



# Creating Highways to **Success**

Annual Report 2010 - 11



**MBL Infrastructures Ltd.**

# Forward Looking Statements

Statements in the Management Discussion and Analysis Report with regard to projections, estimates and expectations have been made in good faith. The achievement of results is subject to risks, uncertainties and even less than accurate assumptions. Market data and information gathered from various published and unpublished reports, their accuracy, reliability and completeness cannot be assured.

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# Corporate Information

## Directors

Mr. Ram Gopal Maheshwari  
*Chairman*

Mr. Anjaneer Kumar Lakhotia  
*Whole-time Director & CEO*

Mr. Maruti Maheshwari  
*Executive Director*

Mr. Surinder Singh Kohli  
*Independent Director*

Mr. Ashwini Kumar Singh  
*Independent Director*

Mr. Kumar Singh Baghel  
*Independent Director*



## VP (Finance & Accounts)

Mr. R. N. Bansal

## Company Secretary

Mr. Nitin Bagaria

## Bankers

State Bank of Mysore  
State Bank of Bikaner & Jaipur  
Bank of India  
State Bank of Patiala  
Standard Chartered Bank  
Yes Bank Limited  
Allahabad Bank  
State Bank of Hyderabad  
DBS Bank Limited

## Auditors

M/s Agrawal S. Kumar & Associates



## Registered Office

23A, Netaji Subhas Road  
3rd Floor, Room No. 14  
Kolkata - 700001  
Ph : 033 2230 2353/1671  
E-mail : [kolkata@mblinfra.com](mailto:kolkata@mblinfra.com)

## Corporate Office

Delhi  
Bani Corporate One  
Suite No. 303, 3rd Floor  
Plot No. 5, Commercial Centre  
Jasola, New Delhi 110076  
Ph: 011 4959 3300 - 10  
E-mail : [delhi@mblinfra.com](mailto:delhi@mblinfra.com)

Kolkata  
Divine Bliss, 1st Floor,  
2/3, Judges Court Road,  
Kolkata 700027  
Email : [kolkata@mblinfra.com](mailto:kolkata@mblinfra.com)



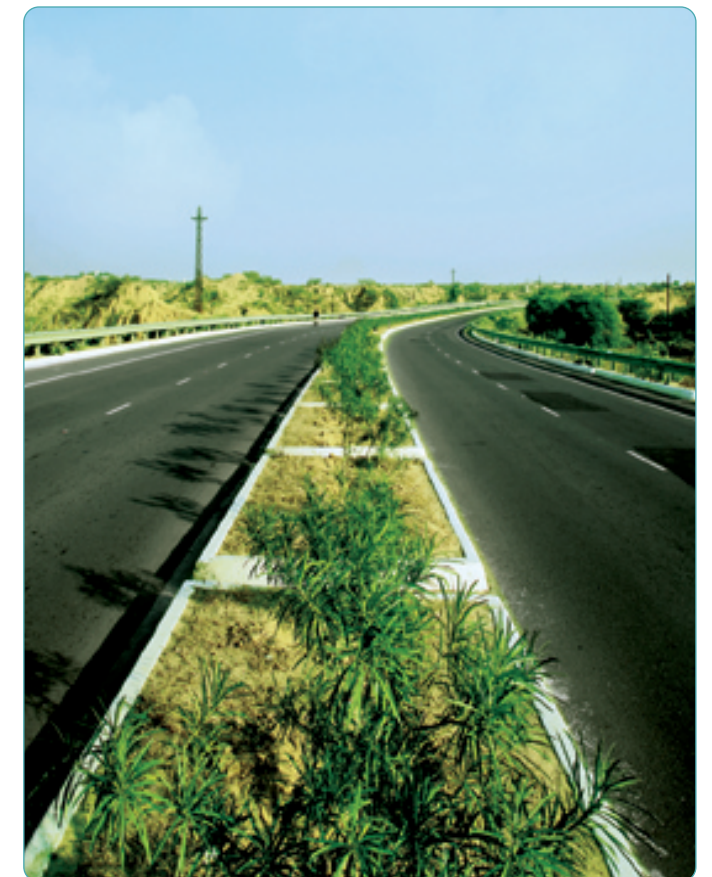
## Vision

To be a leading infrastructure enterprise committed to quality, customer satisfaction, excellence and enhancement of stakeholder value.



## Mission

- ❑ To serve in building the nation
- ❑ To become the customers' most preferred choice
- ❑ To create maximum value for stakeholders
- ❑ To enhance support to our associates
- ❑ To deliver timely output with the highest quality standards
- ❑ To encourage innovation, excellence, integrity, professionalism and team work with an optimum mix of latest technologies, human intelligence and enterprise
- ❑ To ensure a safe work environment
- ❑ To implement environmental and eco-friendly measures towards our commitment to achieving a cleaner and greener world
- ❑ To contribute to society as part of our corporate social responsibility





# Business

- ❑ Executes civil engineering projects with a specialisation in roads and highways
- ❑ Enjoys over a decade's experience in executing highway infrastructure construction, operation and maintenance projects
- ❑ Operates on an integrated business model for EPC and BOT projects
- ❑ Has a pan-India presence with projects currently running in nine states
- ❑ Has an operational BOT
- ❑ Among the first set of contractors to be awarded sections of the prestigious North-South and East-West corridors by NHAI and the first to complete projects out of these



## CLIENTS



NHAI



MPRDC



CPWD



SAIL



HUDA

**RELIANCE Infrastructure**  
Anil Dhirubhai Ambani Group

Reliance Infrastructure Ltd.

and state PWDs, among others



# Directors' Report

*Dear Members,*

The Directors have pleasure in presenting the Sixteenth Annual Report on the business and operations of the company and the financial accounts for the year ended 31st March 2011:

## Financial Results

The Financial results of the Company are as under:

	(Rs. in Lacs)			
	Standalone		Consolidated	
	2010-11	2009-10	2010-11	2009-10
Gross Revenue	99205.70	62954.28	100212.47	63765.49
Earnings Before Interest, Taxes and Depreciation	12807.35	8421.95	13763.09	9201.15
Less : Interest & Finance Charges	3183.10	2819.33	3577.11	3024.68
Less : Depreciation	630.89	433.95	955.57	666.29
Profit Before Tax	8993.36	5168.67	9230.41	5510.18
Provision for Tax	2379.22	1170.00	2426.47	1228.05
Deferred Tax (Net)	581.86	582.62	631.00	582.62
Profit After Tax	6032.28	3416.05	6172.94	3699.51
Balance Brought Forward From Last Year	1297.43	1789.83	1484.71	1693.65
Amount Available for Appropriation	7329.71	5205.88	7657.65	5393.16
Appropriations :				
Proposed Dividend	437.84	350.27	437.84	350.27
Corporate Dividend Tax	71.03	58.18	71.03	58.18
Transfer to General Reserve	2500.00	3500.00	2500.00	3500.00
Balance Carried To Balance Sheet	4320.84	1297.43	4648.78	1484.71

## Dividend

Your Directors are pleased to recommend dividend @ 25% i.e. Rs. 2.50 per equity share of face value of Rs. 10 each aggregating to Rs. 437.84 lacs.

## Transfer to Reserves

Your Directors propose to transfer a sum of Rs. 2500 lacs to the General Reserve Account.

## Operations and overview

During the year under review your company has achieved gross turnover of Rs. 99205.70 Lacs as against Rs. 62954.28 Lacs for the previous year registering a growth of 57.58% over the previous year. The earnings before interest, tax and depreciation (EBIDTA) increased to Rs. 12807.35 Lacs from Rs. 8421.95 Lacs in the previous year, the Net Profit after tax (PAT) increased to Rs. 6032.28 Lacs as against Rs. 3416.05 Lacs in the previous year.

Consolidated results were in line with the above. The consolidated gross turnover was Rs. 100212.47 Lacs for the financial Year 2010-2011 as against Rs. 63765.49 Lacs for the previous financial year 2009-2010 registering a growth of 57.16% over the previous year. The earnings before interest, tax and depreciation (EBIDTA) increased to Rs. 13763.09 Lacs from Rs. 9201.15 Lacs in the previous year, the Net Profit after tax (PAT) increased to Rs. 6172.94 Lacs as against Rs.

3699.51 Lacs in the previous year.

Your Company feels proud to be the FIRST on various categories. Some of these are as under:

- FIRST batch of contractors to be awarded the contracts of the prestigious NSEW (North-South and East-West) corridors by the NHAI and was the first to complete the project.
- FIRST to be awarded the comprehensive maintenance of the Ring Road, the most important corridors of Delhi.

Our focus area continues to be the execution of civil engineering projects with specialisation in construction and maintenance of roads and highways.

As on 31.03.2011, Order Book stood at Rs. 1069.85 Crores. In view of the unprecedented opportunities available in its core competency area, the Company expects substantial increase in the Order Book position.

## Financial Closure of BOT PROJECT

The financial closure of the project for "Four / Two Laning of Rimuli-Roxy-Rajamunda of NH – 215 in the State of Orissa" by NHAI under Phase – III of National Highways Development Program has been achieved. Project will be executed on a Design, Build, Finance, Operate & Transfer (Toll) basis with a concession period of 19 years including construction period of 910 days.

### Management Discussion and Analysis Report

A separate section presenting the Management Discussion and Analysis Report is enclosed with the Directors’ Report.

### Finance

Avenues for raising long term funds will be explored further to increase the pace of growth.

### Directors

Mr. Kumar Singh Baghel, retires by rotation at the forthcoming Annual General Meeting and being eligible, offers himself for reappointment.

### Directors’ Responsibility Statement

Pursuant to Section 217 (2AA) of the Companies Act, 1956, the Directors, based on the representations received from the operating management confirm that:

- (i) in the preparation of the annual accounts, the applicable accounting standards have been followed;
- (ii) the Directors have selected such accounting policies and applied them consistently and made judgements and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit of the Company for the year under review;
- (iii) the Directors had taken proper and sufficient care to

the best of their knowledge and ability for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956, for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;

- (iv) the Directors have prepared the annual accounts on a going concern basis.

### Subsidiary Companies

Your company firmly believes in partnering with the Government in implementing and managing infrastructure projects under the concept of Public-Private Partnership (PPP).

The project of Seoni - Balaghat - Gondia Road on BOT basis has been successfully implemented through SPV, AAP Infrastructure Ltd., a wholly owned subsidiary of the Company.

A Statement pursuant to Section 212(1)(e) of the Companies Act, 1956, is at Annexure A.

### Consolidated Financial Statements

Your Company has prepared Consolidated Financial Statements in accordance with the applicable Accounting Standards. The Consolidated Financial Statements reflect the results of the Company and that of its subsidiary. As required by Clause 32 of the Listing Agreement with Stock Exchanges, the Audited Consolidated Financial Statements together with the Auditors Report thereon are annexed and form part of this Annual Report.

### Corporate Governance

The Company is committed to high standards of the corporate ethics, professionalism and transparency. A separate section titled “Report on Corporate Governance” along with the Auditors’ Certificate on Corporate Governance as stipulated under Clause 49 of the Listing Agreement, is annexed hereto and forms a part of this Report.

### Auditors

M/s. Agrawal S. Kumar & Associates, Chartered Accountants, Statutory Auditors of the Company, retire at the ensuing Annual General Meeting and are eligible for re-appointment.

The Company has received their letter to the effect that the appointment, if made, would be within the prescribed limits under Section 224 (1-B) of the Companies Act, 1956 and they are being proposed for reappointment as auditors of the company at the ensuing Annual General Meeting.

### Conservation of Energy, Technology Absorption and Foreign Exchange Earnings and Outgo

Conservation of energy is an ongoing process in the Company’s activities. As the core activities of the Company are not energy intensive activity, no information is to be furnished regarding Technology Absorption. Your company has not undertaken any research and development activity for any manufacturing activity

nor any specific technology was obtained from any external sources which needs to be absorbed or adapted. The particulars of expenditure and earnings in foreign currency is furnished in item no. 3(t) of Notes to Accounts in Schedule – 21

### Public Deposits

The Company has not accepted any Public Deposit.

### Human Resource Development

We believe that a combination of our reputation in the market, our working environment and competitive compensation programs allow us to attract and retain talented people. Our senior management team consists of experienced individuals with diverse skills. As on 31.03.2011, the number of employees was 670.

We believe that our employees are the key to our success. Your Company aims to become “employer of choice” in the industry and is on course to achieve the same.

### Corporate Social Responsibility

An essential component to the Company’s Corporate Social Responsibility is to care for the community. The Company endeavours to make a positive contribution towards various social causes by supporting a wide range of socio-economic initiatives, engaging in socially responsible employee relations and making a commitment to the community around it.



## Annexure - A

### Particulars of employees

There was no employee of the Company who received remuneration in excess of the limits prescribed under Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975 [as Amended by Companies (Particulars of Employees) Amendment Rules, 2011 read with General Circular No. 23/2011 issued by Ministry of Corporate Affairs, Government of India].

### Appreciation

The Bankers of the Company have since long shown full confidence in your company and have been partners in its growth.

Your Directors would like to express their grateful appreciation for the assistance and co-operation received from the Company's Bankers and all Government Departments during the year under review.

Your Directors wish to place on record their deep sense of appreciation for the devoted services of the Executives, Staffs and Workers of the Company for its success.

By Order of the Board  
 Ram Gopal Maheshwari  
 Chairman

New Delhi

Dated: The 29th Day of May, 2011

### Statement pursuant to Sec. 212 of the Companies Act, 1956 relating to Subsidiary company.

Name of the Subsidiary Company	AAP Infrastructure Ltd.
The Financial year of the subsidiary company ended on	31.03.2011
Number of shares held and extent of holding thereof by the holding company, at the above date	
a) The number of equity shares of Rs.10/-each fully paid	1,20,00,000
b) Extent of holding in percentage terms	100%
The net aggregate profits or (losses) of the subsidiary company for the current financial year so far as it concerns the member of the holding company	
a) Dealt with or provided in the accounts of the holding company (Rs. in lacs)	NIL
b) Not dealt with or provided in the accounts of the holding company (Rs. in lacs)	140.66
The net aggregate profits or (losses) of the subsidiary company for the previous financial years so far as it concerns the member of the holding company	
a) Dealt with or provided in the accounts of the holding company (Rs. in lacs)	NIL
b) Not dealt with or provided in the accounts of the holding company (Rs. in lacs)	283.46

# Management Discussion & Analysis Report

## Economic Overview

Year 2010 saw the Indian economy rebound robustly from the global financial crisis - in large part because of strong domestic demand and as a result, growth exceeded 8% year-on-year in real terms. The strong level of economic growth achieved in India in recent years has led to an expansion of industry, commerce and per-capita income. This in turn has fuelled demand for infrastructure services including energy, transportation, telecom, water supply and other urban infrastructure.

## Construction Industry – Structure

The Indian construction industry plays a pivotal part in the national economic growth. It has witnessed rapid growth over the last few years, clearly indicating the benefit of securing “industry” status. The Construction Sector is strongly linked to the overall growth and development of the economy. The industry is the second largest employer after agriculture in the country. The investment in the Construction Sector accounts for nearly 11 percent of India's Gross Domestic Product (GDP) and nearly 50 percent of its Gross Fixed Capital Formation (GFCF). There has been increased emphasis on involving private sector for infrastructure development through public private ownerships and mechanism like BOT (Build Operate Transfer), BOOT (Build Operate Own Transfer) and BOLT (Build Operate Lease Transfer).

Construction sector may be broadly classified into the following categories:

- Real estate construction investments (i.e. residential and commercial construction)
- Infrastructure construction investments (i.e. roads, urban infrastructure, power, irrigation and railways)
- Industrial construction investments (i.e. steel plants, oil pipelines and refineries)

Growth in the construction industry is expected to be led by growth in infrastructure and industrial construction investments, which are expected to grow at a faster rate than real estate construction investments.

## Infrastructure Industry – Developments and Opportunities

The Indian infrastructure has to play a key role in the nation's progress towards achieving the status of “developed nation” from “developing nation”. However, inadequacies have hitherto been a constraint in realising the growth potential of the GDP of the nation. The Government has realised this and embarked upon an ambitious programme of infrastructure development and investment for strengthening and consolidating recent infrastructure initiatives. Initiatives have been taken to enhance the investments at all levels i.e. Central Government, State Government as well as Private sector in each major infrastructure sector.

The programmes that ensure strengthening and consolidating recent infrastructure-related horizontal initiatives, are Bharat Nirman for building rural infrastructure, as well as sectoral initiatives and strategies, such as the Rajiv Gandhi Grameen Vidyutikaran Yojana, Accelerated Power Development and Reforms Programme, Jawaharlal Nehru National Urban Renewal Mission, National Highways Development Programme, etc.

## Highways and Roads

For a country of India's size, an efficient road network is necessary both for national integration as well as for socio-economic development. Road connectivity forms the backbone for economic and social development of any country through connectivity and opening up the backward regions to trade and investment. However, to their importance to the national economy, the road network in India is grossly inadequate.

The existing network is unable to cope up with high traffic density. Currently, at 3.3 million km, India's road network is the second largest in the world. The road network comprises 70,934 km of national highways, 1,31,899 km of state highways, and 31,20,000 km of major district, rural and other roads. Road density in terms of population is only 2.75 km per 1,000 people compared to the world average (6.7). Indian roads carry about 80% of passenger traffic and 65% of freight traffic. Further, only 17% of the national highways and 1% of the state highways are four-lane. About 53% of the national highways and 22% of the state highways are double-lane. Moreover, the number of vehicles has been growing at an average pace of 10.16% per annum over the last five years.

Our National highways constitute only 2% of the total road network but they carry nearly 40% of the total traffic. State highways constitute about 13% of the road length and carry 40% of the traffic.

The Indian Government has set ambitious plans for upgrading of the National Highways in years to come. The Eleventh Five Year Plan targets at 6-lane 6500 km in GQ; 4-lane 6736 km NS-EW, 4-lane 20000 km; 2-lane 20000 km; 1000 km Expressway.

## The National Highways Development Project (NHDP)

National Highway Development Project (NHDP) comprising of the Golden Quadrilateral and North-South & East-West Corridors, is implemented through National Highways Authority of India, an autonomous body formed through an Act of Parliament. NHDP is India's largest ever highway project. The Government of India launched major initiatives to upgrade and strengthen national highways through various phases of NHDP which are as under :

*NHDP Phase I* – NHDP Phase I was approved by Cabinet

Committee on Economic Affairs (CCEA) in December 2000 at estimated cost of Rs. 30,000 Crores, comprises mostly of Golden Quadrilateral (5,846 km), NS-EW Corridor (981 Km), port connectivity (356 km) and others (315 km).

*NHDP Phase II* – NHDP Phase II was approved by CCEA in December 2003 at an estimated cost of Rs. 34,339 Crores (2002 prices) comprises mostly of NS-EW Corridor (6,161 km) and other National Highways (486 km), the total length being 6,647 km.

Under NHDP Phase I and II, 5560 km. have been completed and 1161 km are under implementation upto February 2011.

*NHDP Phase III* – Government has approved upgrading and 4 laning of 4,035 km of national Highways of BOT basis at an estimated cost of Rs. 22,207 Crores (2004 Prices). In April 2007, Government approved upgradation and 4 laning of 8074 km at an estimated cost of Rs. 54,339 Crores. Upto February 2011, 2135 km have been completed and 5669 km are under implementation.

*NHDP Phase IV* – CCEA has approved upgradation of 20,000 km into two- lane highways, at an indicative cost of Rs. 278 billion.

*NHDP Phase V* - CCEA has approved six laning of 6,500 km of existing 4 lane highways under this Phase. Upto February 2011, 490 km have been completed and 1922 km are under implementation.

*NHDP Phase VI* – CCEA has approved 1000 km of expressways under this Phase at an estimated cost of Rs. 16,680 Crores. These expressways would be constructed on new alignments.

*NHDP Phase VII* - CCEA has approved 700 kms of Ring Roads, Bypasses and flyovers and selected stretches at an estimated cost of Rs. 16,680 Crores. Upto February 2011, 41 km were under implementation.



Most of the NHDP projects have been developed or are under development on Public Private Partnership (PPP) basis through Build Operate and Transfer (BOT)-Annuity and Build Operate and Transfer (BOT) - Toll mode.

### Investment projected for the Eleventh Five Year Plan

The Eleventh Plan emphasised the importance of investment in infrastructure for achieving a sustainable and inclusive growth of 9 to 10 per cent in GDP over the next decade. The Eleventh Five Year Plan places high priority to the expeditious completion of works approved under the different phases of the NHDP. The total investment in infrastructure during the first two years of the Eleventh Plan has risen to Rs. 3,03,807 Crores in 2007-08 and Rs. 3,59,192 Crores in 2008-09 as against the earlier projected level of Rs. 2,70,273 Crores and Rs. 3,21,579 Crores respectively. Taking account of developments in the first two years, the earlier projections for the entire Eleventh Plan period have been revised and it is now estimated that the total investment in infrastructure in the Eleventh Plan would be Rs. 2.06 Million Crores.

MORTH has decided to speed up the award and implementation of NHDP. This is likely to increase the investment during the last two years of the Eleventh Plan, but the major build up in expenditure consequent to this acceleration will be in the Twelfth Plan.

### Investment Assessed for the Twelfth Five Year Plan

According to a publication of the Secretariat for Infrastructure, Planning Commission, Government of India, preliminary assessment suggest that investment in infrastructure during the Twelfth Plan (2012-17) would be about Rs. 4.10 Million Crores to achieve a share of 9.95 percent as a proportion of GDP.

The Government of India has already initiated number of policies to attract private investments in the Road Sector, such as :

- Carrying out all preparatory work including land acquisition and utility removal. Right of way (ROW) to be made available to concessionaries free from all encumbrances.
- NHAI/GOI to provide capital grant upto 40% of project cost to enhance viability on a case to case basis.
- 100% tax exemption for 5 years and 30% relief for next 5 years, which may be availed of in 20 years.
- Concession period allowed upto 30 years.
- Redrafting of Arbitration and Conciliation Act, 1996 based on UNICITRAL provisions
- Allowing entrepreneurs to collect and retain tolls in BOT projects.
- Duty free import of specified modern high capacity equipment for highway construction.

There are different contract models currently being adopted for Public Private Partnership (PPP) in developing India's infrastructure facilities which vary in the distribution of risks and responsibility between the public and the private sectors.

### Corridor Management

The completion of construction of many sections of National Highways has necessitated the corridor management through operation and maintenance contracts. The scope of work, among other things, includes road maintenance, road property management, incident management, traffic management, toll fee collection and engineering improvements. MBL has an early mover advantage in this sector.

### Public-Private Partnership (PPP)

Historically, investments in the infrastructure space, particularly in the highways, were being made by the Government mainly because of the large volume of resources required, long gestation, uncertain returns and associated externalities. The galloping resource requirements, concern for managerial efficiency and consumer responsiveness have led in recent times to an active involvement of the private sector.

It has been decided that all the sub-projects in NHDP Phase-III to Phase-VII would be taken up on Public-Private Partnership (PPP) basis in Build Operate and Transfer (BOT) mode. To this end, and to encourage participation of private sector, the Department of Road Transport and Highways has laid down comprehensive policy guidelines for private sector participation in the highway sector.

Under PPP mechanism Government offers two models viz. Build – Operate – Transfer (Toll) Model and Build – Operate – Transfer (Annuity). Most of the projects are awarded on these two models.

Out of the two models, BOT (Toll) has been preferred, accounting for 75% of the total private investment. The Government has further modified this model to Design-Build-Finance-Operation-Transfer (DBFOT), wherein Concessionaire also designs the project.

With the increasing investment in infrastructure in India, the share of private sector in the total investment on infrastructure has increased rapidly. The contribution of private sector in total infrastructure investment in each of the first two years of 11th Plan (2007-2012) was around 34%. This is higher than the 11th Plan target of 30%, and 25% achieved in 10th Plan period. It is expected to rise to 36% by end of 11th Plan and 50% during the 12th Plan (2012-2017).

MBL has successfully implemented the project of Seoni -

Balaghat - Gondia Road on BOT basis through SPV, AAP Infrastructure Ltd., a wholly owned subsidiary of the Company. The Company expects good opportunities in PPP Projects.

The Consortium led by the Company has been awarded project of "Four / Two Laning of Rimuli-Roxy-Rajamunda of NH – 215 in the State of Orissa" by NHAI under Phase – III of National Highways Development Program. Project will be executed on a Design, Build, Finance, Operate & Transfer (Toll) basis with a concession period of 19 years including construction period of 910 days. NHAI will give a total grant of Rs. 229.95 Crores during the construction period by way of equity support. Financial Closure of this project has been achieved. The project is in the prime iron ore mining belt.

### Special Accelerated Road Development Programme in the North-Eastern Region

The Special Accelerated Road Development Programme for the North-Eastern region (SARDPNE) aims at improving the road connectivity to State capitals, district headquarters and remote places of the NE region. It envisages two/ four laning of National Highways and two-laning/improvement State roads. It covers 9,760 km.

The said programme is divided into two phases, Phase A and Phase B. Phase A has been approved at an estimated cost of Rs. 16,286 Crore.

In addition to the Roads and Highways Sector as discussed above, Airports, Ports and Urban Infrastructure development plans are good business opportunities available.

### Our Business Strategy

Our primary focus is on continuous improvement and consolidation of our position in the construction and infrastructure development & management industry. We intend to achieve this through an integrated business model by implementing the following strategies:

### Target specific high potential projects

We intend to concentrate on projects wherein we believe there exists high potential for growth and where we enjoy competitive advantage. We believe that our expertise and experience in development, operation, and maintenance of road infrastructure projects will provide us with an advantage in pursuing growth opportunities in this fast growing sector.

We intend to focus on operation and maintenance of roads, where we have an early mover advantage and the margins in such activities are comparatively high.

### Consolidating our position in the infrastructure space

We intend to consolidate our position in the infrastructure space and may foray into Mining, Power, Railway, Airport, Irrigation, Urban Infrastructure, Industrial Infrastructure, Water, Ports, SEZs and other infrastructure projects.

### Joint Venture with reputed players for increasing the bid capacity for larger projects and with regional players to reap the benefits of our experience

We continue to develop and maintain strategic alliance and form project specific alliances to increase our bid capacity. We would also continue to form project specific joint ventures with regional players whose resources, skills and strategies are complementary to our business and would help us to reap the benefits of our experience.

### Continue to enhance our project execution capabilities

We believe that we have developed a reputation for undertaking challenging infrastructure and construction projects and

completing them in timely manner. We intend to continue to focus on performance and project execution in order to maximise client satisfaction. We leverage technologies, designs and project management tools to increase productivity and maximise asset utilisation in capital-intensive activities. We continue to optimise operating and overhead costs to maximise our operating margins. Our ability to effectively manage projects will be crucial to our continued success as a recognised infrastructure company. We believe that we stand distinguished from our competitors because of our management strength and in-house development, construction, operation and maintenance capabilities. We intend to continuously strengthen our execution capabilities by adding to our existing pool of professional team, attracting fresh talent, and facilitating continuous learning with in-house and external training opportunities.

### Bid for, win and operate BOT and Annuity projects.

The government has planned for projects on a BOT or annuity basis. We believe that such projects will become increasingly more prevalent in the coming years because of the government's reliance on the public-private-partnership (PPP) model. BOT or annuity projects generally provide better operating margins because of the added overall control of project costs that can be exerted by the contractor. Additionally BOT projects offer the possibility of higher revenues to the contractor by virtue of better than anticipated use of the asset. We intend to increase our focus on BOT and annuity projects by leveraging our technical and financial credentials. Avenues for raising long term funds will be explored further to increase the pace of growth. It will also increase our ability to form strategic alliances with corporate developers and financial institutions, which we intend to do more of on a project-by-project basis enhancing our prospect to bid for and execute such projects.

### Encashing relationship with steel manufacturing companies and previous experience of stone aggregates mining.

Since the inception of the Company, we have maintained cordial relations with the steel manufactures and also reasonable experience in mining. We may enter into mining of minerals such as iron ore, coal etc. in future subject to availability of mines and the then prevailing Government Rules and Regulations.

### Threats, Risks and Concerns

Worldwide, the construction sector is characterised by a plethora of players and the Indian scenario is no different. There are many construction companies currently operating in India.

The Construction industry is marked with low entry barriers, with several regional and national players dotting the competitive landscape. As a result, despite the strong demand scenario and a definite surge in flow of orders, the margins in the sector have remained low. That apart, the working capital cycle has elongated significantly for many companies over a period of time. Thus, construction players have lacked the bargaining power not only in terms of pricing but also in negotiating payment terms in the contracts. Major concerns include decrease in demand, increase in prices of construction material, lack of credit, increase in cost of funds, etc.

The key risks for the construction sector are increasing commodity prices, increasing interest rates and funding constraints. While infrastructure spending will accelerate, tighter credit conditions may result in a slowdown of private sector activity.

Your Company minimises risks by micro-management of its

elements and has developed management and organisational skills to protect it from adverse situations.

### Outlook

With more than a decade's track record of proven performance and immense opportunities available in the core competency area of the Company, a higher growth business plan has been adopted by the Company. The Company has strengthened its management, capital and human resources. The order book of the Company is on continuous growth path.

We shall be very selective and cautious on the BOT space. We shall encash upon our position in the Industry to take up more Public Private Partnership Projects. We see tremendous growth opportunities in this segment.

The early mover's advantage in the Operation & Maintenance Segment will be further consolidated and the huge opportunities available to the Company in this segment will be encashed for rapid growth and higher profits.

The Company has opportunities in Mining, Power, Railway, Airport, Irrigation, Urban Infrastructure, Industrial Infrastructure, Water, Ports, SEZs and other infrastructure projects. We shall selectively foray in these segments.

### Internal Control Systems And Their Adequacy

The Company has laid down guidelines, procedures and policies for better management control, which are periodically tested and supplemented by an extensive internal audit program. Significant findings are placed before the Audit Committee of the Board and the corrective measures are recommended for implementation. In the opinion of the management, the existing internal checks & controls are adequate.