



2016

CHALLENGING TIMES.  
**RESILIENT RESPONSE.**

GAMMON INFRASTRUCTURE PROJECTS LIMITED

15<sup>TH</sup> ANNUAL REPORT  
For October 2014 to March 2016 (FYE MAR'16)



Difficult times are not yet over for the Infrastructure sector. Failures on the part of the authorities to fulfill their obligations and a very limited support from capital markets and lenders have effected the performance of the sector. All of this also resulted in delays in the execution of projects leading to severe financial stress adversely affecting the viability of the projects and their operations. These factors have contributed to a lower than expected revenue generation for most of the players in the industry. With operating revenues not being sufficient to service debts and with losses widening endlessly, the sector is unable to recover faster. Gammon Infrastructure was no exception to this scenario. Over half a dozen of our projects got delayed by more than three years in last five years.

Realizing that the sector is caught in headwinds, the Company pro-actively

engaged in responding to all the challenges thrown at it in a systematic manner. To begin with, the Company laid strong focus towards getting the existing value-accretive and under-construction projects on stream which will go a long way in improving the confidence of all its stakeholders. With our sustained efforts, five of our projects have been made operational during the last few years inspite of delays in each and every project which was beyond the control of the Company. The Company is also seeking to find innovative solutions for the languishing projects by closely working with project authorities.



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Though this has been a sigh of relief but the pain point of cost over run of all these projects and loss of revenue is still haunting us. With delays primarily on account of land acquisition and other clearance not attributable to lapses on our part, we are yet to receive the financial dues on account of these delays, though it had been clearly spelt out in the Concession Agreements. Hence a large chunk of our enterprise value is locked in such dues. On realization of the same, the organisation's financial map will look much attractive and healthy.

Having said this, the Company has also taken bold steps by divesting its stake in six road projects and three power projects to streamline its balance sheet. This strategy, besides de-leveraging the balance-sheet, will result in helping the Company to raise fresh equity for investing in its remaining projects and open up possibilities for making investments into new and more lucrative projects.

Together, these approaches have allowed your Company to re-invent on the back of a stronger balance sheet and cash flows.

Going forward, our future readiness will help us capitalise on the changing national priorities and emerging opportunities. The infrastructure sector features high on the priority list of the Government. With their path breaking initiatives and intervention, the infrastructure segment is expected to create a number of favourable sectoral prospects for the Company to explore. We expect that the revival of the sector is in the horizon and eventually, a resurgent balance sheet will keep us future-ready to capitalise on such emerging opportunities. In time, we aim to stand tall to deliver long-lasting value for our stakeholders.

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# What's Inside

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|                                                       |    |
|-------------------------------------------------------|----|
| About Us .....                                        | 1  |
| Core competencies .....                               | 2  |
| Our prudent business strategy .....                   | 3  |
| Chairman's Message .....                              | 5  |
| Managing Director's Statement .....                   | 7  |
| Board of Directors .....                              | 9  |
| Our focus on execution .....                          | 11 |
| Our focus towards creating robust balance sheet ..... | 13 |
| Consolidated Financial Highlights .....               | 15 |
| An Overview of our Project Portfolio .....            | 16 |
| Management discussion and analysis .....              | 17 |
| Directors' Report .....                               | 31 |
| Report on Corporate Governance .....                  | 61 |
| Financial Statement .....                             | 73 |

## Corporate Information

### BOARD OF DIRECTORS

**Mr. Naresh Chandra**  
Chairman

**Mr. Kishor Kumar Mohanty**  
Managing Director

**Mr. Abhijit Rajan**  
Non Executive Director

**Mr. Chandradas Charandas Dayal**  
Independent Director

**Mr. Sushil Chandra Tripathi**  
Independent Director

**Ms. Homai A Daruwalla**  
Independent Director

### REGISTRAR AND SHARE TRANSFER AGENT

Link Intime India Private Limited,  
C-13, Pannalal Silk Mills Compound, L. B. S.  
Marg, Bhandup (West),  
Mumbai - 400 078  
Tel. No.: 022-2596 3838  
Fax No.: 022-2594 6969

### AUDITORS

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

**Mr. Kaushik Chaudhuri**  
Chief Financial Officer

**Ms. Renuka Matkari**  
Company Secretary

### REGISTERED OFFICE

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Prabhadevi, Mumbai – 400 025  
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### CORPORATE OFFICE

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## About Us

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Gammon Infrastructure Projects Limited is a pan-India infrastructure project development company with a diverse portfolio across road, power and port sector. The current portfolio of the Company (after the divestment of six projects – five operational and one under development) comprises of 3 operational assets and 7 projects under different stages of development - spread across six states in India.

Our strength lies in our multi-segment presence in infrastructure sector, wide spread geographic presence, two decades of experience and technical expertise.

Through a focused and strategised business model, we participate in projects based on BOT, BOOT, BOO and other PPP models. We also provide our services in other areas of project development such as operations & maintenance and project advisory services.

### OUR PROJECT PORTFOLIO

02

PORT PROJECTS

04

POWER PROJECTS

04

ROAD PROJECTS

10

TOTAL PROJECTS

## Our future readiness is reflected in our core competencies.

### **EXPERIENCE:**

The Company enjoys a successful hands-on experience of more than 2 decades. It brings to its business the experience of more than 17 projects (including 3 toll projects, 5 power projects and 2 port projects).

### **DIVERSIFIED:**

The Company's diversification (locations, geographies and business formats) de-risks the business from the risk of having a singular dependence on a sector or geography.

### **PROVEN RECORD:**

The Company is a well acknowledged player in the Indian Infrastructure space with a track record of successful completion, operations and efficient project execution (post all authoritative clearances).

### **PRE-QUALIFIED:**

The Company qualifies as per the norms of NHAI and other statutory corporations and government companies to bid for OMT and tolling projects, Port and Power Projects making it possible to respond faster to emerging opportunities.

### **STABILITY:**

The Company possesses a portfolio which generates assured and market driven returns, enhancing revenue visibility and stability.

### **SELECTION STRATEGY:**

The Company enters locations and projects enjoying attractive revenue visibility.

### **FINANCIAL STRENGTH:**

The Company has demonstrated a capability in achieving financial closure in its past projects.



## GROWTH STRATEGY

The Company focuses on leveraging India's demand for infrastructure projects. It aims for seamless and efficient movement of projects through the development cycle to make them operational and contribute to the Company's revenues. It also focuses on selective profitable infrastructure projects with a mix of assured and market linked returns. Going ahead, the Company is open towards opportunities in OMT & hybrid annuity projects with lower gestation period and lower capital intensive project.



## FISCAL STRATEGY

The Company has a strong focus on efficient liquidity management. The Company has taken steps to refinance its earlier high cost debts with lower cost debts. The Company proactively looks towards building operational efficiencies by reducing overhead expenses and optimally utilising available resources.

## Our future readiness is derived from our prudent business strategy.

### LOCATION STRATEGY

The Company aims towards geographically dispersed project portfolio as a risk mitigation against any geographical risks. Today, the Company has a widespread presence across six states and will continue to focus its attention towards identification of lucrative projects across diverse sectors and geographies. It has been analysing potential projects in existing and new sectors to enhance and diversify revenue sources.

### PROJECT STRATEGY

Owing to high financial stress, the Company has monetised six of its Special Purpose Vehicles through divestments. The Company is focused towards maintaining optimal mix of assets with sale of strategic stakes to unlock value. These divestments will provide the Company financial strength to bid for other projects and improve profits and cash flows.

### SCALE STRATEGY

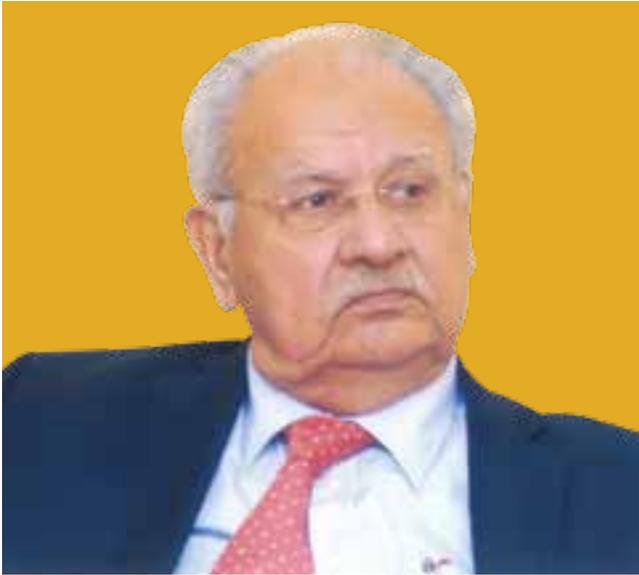
With a strategic focus towards Operations & Maintenance, the Company has been exploring O&M opportunities for external projects. The Company intends to offer fee-based O&M services for infrastructure projects developed by others. Going ahead, the Company will explore opportunities to enhance scope and size of O&M services, especially in roads sector.

5

4

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## Chairman's Message



*“There are number of reasons why Gammon Infrastructure is optimistic of its prospects”*

With clear strategies in place, our performance is set to rebound faster going ahead.

Dear shareholders,

India's infrastructure growth continued to be sluggish on account of stalled projects, weak investments and lower financial support from bankers and capital markets. But our optimism is derived from the fact that once we have a healthy balance sheet and regular positive cash flows, we will be able to capitalise on the Government's initiatives to revitalise the infrastructure sector.

### REVIEW

Going ahead, I expect Gammon Infrastructure's performance to re-bound with momentum. This is because our proactive divestment of assets; clear focus on project execution; and the judicious business selection that is matched to our core domain expertise.

I am pleased to report that your Company has concluded a deal worth ₹ 436 crore for the sale of certain assets to Canada-based Brookfield Asset Management – a marquee global investor with presence across economies and geographies. This unique deal allowed us to monetise a basket of projects in multiple sectors and at different stages of development. This path-breaking

transaction has rekindled active interest from various global players. What's more, it has validated our strategic efforts to deleverage and as a consequence, our investors have reposed their faith in the Company.

### OUR OPTIMISM

There are a number of reasons why we are optimistic for our prospects.

To begin with, we are encountering a resurgent economy. Aided by a decline in oil and commodity prices and on the back of the reform initiatives taken by government, the Indian economy is expected to grow at the rate of 7.6% in 2016-17 and an estimated ~7.7% in 2017-18. To follow this, the advent of GST will positively impact our GDP. India is set to implement its biggest tax reform since Independence - Goods & Service Tax (GST) – from April 2017. This is widely accepted as an important initiative to simplify the indirect tax regime in India and catalyse economic growth, with the potential to add to India's GDP. Furthermore, the Government is seriously addressing the country's Infrastructure gaps. With increasing urbanisation, the Indian Government has realised the need for cities that can cope with the inherent challenges of urban living and