

Well on our way

Empowering people ↔ Enhancing prosperity



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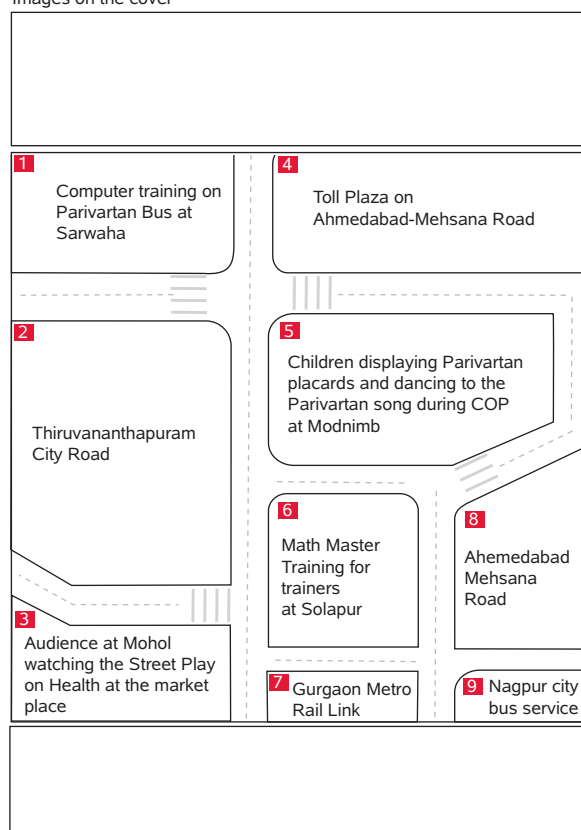
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Images on the cover



➡ The **Annual General Meeting** will be held on Friday, August 5, 2011, at 3.30 pm at Y. B. Chavan Auditorium, Gen. J. Bhosale Marg, Mumbai 400001. As a measure of economy, copies of the Annual Report will not be distributed at the Annual General Meeting. Members are requested to bring their copies at the meeting



Belgaum Maharashtra Border Road

IL&FS Transportation Networks Limited (ITNL) is a leading Indian surface transportation infrastructure company and one of the largest private sector BOT road operators engaged in developing, designing, operating, maintaining and facilitating surface transportation infrastructure projects. ITNL aims to transform the face of surface transportation infrastructure in the country, thereby helping to drive India's economic growth trajectory and widening opportunities for sustainable development of the people

Development of transportation infrastructure is imperative for the growth of the country. However, it is important that such development is balanced and sustainable from a social perspective as well. At ITNL, we believe that the development of social infrastructure is as important as funding or execution. This humane and socially conscious approach to development is the bedrock of *Parivartan*, our unique CSR initiative and ITNL's rehabilitation and resettlement efforts

Through *Parivartan*, we seek to impart quality education and skill development to communities that reside along the area of our operations. We have collaborated with IL&FS Education & Technology Services Limited (IL&FS Education) to assist affected communities along the National Highways of Pune-Solapur in Maharashtra and Ranchi-Hazaribagh in Jharkhand, on multiple empowerment initiatives

The objective is to pave the way to social empowerment. In other words: build capabilities to develop alternative means of livelihood, enhance employability and explore possibilities for other models of intervention that are required

With the commencement of development initiatives to augment socio-economic prosperity, we are well on our way to help drive community empowerment through education and employment

Our strategy in action



Interaction with PACs at Nai Undari, Rajasthan

We have been actively engaged in the National Highways Development Project (NHDP) and other surface transportation development initiatives to better equip some of the important national highways and arterial roadways across the country

Currently, two national highway projects (NH-9 connecting Solapur to Yashwant Sagar Dam and NH-33 connecting Ranchi, Ramgarh and Hazaribagh) being developed by ITNL and a corridor (Phalodi – Balotra – Ramji Ki Gol) forming part of the RIDCOR project, entailed relocation of villagers

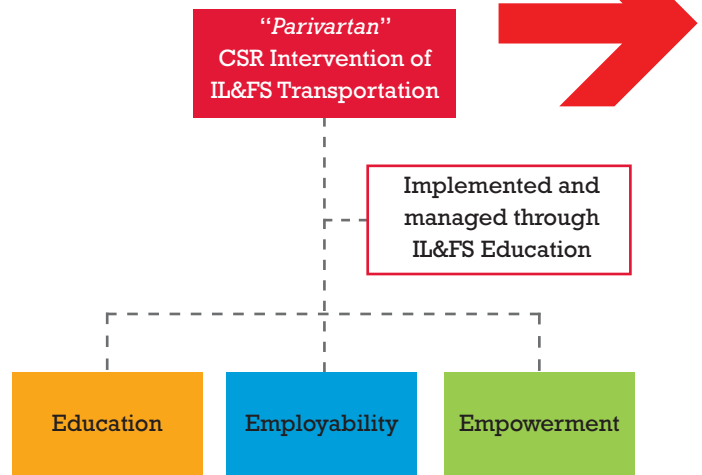
To allay the fears and apprehensions of the Project Affected Community (PAC) and Project Affected Families (PAF), ITNL has worked closely to help create an 'empowered community' across highways

These empowered communities have enabled school-going children to learn in more interactive and holistic ways and attend school enthusiastically; older unschooled adolescents to acquire reading and

writing skills; youth with vocational skills to work in local industries; awareness among adults on health and other issues; the local village community to solve issues in social development

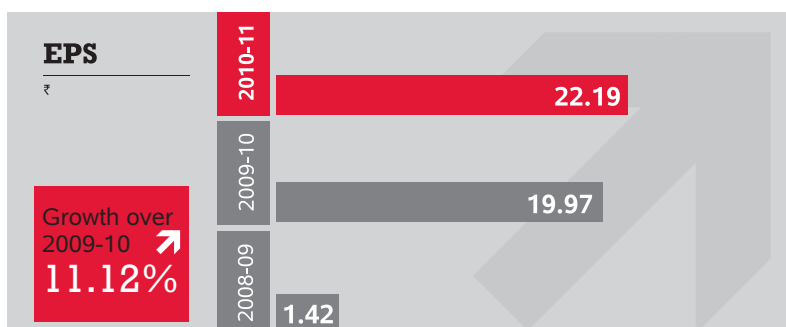
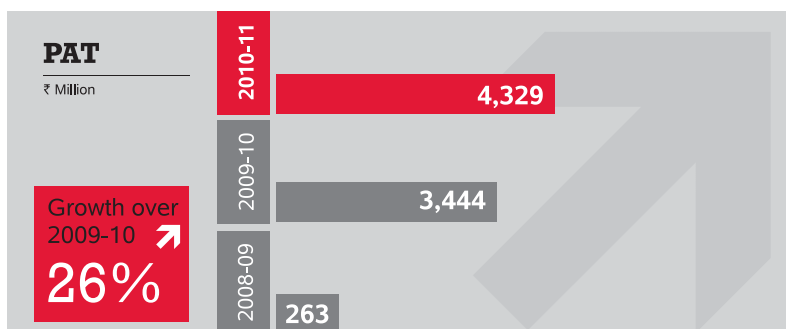
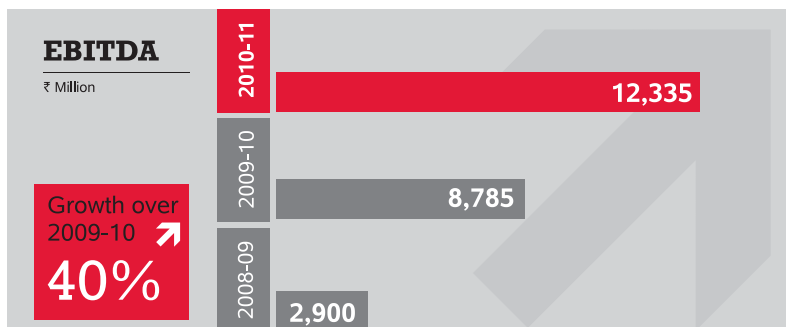
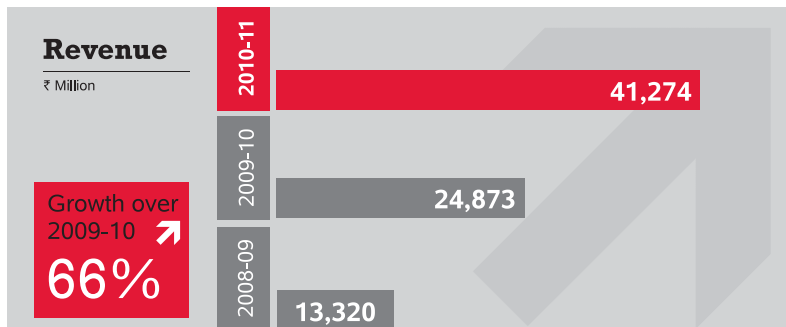
ITNL and IL&FS Education adopted a Public-Private-Community Participation (PPCP) model to facilitate the participation of all stakeholders: government, private sector and the community. Government and public sector organisations provide the means (machinery and workforce) to drive community well-being, complemented by extensive financial resources and management processes of the private sector. This initiative has been reinforced by the commitment and whole-hearted participation of the local community

At ITNL, education and employment generation represent the key transformational tools to catalyse substantial community development and deepen long-term linkages to ensure sustainability



Community contact program at Ranchi

Numbers that drive our business*

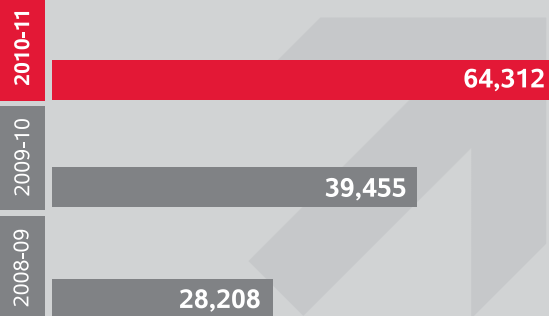
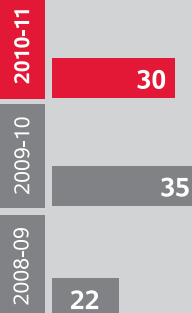
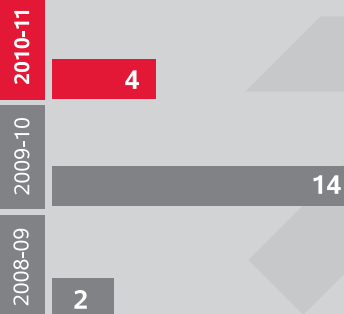
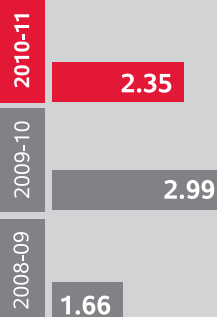
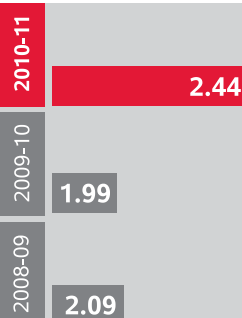


Mega Highways Project, Rajasthan

Average capital employed

₹ Million

Growth over 2009-10 
63%

**Operating margins****%****Net profit margins****%****Interest cover****Debt equity**

Belgaum Maharashtra Border Road

*Consolidated financials

Graphs not to scale



Chairman's message

Mr. Deepak Dasgupta
Chairman, ITNL Transportation Networks Limited

Dear Friends,

The Indian economy has gained strength and structural maturity in recent years. The country has averaged over 8% GDP growth in the last decade. The rate of domestic savings has gone up and the per capita income has grown from around \$300 to approximately \$1,700 in the two decades since the beginning of economic liberalisation in India. Enhanced GDP growth has also resulted in unprecedented growth of Government revenue —central revenues increase by over ₹ 1000 Billion annually. This has helped the Government finance education and healthcare, and various welfare schemes, such as NREGA, Sarva Shiksha Abhiyan and Bharat Nirman

The momentum of economic growth will however, be unsustainable unless we strengthen our Infrastructure. The recent performance of the infrastructure sector is less than impressive if we consider the needs. Infrastructure investment for a large country like India is relatively low (around 7.5% of GDP) compared with some other countries in Asia. In addition, the Eleventh Five Year Plan has fallen short of its targeted spend. An urgent need to accelerate government spending in the infrastructure sector has arisen

The Government has targeted an increase in the share of infrastructure spending as a percentage of GDP to 9% by the end of the Eleventh Five Year Plan. In the envisaged Twelfth Five Year Plan, it has projected investment plans of around ₹ 12 Trillion for the transportation infrastructure segment, involving significant private sector participation. However, some of the key challenges to accelerated project implementation such as persistent commodity price inflation, hardening of interest rates and slow growth in government investments owing to ballooning fiscal deficit continue to impact spending on infrastructure. The slowdown in infrastructure development will be a major impediment to achieving the desired level of inclusive socio-economic growth

ITNL views all development from a human angle. If the human angle is ignored, all development (economic or social) becomes self-defeating and unsustainable. In all our projects we endeavour to seek local participation and support. This was the underlying conviction behind the formulation and execution of Project *Parivartan*



Delhi Noida Road

Highlights of 2010-11

Awarded four new projects, commenced work on six projects and achieved financial closure on the rest

Consolidated revenues and PAT increased 66% and 26% respectively

Achieved a significant YOY growth in revenues from the toll and annuity projects

Attained an order book closure of approximately ₹110,000 Million

Project *Parivartan* primarily focuses on education, livelihood creation and holistic empowerment of project affiliated communities. The Project aims to spread the reach of quality education to children of the community, with focus on English, Mathematics, Science, Life Skills and Computer Education; enhance employability skills among youth by training them in vocational skills for employment in local industries; reinforce community linkages with existing government schemes and programmes to improve social infrastructure and general quality of life. You will be proud to know that one component of the *Parivartan* Project – the Computer on Wheels (a refurbished bus that serves as a Mobile Computer class) received the Skoch Virtual Corporation Award. Considering the scale of activities and the overriding challenges, both geographic and political, this achievement is an acknowledgement of the commitment of Team ITNL and IL&FS Group

I must also take this opportunity to share my thoughts on our business performance in the 2010-11. Project execution was the primary focus of the year, and I am happy to note that all projects undertaken over the past two years have witnessed considerable momentum

In this context, it is pertinent to appreciate that over the preceding two years, ITNL has been awarded projects worth around ₹ 80,000 Million annually and has successfully achieved financial closures and mobilised debt to the extent of ₹ 110,000 Million. The current order book is approximately ₹ 110,000 Million

Consolidated revenues increased 66% and Profit after Tax increased 26%. Growth has been achieved despite adverse market realities and on-ground

challenges, demonstrating ITNL's intrinsic strengths and capabilities. Besides, the daily average revenue both from toll and annuity projects during the year under review was ₹ 15 Million. Following the growth in toll rates and traffic, revenues are set to increase in the coming years

The Government of India's focus on inclusive development and its emphasis on private sector participation for the infrastructure development are clearly demonstrated by the steady escalation in road infrastructure projects. We foresee a fair amount of bidding in the coming years. The bid pipeline is significant with projects worth around ₹ 900,000 Million, comprising approximately 13,000 Kms. These projects include both NHAI projects and State Government projects. On the strength of our track-record, we are confident that we will be awarded and shall execute at least some of the projects in the bid pipeline. Besides, our intensive intervention model for project-impacted communities, which has endeared us to the local population, will facilitate trouble free implementation

Business as viewed in the 21st Century is not just a vehicle for revenue generation and shareholder value; it can be a significant facilitator to socio-economic change and sustainable community development. We have only taken the first steps towards realising that grand vision and the unstinted support of all our stakeholders is a positive catalyst in this endeavor

Best Wishes,

Deepak Dasgupta



CEP trainer at Pune Sholapur

Cheerful faces. Our index to measure rural transformation

The right educational opportunities are often less accessible to rural students to shape a career in today's knowledge-driven society. ITNL's rural intervention model attempts to alter this picture. We believe, with access to quality resources, rural India will have more reasons to smile