

Welcome to IRB Annual Report 2016-17

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Advisor to the Board

Mr. Rajkamal R. Bajaj

Bankers/Lenders to the IRB Group

State Bank of India
Canara Bank
IDFC Bank
Union Bank of India
Indian Overseas Bank
Indian Bank
Bank of India
IDBI Bank
HDFC Ltd
Andhra Bank
Corporation Bank
Punjab National Bank
Bank of Baroda
Bank of Maharashtra
IIFCL
ICICI Bank
Allahabad Bank
YES Bank

Auditors

S. R. Batliboi & Co. LLP
Gokhale & Sathe

Internal Auditors

Suresh Surana & Associates LLP

Auditors of Subsidiaries

S. R. Batliboi & Co. LLP
Gokhale & Sathe
MKPS & Associates
A. J. Kotwal & Co.
M. Bhaskara Rao & Co.
R. K. Dhupia & Associates

Registrar & Transfer Agent

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As India, the world's fastest growing major economy, races ahead amidst global consolidation for second year in a row, its inadequate and inefficient surface transportation infrastructure is the Achilles heel that can potentially slow down its pace.

Though India has the world's second largest road network at 5.47 million kms, in terms of Logistics Performance Index (World Bank Analysis 2016), the country still ranks behind at 35th position. Estimates by ASSOCHAM indicates that the country's logistics cost at 14% of the GDP is significantly higher than that of 8-9% that developed economies attain. A decline to those levels can result in logistics savings to the tune of USD 50 billion.

With ushering in of the GST regime, the requirement to develop an efficient road network that facilitates seamless connectivity along with other modes of transportation for faster, cheaper and more effective logistics network becomes more urgent.

At IRB, we understand the importance and magnitude of this.

With years of experience and engineering expertise, robust financials and engineering team, superior execution skills and contemporary equipment infrastructure, bidding and project management skills, we have partnered various government authorities to undertake various first-of-its-kind surface transport projects. Be it country's first Built-Operate-Transfer (BOT) project, or the first mega and ultra-mega highway projects, we have been the pioneers in creating high quality surface transport infrastructure that have a proven track record of streamlining freight movement and enhancing traffic.

We have taken forward this legacy by becoming the first in the country to successfully launch and list an Infrastructure Investment Trust. While the unit holders in this trust would benefit

from regular returns, the Company has benefited through deleveraged balance sheet, and monetisation of assets which shall facilitate in taking up more projects.

Backed by our untiring efforts and unwavering focus on strengthening internal competencies and by embracing the 'B.E.S.T.' (Bid. Execute. Stabilise. Transfer) approach, we have developed a robust self-sustaining business model. A model that facilitates in building income generating assets; stabilising their operations and then monetising these assets by offering them to the InvIT Trust. A model that is relatively non-cyclical, delivers superior returns, mitigates downside risks, maximises returns to the stakeholders and most importantly provides an avenue to recycle capital in achieving growth for the Company without any more leveraging or dilution of equity capital.

At IRB, we believe our untiring efforts and unwavering focus on calculated bidding, building robust execution skills, stabilising projects and transferring these assets to InvIT is the **B.E.S.T. way to grow.**

IRB's B.E.S.T. Route to be the Best

IRB Infrastructure Developers Limited is amongst the country's most time-tested road infrastructure Company. We have a proven track record of delivering in time, some of the best roads in the country built across challenging terrains and managing them efficiently to stabilise operations and generate toll collections.

Undertaking projects of national and socio-economic importance, we have been contributing to the nation's development since the last 19 years.

Profile

IRB Infrastructure Developers Ltd. commenced operations in 1998. With each passing project, our growing expertise in construction, project management and engineering has enabled us to take on bigger challenges and more complex projects that would result in value creation for both the country's infrastructure and our shareholders.

With a portfolio comprising a total of 22 BOT projects in roads and highways, it is an area of our core competence. We have been instrumental in developing the country's first-ever BOT project (Thane-Bhiwandi Bypass) and played an important role in the Golden Quadrilateral project, accounting for 18.79% of the total 5,846 kms of developed highway network. We are also credited with having one of the largest BOT portfolios in the country with a cumulative length of 11,828 lane kms,

including operational and under implementation projects.

In September 2016, we became the first Company in India to get approval from SEBI for setting-up an Infrastructure Investment Trust (InvIT), whereby six operational assets of IRB were transferred to the IRB InvIT Fund. This InvIT was listed in the BSE Ltd. and National Stock Exchange of India Ltd. (NSE) in May 2017 and has enabled us to unlock capital tied up for propelling future growth.

Business verticals

- Construction and development of highway infrastructure
- Development and operation of BOT projects

Cienteles

National Highway Authority of India	Maharashtra State Road Development Corporation Limited (MSRDC)
Public Works Department (PWD)	Ministry of Shipping, Road Transport and Highways (MoSRT&H)

Competitive advantage

Operational

- One of the largest road infrastructure BOT project portfolios
- Integrated and efficient project execution capabilities
- Skilled & experienced engineering team
- Professionally managed Company with qualified and skilled employee base

Financial

- Robust balance sheet
- Prudent financial management
- Long-term source of capital and balance sheet deleveraging opportunity from IRB InvIT Fund
- Expected decline in cost of debt due to good financial track record and improved credit rating

Enviabl Track Record

(as on March 31, 2017)



22

BOT projects in
portfolio



14

BOT projects in
operation



₹9,959Cr

Total Order Book



₹34,493Cr

Total value
of assets in
operation/under
implementation



18.79%

Share in the Golden
Quadrilateral



11,828

Cumulative lane
kms in BOT
portfolio



60

Flyovers



464

Bridges (includes
railway over
bridges, major and
minor bridges)



84

Vehicle
underpasses



36

Toll plazas



376

Toll lanes

An Exciting Journey

Our journey till the stage that we have reached today has been exciting. What makes it even more treasured is the manner in which we covered the journey so far.

Treading through land acquisition challenges, environment clearances, tough terrains, global economic meltdown, rising interest rates and rising raw material prices, the journey to reach here was not easy. It was our persistent, untiring efforts and unwavering focus that enabled us to continuously emerge as a bigger, stronger and better organisation.

FY 2007-08
Cumulative Lane Kms

2,104

Key highlights

- Initial Public Offering (IPO) oversubscribed and ₹ 944.6 Crs raised at an issue price of ₹ 185 per share

FY 2009-10
Cumulative Lane Kms

4,768

Key highlights

- Awarded three projects from NHAI:
 - Amritsar-Pathankot, Punjab
 - Talegaon-Amravati, Maharashtra
 - Jaipur-Deoli, Rajasthan

FY 2011-12
Cumulative Lane Kms

6,439

Key highlights

- Awarded and achieved financial closure of the Ahmedabad-Vadodara Project, NHAI's first-ever Ultra Mega highway project in Gujarat

FY 2008-09
Cumulative Lane Kms

3,506

Key highlights

- Awarded:
 - Greenfield Airport Project in Sindhudurg, Maharashtra, IRB's first-ever Airport Project through a Project Development Agreement with MIDC
 - Surat-Dahisar Project, India's first mega highway project
 - Integrated Road Development (IRD) programme, Kolhapur

FY 2010-11
Cumulative Lane Kms

5,452

Key highlights

- Achieved financial closure for Amritsar-Pathankot, Talegaon-Amravati and Jaipur-Deoli projects
- Awarded and achieved financial closure of NHAI's Tumkur-Chitradurga project, Karnataka

FY 2013-14

Cumulative Lane Kms

7,867

Key highlights

- Awarded Solapur-Yedeshi Project, Maharashtra
- Achieved financial closure for Goa-Kundapur Project

FY 2015-16

Cumulative Lane Kms

9,846

Key highlights

- Received registration for India's first Infrastructure Investment Trust – IRB InvIT Fund
- Awarded Agra-Etawah Project, Uttar Pradesh
- Commenced toll collection on NH-8 arm of Ahmedabad-Vadodara Project

FY 2012-13

Cumulative Lane Kms

7,472

Key highlights

- Awarded Goa / Karnataka border to Kundapur Project NH-17 in Karnataka
- Acquired MVR Infrastructure and Tollways Pvt. Ltd.

FY 2014-15

Cumulative Lane Kms

9,846

Key highlights

- Awarded:
 - Mumbai-Pune Phase II Project by MSRDC
 - Yedeshi-Aurangabad Project, Maharashtra by NHAI
 - Kaithal-Rajasthan Border Project, Haryana by NHAI
 - Agra-Etawah six laning project on NH-2
- Achieved financial closure for Solapur-Yedeshi and Yedeshi-Aurangabad Projects
- Successfully raised ₹ 440 Crs by way of QIP

FY 2016-17

Cumulative Lane Kms

11,828

Key highlights

- Commenced construction and tolling operation at the Agra-Etawah project
- Awarded three projects in Rajasthan from NHAI for which financial closure is underway:
 - Udaipur-Gujarat Border project
 - Gulabpura-Chittorgarh project
 - Kishangarh-Gulabpura project
- Launched IRB InvIT Fund, first Infrastructure Investment Trust in India, in May 2017

Chairman's Message

Your Company has completed its 19th year of successful operation. With construction of each kilometre, we are creating new milestones. Rapidly growing in scale with our portfolio increasing from a little over 38 lane kms in FY 1998-99 to 11,828 lane kms in FY 2016-17, we have redefined the space.

I am delighted to report to you at the end of yet another successful year. This has been a landmark year for the Company as we successfully carried out the IPO of the country's first infrastructure trust on the Indian Stock Exchanges (BSE and NSE). I am deeply grateful to the investors for their overwhelming response to this IPO, which was oversubscribed 8.57 times. This goes on to prove, the immense confidence the shareholders have in the IRB brand. I reassure all our shareholders that the Company shall continue to work even more untiringly to sustain this trust.

Your Company has completed its 19th year of successful operations. With construction of each kilometre, we are creating new milestones. Rapidly growing in scale with our portfolio increasing from a little over 38 lane kms in FY 1998-99 to 11,828 lane kms in FY 2016-17, we have redefined the space. With our continued efforts towards strengthening project team, enhancing construction equipment infrastructure and operational efficiency, and leveraging IT, we have emerged as a holistic integrated surface transport developer. We believe that our untiring efforts and unwavering focus on these areas along with our 'B.E.S.T. (Bid. Execute. Stabilise. Transfer)' philosophy shall enable us to grow stronger

as an organisation. While we keep transferring our stabilised assets to these trusts, the unlocking of capital from these assets shall enable us to bid for new projects. Our commitment towards creating value for all stakeholders has earned us the respect in the industry.

Years of innovative and pioneering initiatives which include undertaking the country's first BOT project, developing the first mega and ultra-mega highway project, and launching the first infrastructure trust, has enabled us to grow our BOT assets portfolio from a mere ₹ 2,674 Crs in FY 2007-08 to ₹ 21,955 Crs in FY 2016-17.

Review of the year, FY 2016-17

The year under review saw your Company delivering a record performance. Despite, rapid execution of projects and highest ever construction of 5,293 lane kms of roads during a financial year, we witnessed order book surging to an all-time high of ₹ 9,959 Crs as we bagged three new projects: Udaipur-Gujarat, Gulabpura-Chittorgarh and Kishangarh-Gulabpura. The financial closures for these projects are in progress.

Though our revenues during the year increased by 13.59% to ₹ 5,969 Crs, the growth could have been more robust had it not been for the demonetisation and specific issues across certain projects that impacted our tolling revenues. During the demonetisation period, the toll suspension initiative undertaken by the government for 24 days across all the highways in the country impacted toll collections. Though we have been compensated by the NHAI for the same, partly through cash payment and partly through extension of concession agreement, we believe the actual tolling revenues would have been much higher.

The EBITDA and PAT growth were similar to these lines, as they grew 13.78% and 11.87% respectively to ₹ 3,172 Crs and ₹ 715 Crs respectively. BOT assets portfolio during the year increased by nearly 28%.

Post balance sheet developments

The successful launch and listing of the IRB InvIT Fund enabled us to transfer six of our stabilised operational project assets along with its liabilities to this trust for a consideration of ₹ 1,681 Crs in cash and ₹ 889 Crs as units in the trust. A part of this cash consideration was used to pay-off debts and the other part would be used for bidding and funding new projects. With this the health of our balance sheet significantly improved as net debt equity ratio improved from 3:1 as on March 31, 2017 to 1.81:1 as on May 30, 2017 and cash on books increased from ₹ 1,549 Crs to ₹ 3,230 Crs. Besides, with improved balance sheet, our credit rating is likely to improve which in turn shall result in decline in cost of debt.

Out of the three new projects awarded during the year, we achieved financial closure for Udaipur-Gujarat project, in July 2017. For the remaining two projects, the financial are in progress.

The InvIT would also act as an important value creation tool. It shall enable us to strengthen our business model, whereby we can utilise funds availed from monetising assets to develop more income generating assets at a faster pace and then remonetise it by transferring it to the trust. This virtuous cycle shall enable us to maintain a strong balance sheet while enhancing the rate of growth and profitability which shall be critical in maximising shareholders' value. On the other hand, it shall facilitate us in contributing towards the government's objective of expediting the road development programme necessary for addressing the country's infrastructure-gap which is critical for sustaining its economic growth momentum.

Macro-economy and industry

The Indian economy post going through a phase of high inflation and interest rates has significantly stabilised. At the end of the current fiscal, the country's fundamentals have significantly strengthened with inflation being contained at 3.81%, fiscal deficit estimated at 3.5% of GDP, forex reserves surging to over USD 367 billion and repo rates declining to its lowest level of 6.25% since 2011. Driven by this, the country achieved a robust growth of 7.1% in FY 2016-17, as economies across the globe struggled. Though the GDP growth could have been more robust had it not been for demonetisation that led to temporary sluggishness. On the positive side it channelised vast amounts of idle funds back to the economy which can be effectively utilised in funding the country's ailing infrastructure scenario. Besides, the implementation of Goods and Services Tax in July 2017 is likely to further enhance the country's productivity and efficiency driven by faster logistics movement and simplification of taxation structure. This shall be crucial in fast-tracking infrastructure projects.

Driven by these initiatives and the pressing need for quality infrastructure, the sector is likely to witness robust growth in the coming years. The government has also showed its concerns by making its highest ever budgetary allocation of ₹ 3.96 lakh Crs (including ₹ 1.31 lakh Crs for railways) to the sector. **Speaking particularly of the roads, transport and highways, a sum of ₹ 64,900 Crs has been allocated for it, 63% of which is for roads and bridges and 37% for NHAI. The ratio between revenue and capital expenditure for FY 2017-18 is pegged at 17:83 compared to 41:59 and 22:78 for FY 2015-16 and FY 2016-17, respectively, indicating the rising focus towards capital expenditure (new construction projects).**

Outlook

Going forward, we shall continue to focus on strengthening internal competencies to expedite our execution pace to reduce project turnaround time and free-up resources to take on new projects. Besides, the ROFO / ROFR Agreement between the IRB parent and the InvIT shall ensure the perpetuity of this model. We intend to keep building a robust pipeline of assets and offer stabilised ones periodically to unlock

tied-up capital and reduce leverage while providing value growth to the trust's unit holders as well. This business model shall enable us to graduate to the next phase of growth while maximising returns to the shareholders.

To conclude, the prospects of the roads, transport and highways space continues to remain positive. However, the government's and industry players' increasing focus on EPC (Engineering, Procurement and Commissioning) and HAM (Hybrid Annuity Model) highway projects may throw up some challenges in the future. Though we are confident that there will be enough projects coming up in the BOT (Toll) space; with less competition, our strong bidding strategy, and high competencies required to handle these projects, we would be in a favourable position to bag a sizeable chunk of opportunity. Besides, as the government focusses on constructing more roads, financing is likely to be a major challenge. In FY 2015-16 itself, NHAI's land acquisition costs significantly increased from ₹ 1.35 Crs/hectare in FY 2014-15 to ₹ 2.13 Crs/hectare; accounting for nearly 40-45% of the total project cost. With nearly 9,285 hectares of land possessed by NHAI in FY 2015-16, the total compensation stood at ₹ 19,020 Crs significantly higher than ₹ 9,098 Crs in the previous year, which is a huge strain on its balance sheet. Moreover, of the ₹ 59,279 Crs allowed to the NHAI to be raised through Internal and Extra Budgetary Resources during FY 2016-17, only a sum of ₹ 27,831 Crs could be raised. Thus, there is a huge funding gap to meet the construction targets. Additionally, with the government consistently facing finance constraints (fiscal deficit), Public Private Partnerships especially the BOT mode is likely to be the most ideal solution in the coming years.

With significant balance sheet revitalisation and launch of InvITs, we remain excited about the future with expectations of growing faster than ever. I, on behalf of the Board, would like to appreciate the faith reposed in us by the stakeholders. Your continued support has been of great value to us and going forward we hope to be always inundated with it.

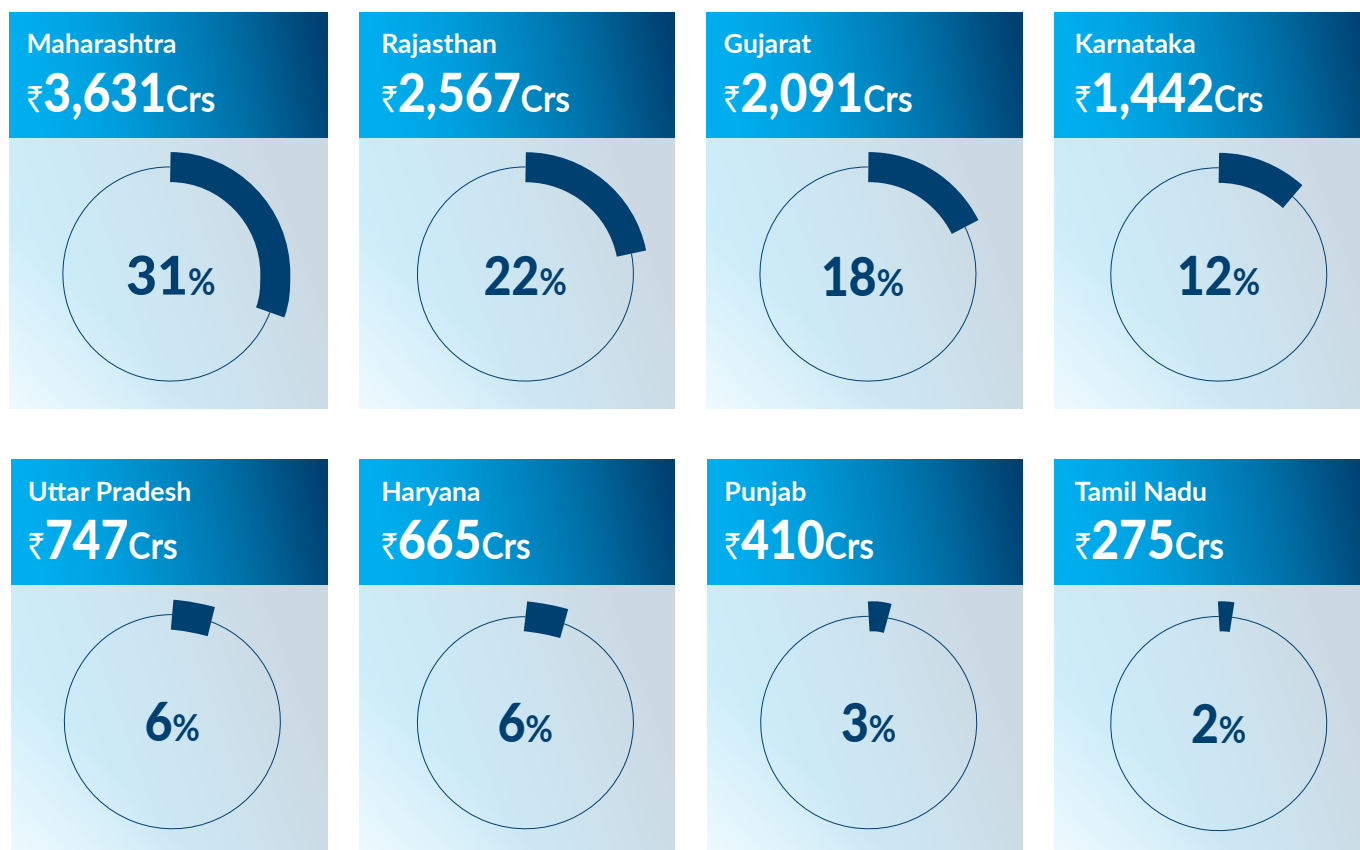
Regards,

Virendra D. Mhaikar

Chairman and Managing Director

Expanding Geographic Presence

BOT portfolio – state-wise break-up (%)



BOT toll revenue split (%)

