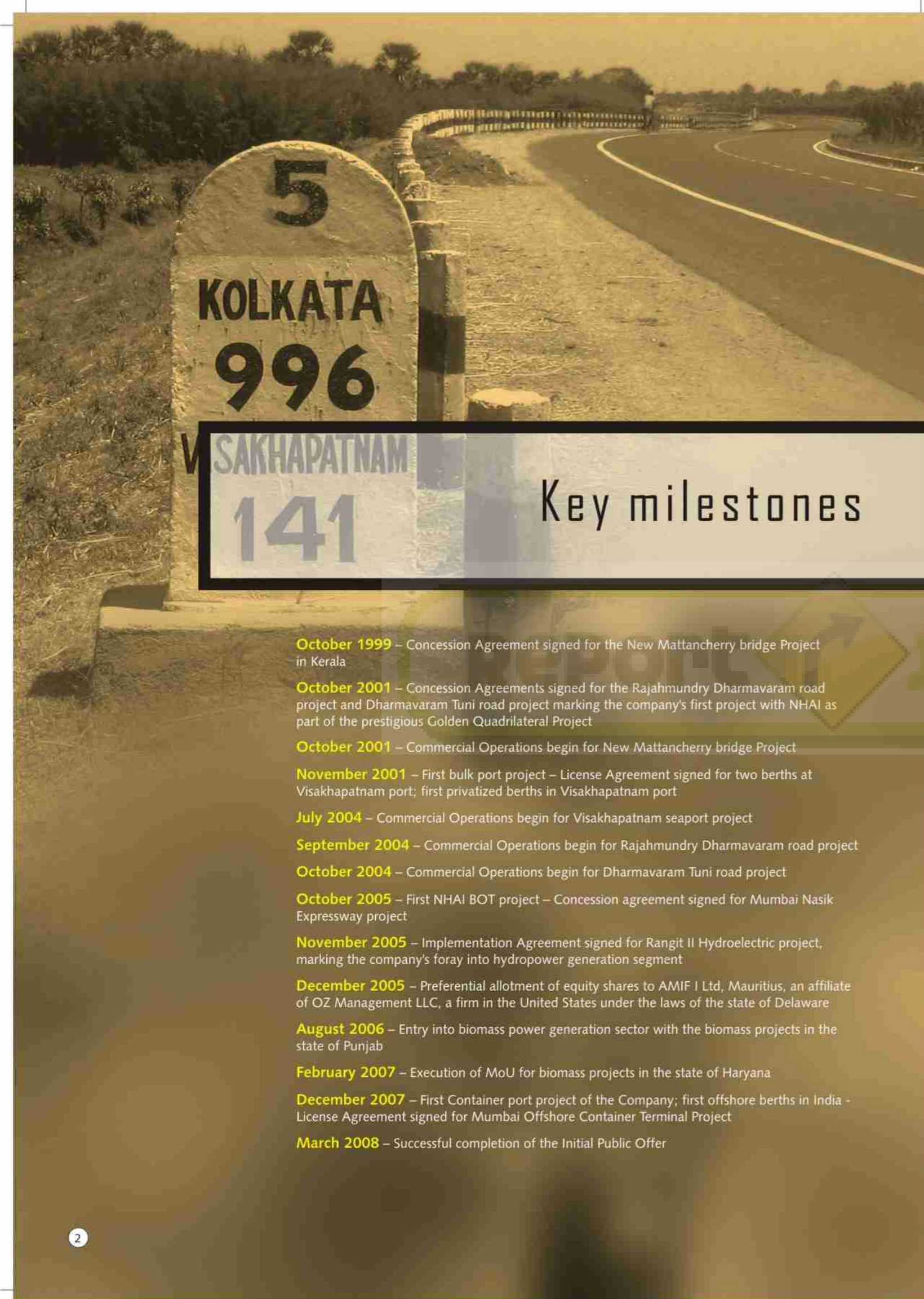
7th Annual Report 2008

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Key milestones

October 1999 – Concession Agreement signed for the New Mattancherry bridge Project in Kerala

October 2001 – Concession Agreements signed for the Rajahmundry Dharmavaram road project and Dharmavaram Tuni road project marking the company's first project with NHAI as part of the prestigious Golden Quadrilateral Project

October 2001 – Commercial Operations begin for New Mattancherry bridge Project

November 2001 – First bulk port project – License Agreement signed for two berths at Visakhapatnam port; first privatized berths in Visakhapatnam port

July 2004 – Commercial Operations begin for Visakhapatnam seaport project

September 2004 – Commercial Operations begin for Rajahmundry Dharmavaram road project

October 2004 – Commercial Operations begin for Dharmavaram Tuni road project

October 2005 – First NHAI BOT project – Concession agreement signed for Mumbai Nasik Expressway project

November 2005 – Implementation Agreement signed for Rangit II Hydroelectric project, marking the company's foray into hydropower generation segment

December 2005 – Preferential allotment of equity shares to AMIF I Ltd, Mauritius, an affiliate of OZ Management LLC, a firm in the United States under the laws of the state of Delaware

August 2006 – Entry into biomass power generation sector with the biomass projects in the state of Punjab

February 2007 – Execution of MoU for biomass projects in the state of Haryana

December 2007 – First Container port project of the Company; first offshore berths in India - License Agreement signed for Mumbai Offshore Container Terminal Project

March 2008 – Successful completion of the Initial Public Offer



From the desk of MD

Across the globe, there is a consensus building that India is well on its way to finding its rightful place amongst the world's 'Economic Power Houses'. Clearly, ours is an economy on the move and the rapid pace at which we are moving is visible with the numerous transportation, energy, real estate and telecom ventures being announced and undertaken.

Before I traverse back in time and recount the developments of the year gone by and under review in this Report, allow me to commence by thanking each one of you, shareholders, personally, for the faith bestowed upon the company during our Initial Public Offer in March 2008. The Public Offer was oversubscribed 3.48 times. This is notable, as it came at a time when market participants shied away from equities and primary market offerings due to extremely volatile market conditions.

This fund raising exercise has enhanced Company's network and we are further ready to bid for bigger projects. Infrastructure development is an essential and integral part of a country's overall development and it involves huge capital expenditure with long gestation periods.

Even amidst the economic uncertainties emanating largely from the global markets, the Indian economy still appears poised to grow at a rate of over 7.5% during this fiscal. However, we as a nation, still remain deprived of robust infrastructure. As per the economic survey, the fund requirement for the physical infrastructure sector is considerable and has been pegged at around \$500 billion during the next five years. Given the need for huge funds and skill sets, the Government is increasingly involving private sector players under various models under the Public Private Partnership (PPP) model to catalyse growth.

Gammon India Limited, the promoter company of Gammon Infrastructure Projects Limited, has very strong brand equity as 'Civil Contractor' and the company shares immense synergies with the promoter to tap the huge emerging opportunities in the Infrastructure Segment. At the same time, I must state that our decision towards project identification and project bidding is entirely a function of the risks-return that we can generate, regardless of the work opportunity that the project can provide to the Group contracting company – Gammon India Limited.

Against the backdrop of burgeoning infrastructure

we have managed to complete all our projects well in advance of the project completion dates. Recently, we have been declared preferred bidders / secured three more projects valued at Rs. 4,000 Crores in the road, hydropower and port sectors.

Going forward, we will also be focusing on the project development of urban infrastructure, including, mass rapid transit system, airports, power transmission and SEZ and our expertise and experience as an infrastructure developer and investor will stand us in good stead as we expand in different segments. With the right portfolio of



assets, experience and execution skills, the Company is well on its way to emerge as a leading player in the infrastructure segment.

Further, our strategic relationships with global infrastructure companies as well as domestic players enhance our credentials in bidding for larger and more complex projects under the revised guidelines for the PPP projects.

As we continue to grow, our success will continue to depend upon –

- Our ability to forge partnerships with large global and Indian corporates, while providing for a significant equity stake for ourselves.
- Timely commissioning of projects in hand.
- Our ability to get innovative project financing structures for our projects.
- Maintaining a strong legally oriented approach to project selection and execution.

Lastly, I once again take this opportunity to thank and assure each one of you, our stakeholders, of our very best efforts.

Parvez Umrigar
Managing Director

expenditure, the sector is likely to witness further inflow of funds benefiting the companies in this space. Even though there are signs of a marginal slowdown in growth, I believe that this will be only a temporary phenomenon and would lead to consolidation forming a strong foundation for the next economic boom.

Over the last seven years, our company has acquired 14 projects valued at Rs. 5,500 crores in the road, power and port segments, of which four are operational and ten are at different stages of completion. I am glad to inform you that

Profile of the Board

Abhijit Rajan – Chairman and Managing Director

A commerce graduate and a successful industrialist, Abhijit Rajan has over three decades of business experience. A natural leader, it is his zeal and vision that is primarily driving the Gammon group of companies.

Parvez Umrigar – Managing Director

A Chartered and Cost accountant, Parvez Umrigar brings to the table close to two decades of industrial experience. He has spearheaded the Group's infrastructure business and is looking at widening its focus areas.

Himanshu Parikh - Non Executive Director

A Commerce Graduate with wide experience in diverse functional fields, he brings his expertise related to procurement and general management. He is also an Executive Director of Gammon India Limited.

C.C. Dayal - Independent Director

A Chartered Accountant with vast experience and expertise in internal audit, taxation and accounts. He is the head of Audit Committee of the Company.

Sanjay Sachdev - Independent Director

Sanjay Sachdev has a Degree in Law from Bombay University and a Masters Degree in International Management from USA. He is a certified financial planner and is credited for co-founding the CFP Program in India. He is a Fellow of the Life Management Institute and LIMRA Leadership Institute (LLIF), USA. He has over two decades of international experience including 13 years with the pension and mutual fund operations of the Principal Financial Group.

Naresh Chandra - Independent Director

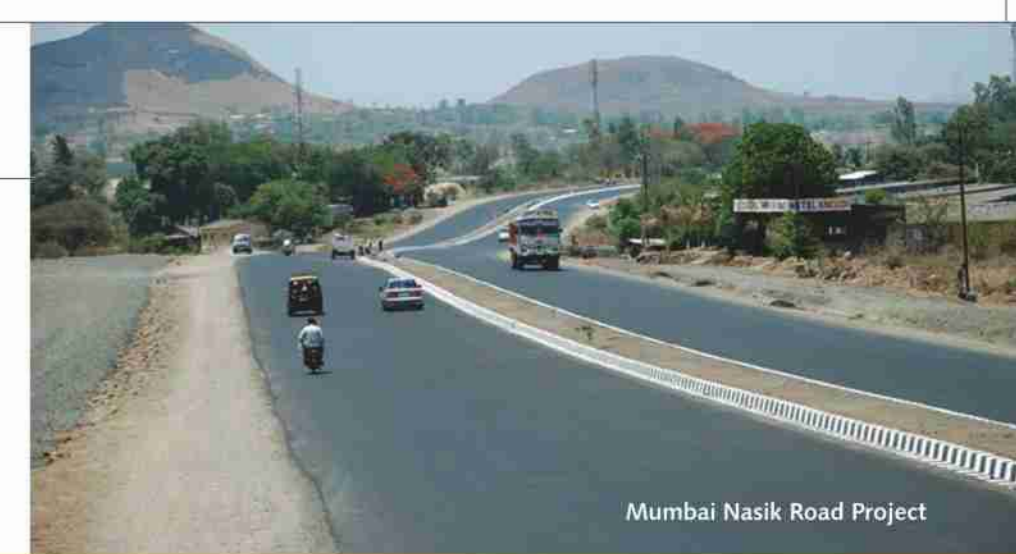
A M.Sc. in Mathematics, Mr. Naresh Chandra retired from the Indian Administrative Service in 1992. He has served important positions in the Government including as a member of the Indo-US sub-committee on Economic Affairs & Commerce as well as the co-chairman of Indo-US working group on Technology Transfer. On retirement, he was appointed Senior Advisor to the Prime Minister of India. He has also served as Governor of Gujarat and as the Ambassador of India to the USA. He chaired the Committee on Corporate Governance set up by the Union Ministry of Finance and Company Affairs in 2002.

S. C. Tripathi - Independent Director

A M.Sc., LLB and an IAS officer, he has nearly twenty years of experience in finance and industry at senior levels in the State and Central Government and in a representative capacity at international levels. He retired as Secretary, Ministry of Petroleum and Natural Gas, Government of India.

Business model

Mumbai Offshore Container Terminal



Mumbai Nasik Road Project



Our company is currently engaged in the business of investing in, developing, operating and maintaining infrastructure projects under the aegis of the Public Private Partnership model, designed by the Government of India to encourage private sector participation.

At present, our footprints span across diverse sectors such as roads, bridges, ports, hydroelectric power, biomass power and SEZ. These are being undertaken as collaborative ventures under the PPP model on a Build Operate Transfer, Build Own Operate Transfer and Build Own Operate basis. In addition, we provide services in the areas of operation and maintenance and project development advisory.

At present, our company has 14 projects in the Road, Port and Power sector and a SEZ project out of which four are in the operations phase and ten are in various stages of development.

Going forward the company intends spreading its wings to other major segments like Mass Rapid Transit Systems, Power Transmission Lines, airports and SEZs.

The company regularly enters into strategic alliances and partnerships with renowned domestic and international players to jointly apply and bid for projects. These alliances have been carefully chosen and entered into wherever the company can enhance its credibility in terms of financial strength, technical know-how and execution abilities.



Project selection & performance

Our track-record Projects in operational phase



Two Multipurpose Berths - Visakhapatnam Port ▲

The project involved development, construction, dredging, equipping and operations and maintenance of two multipurpose berths at Visakhapatnam Port on a BOT basis. The berths have been developed as a fully mechanized integrated handling system incorporating state of the art technologies comparable to international standards, capable of handling cargo upto 9 Million Tons per Annum. The cost of the project is Rs. 31.3 crores and the project is operational since last 3 years. The Concession Period is 30 years.



◀ Rajahmundry-Dharmavaram Annuity Road Project

This project comprised upgradation & widening of a 53 km stretch between Rajahmundry and Dharmavaram in the state of Andhra Pradesh on National Highway – 5. The project was completed 70 days ahead of schedule at a cost of Rs. 256 crores. The Concession Period is 17.5 years.



New Mattancherry Bridge Project, Cochin, Kerala ▶

A pioneer BOT project in the state of Kerala, the bridge connects Fort Kochi to Willingdon Island in the Cochin Port Trust area. The 700 meters long bridge provides a two-lane link across the Mattancherry channel. The project was completed ten months ahead of schedule at a cost of Rs. 26 crores. The Concession Period is 19 years 9 months.



◀ Dharmavaram-Tuni Annuity Road Project

This was a 47 kilometer road project that involved the four-laning of an existing two-lane road on National Highway – 5 and strengthening of the same. The project was completed a month ahead of schedule at a cost of Rs. 248 crores. The Concession Period is 17.5 years.



Project selection & performance

Projects under development

The Mumbai Nasik Road Project

The project involves four - laning of the 100 km Vadape - Gonde (Mumbai-Nasik) section of the National Highway - 3 on BOT basis and is estimated to cost Rs. 753 crores. The Concession Period is 20 years.

Kosi Bridge Project

The project involves design, construction, finance, operation and maintenance of a 4 - lane Bridge across river Kosi on the National Highway - 57. The project is on BOT (Annuity) Basis at an estimated cost of Rs. 440 crores. The Concession Period is 20 years.

Old Kosi River Bridge constructed by Gammon India Limited

Gorakhpur Bypass Project

The scope of the project involves design, construction, finance, operation and maintenance of the Gorakhpur Bypass on the National Highway - 28 in Uttar Pradesh on BOT (Annuity) Basis. The estimated cost of the project is Rs 649 crores. The Concession Period is 20 years.

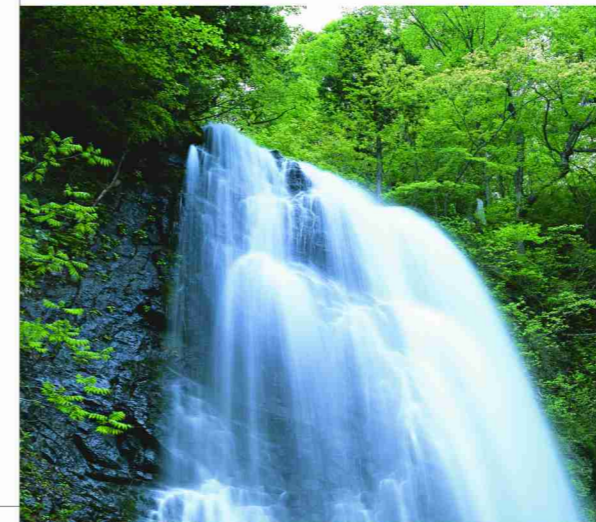


Punjab Biomass Power Project

The scope of this project involves, subject to requisite due diligence, development of upto 9 Biomass based Power Projects in various districts in Punjab state and each of these involve the development of a 10-12 MW biomass fuel based power project on a BOO basis.

Rangit II 66 MW Hydroelectric Power Project

The project involves developing a 66MW Hydro Power Project on a BOOT basis. The project will generate power for captive consumption as well as for sale to third parties. The Concession Period is 35 years post commercial operations.



Project selection & performance

Projects under development

Pravara Co-generation Power Project ▶

This project involves development of a 30 MW cogeneration power project on BOOT basis for a sugar manufacturing co-operative. The plant will be designed as a multi-fuel plant which will use bagasse as main fuel and the company has an assured supply of bagasse at an agreed price. The Concession Period is 25 years post commercial operations.



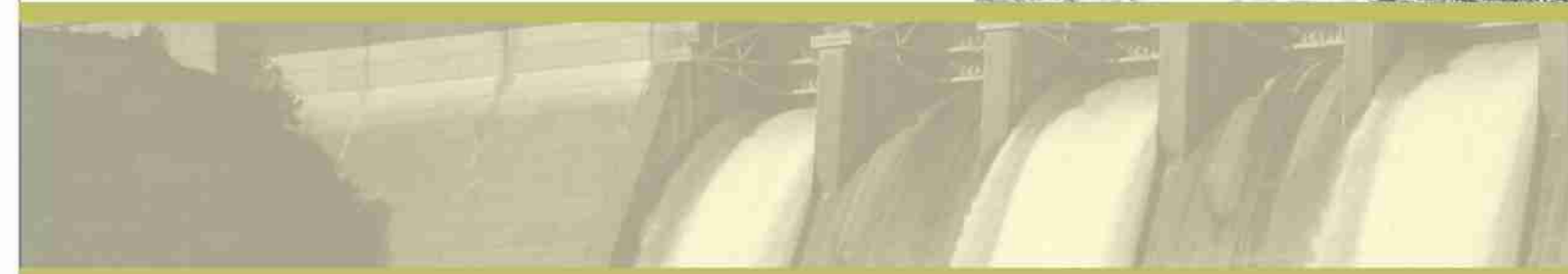
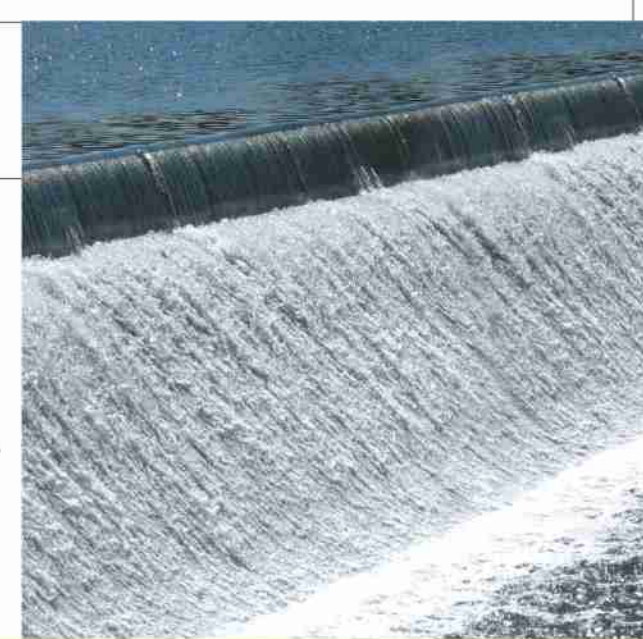
◀ Mumbai Offshore Container Terminal

The Project involves operations and management of the existing Mumbai Port container terminal for the initial 5 years and the Development and Management of the new offshore container terminal, comprising at least two berths. The capacity of the new offshore terminal would be 1.4 million TEUs in the first phase. The estimated cost of the project is Rs 1200 crores. The Concession Period is 30 years.



TIDONG Hydropower ▶

The Project involves developing a 60 MW Hydro Electric Project in Himachal Pradesh. The company has received the Letter of Intent for the Project.

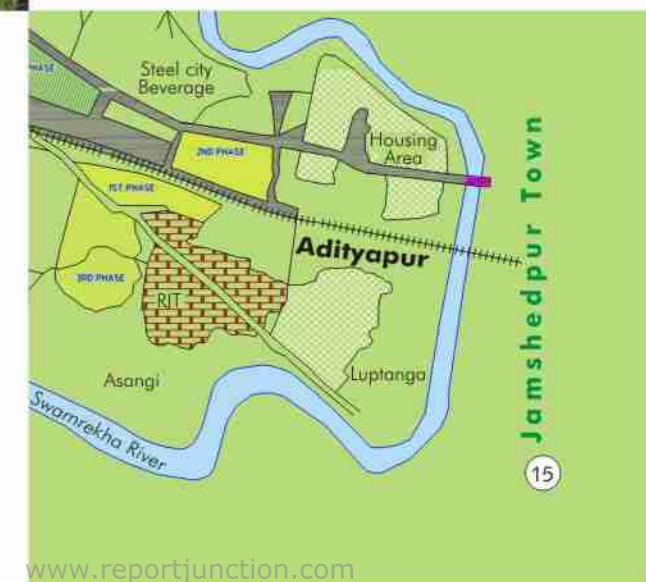


Adityapur SEZ

The Project involves design, construction, finance, operation and maintenance of the SEZ spread over 90 acres of land near Industrial town of Jamshedpur, Jharkhand State. The SEZ is envisaged as single product SEZ involving Auto & Auto ancillary sector industries and will be facilitated by utility and logistics services. The Letter of Intent for the Project has been received. ▼

Haryana Biomass Power Project ▲

The project encompasses, subject to requisite due diligence, development of 6 Biomass fuel based power projects of capacity of 10-12 MW in Haryana. The Memorandum of Understanding has been signed with the Haryana Renewable Energy Development Authority (HAREDA).



The macro environment

The global slowdown triggered by the US sub-prime crisis followed by rising inflation throughout the globe on account of rising crude oil and food prices has led to tightening of interest rates. Despite this, the Indian economy is still expected to grow at over 7.5%.

With increasing budgeted outlays over the years and greater involvement of the private sector, the infrastructure sector has been expanding to support the economic growth rate of the country. The six core-infrastructure industries, registered a robust increase of 9.6 per cent during March 2008 owing to accelerated production in the steel and coal sectors. However, World Development Indicators published by the World Bank indicate that India lags far behind the developed as well as developing nations in terms of infrastructure development. This is also reflected in the India's infrastructure spending, which accounts for just 5% of GDP, little more than half as compared to 9% by China.

Thus, the primary challenge for India is to sustain this growth while spreading its benefits more widely across sectors. There is a huge demand-supply gap in the infrastructure space which is not only insufficient to sustain future development but also not enough to sustain the current scenario.

According to the Planning Commission, the investment required in infrastructure in India is USD 494 billion during the Eleventh Plan period (2007-12) thereby increasing the share of infrastructure investment to 9 per cent of GDP from 5 per cent in 2006-07. This will result in an annual incremental investment of USD 40 billion.

Institutional investors have evinced huge interest in infrastructure as separate asset class given its distinct characteristics (especially the stable, long term cash flows), differentiating this from the traditional debt and equity investment routes. The very long-term nature of infrastructure assets makes them attractive to investors worldwide, specifically, pension funds and insurance companies. Further, infrastructure development is critical for the growth of an economy and has extremely high barriers in terms of qualification criteria. Given that its significance

transcends geographical barriers and economies, it continues to be attractive investment avenues, especially in developing economies like India.

The Indian Government too has already enacted many proactive measures by opening up a number of infrastructure segments to private players, permitting FDI into various sectors, introducing model concession agreements, etc. .

Some of the projects planned over the next five years include:

- The Government plans to add power generation capacity of about 70,000 MW. The Union Finance Minister announced the total allocation of Rs. 5500 crore for the Rajiv Gandhi Grameen Vidyutikaran Yojana, which will be continued in the Eleventh Five Year plan. Ultra Mega Power Projects (UMPPs) schemes were launched for the development of coal-based power projects, each with a capacity of 4,000 MW or above.
- Capacity addition of 485 million MT in Major Ports and 345 million MT in Minor Ports. Investment need of USD 13.5 billion (Rs.60,750 crores) in the major ports under National Maritime Development Program (NMDP) to boost infrastructure at these ports in the next 7 years.
- Modernisation and redevelopment of 21 railway stations. The total projected outlay for the Eleventh Five Year Plan for the Ministry of Railways is Rs.1,94,263 crore at 2006-07 prices with increased private participation.
- Developing 16 million hectares through major, medium and minor irrigation works. Investments in the irrigation segment are likely to lead to a construction demand of Rs. 74,400 crores over 2007 – 2011. The Accelerated Irrigation Benefit Programme has an increased outlay of Rs. 20,000 crore for 2008-09 for irrigation and Rs 43,700 crore for national projects during the 11th Five-Year Plan period (2007-12).
- Modernisation and redevelopment of 4 metro and 35 non-metro airports. Further the government has planned investment of close to Rs. 40,000 crores – to develop about 100 greenfield airports during the 11th Plan period (2007-2012).
- Six-laning 5,500 km of Golden Quadrilateral and selected National Highways. Constructing 1,65,244 km of new rural roads, and renewing and upgrading existing 1,92,464 km covering 78,304 rural habitations. For the roads and bridges sector, the Eleventh Five Year Plan envisages a total

investment of Rs. 3,14,152 crore over a five-year period commencing from 2007-08. With the passenger traffic growth projected at 12-15% and Road sector investments expected to grow at 19 per cent p.a., the Eleventh Five Year Plan places high priority on the completion of works approved under the different phases of the National Highways Development Projects (NHDP). For the roads and bridges sector, the Eleventh Five Year Plan envisages a total investment of Rs. 3,14,152 crore over a five-year period commencing from 2007-08.

Infrastructure projects involve large capital investments and require high execution capabilities. Hence a variety of technical, financial and other criteria are used by project authorities while inviting technical proposals along with financial bids.

The bidding process for PPP projects is typically divided in two stages including the Request for Qualification stage where credible bidders are shortlisted based on their ability to match the requisite technical and financial capacity for undertaking the project. This is followed by the Request for Proposal stage where bidders submit their financial bids after proper due diligence of the project. The applicants should also possess the sufficient experience and capacity in building infrastructure projects. This is measured using various parameters such as construction work undertaken or commissioned or from revenues from BOT/BOO/BOLT projects, or from both, normally during the 5 years preceding the application date. Operations and Maintenance experience of the applicants is also considered as one of the eligibility conditions. The financial capacity is generally measured in the form of a certain minimum network.

The success of an infra player in such a scenario will depend upon its ability to forge partnerships with other large global and Indian corporates, use of advanced technology, use of innovative financing structures and prudent selection of projects.