

**WHAT MAKES MBL  
ONE OF THE MOST  
EXCITING  
INFRASTRUCTURE  
PROXIES IN INDIA  
TODAY?**

**MBL INFRASTRUCTURES LIMITED  
ANNUAL REPORT, 2015-16**

#### REVENUES

**2314**

(₹/CR)

**19%**  
GROWTH  
OVER  
2014-15

## BIG NUMBERS, 2015-16\*

#### EBIDTA

**225**

(₹/CR)

**0.17%**  
GROWTH  
OVER  
2014-15

#### NET WORTH

**725**

(₹/CR)

**647**  
IN  
2014-15

#### PAT

**85**

(₹/CR)

**6%**  
GROWTH  
OVER  
2014-15

#### ORDER BOOK

**6823**

(₹/CR)

**81%**  
GROWTH  
OVER  
2014-15

#### CASH PROFIT

**102**

(₹/CR)

**7%**  
GROWTH  
OVER  
2014-15

#### BOOK VALUE PER SHARE

**174.76**

(₹)

**156.06**  
IN  
2014-15

#### EPS

**20.51**

(₹)

**19.34**  
IN  
2014-15

#### DEBT TO EQUITY INCLUDING WC

**1.21**

AS ON  
31ST  
MARCH  
2016

\*Standalone

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On the one hand, India's road building opportunity is possibly the largest in the World.


On the other hand, this opportunity is being addressed by relatively few companies with established competence and credentials.

MBL Infrastructures Limited is among those select companies possessing the necessary vision, experience, equipment, qualifications and Balance Sheet to address this unprecedented opportunity.

Making it an excellent proxy of the sustainable and profitable growth expected to take place across the foreseeable future.

"American roads are not good because America is rich but America is rich because American roads are good."

– Former US President John F. Kennedy



Whenever there is a complex infrastructure project, customers turn to MBL Infrastructures Limited.

Whenever there is a challenging deadline, customers turn to MBL Infrastructures Limited.

Whenever there is an infrastructure project requiring rich experience and qualifications, customers turn to MBL Infrastructures Limited.

Making the Company an exciting proxy of an exciting infrastructure sector.

## Our vision

To be the foremost infrastructure company dedicated to quality and on-time project execution, building customer satisfaction and enhancing stakeholder value while maintaining our commitment towards a cleaner and greener world.

## Our mission

- To serve in the building of the nation by constructing, maintaining and improving infrastructure.
- To be an active participant in India's infrastructure development and overall growth story.
- To create maximum value to the shareholders while contributing to society as a part of Corporate Social Responsibility.
- To encourage innovation and excellence, collaborative team work and professionalism so as to become the clients' most preferred choice.
- To set benchmarks in quality and timeliness of execution.

### Our business

MBL Infrastructures Limited provides integrated Engineering, Procurement and Construction (EPC) services to the India's civil construction and infrastructure sectors. Over the years, the Company has emerged as a prominent Indian road building company enjoying a pan-India presence.

### Our presence

MBL is headquartered in Delhi with a Registered Office in West Bengal. In recent years, MBL has executed and commenced a number of praiseworthy projects in the states of West Bengal, Uttar Pradesh, Uttarakhand, Rajasthan, Odisha, Madhya Pradesh, Karnataka, Haryana, Bihar, Delhi, Andhra Pradesh and Assam.

### Our management

The management of MBL is headed by Mr. Anjanee Kumar Lakhota, Chairman & Managing Director, with over two decades of experience in the industry. Mr. Ashwini Kumar Singh, Mr. Kumar Singh Baghel, Mr. Ram Dayal Modi, Mr. Bhagwan Singh Duggal and Ms. Sunita Palita are Independent Directors of the Board.

We believe that these competencies in road building provide scope for growth; our expertise in rapidly growing diverse national infrastructure segments makes it possible to contribute to active nation-building.

### Our competence

MBL enjoys industry respect for its

ability to embrace challenging projects, delivering them on schedule and doing so within budget through a prudent leverage of technology, design and project management. The Company possesses the following proprietary competencies:

- Robust technical execution capabilities;
- Captive ownership of construction equipment; and
- Ability to competitively source raw materials.

### Our customers

**National Highways Authority of India:** Autonomous agency of the Government of India, responsible for the management of the network of national highways in India. Nodal agency of the Ministry of Road Transport and Highways.

**Ministry of Road Transport and Highways:** Part of the Government of India, apex body for formulation and administration of rules, regulations and laws relating to road transport, national highways and transport research to increase mobility and efficiency of the road transport system in India.

**Public Works Department:** Pan-India in presence with the ability to undertake construction of complex projects even in difficult terrains coupled with post-construction maintenance.

**Delhi Metro Rail Corporation:** Centre-State Public Sector company that operates the Delhi Metro. Also involved in the planning and implementation of metro rail, monorail, and high-speed rail

projects in India and abroad.

**Other clients:** Madhya Pradesh Road Development Corporation Ltd., Bihar State Road Development Corporation Ltd., among others.

### Our certifications

**ISO 9001:2008:** In recognition of the Company's organization's quality management system.

**ISO 14001:2004:** In recognition of the Company's environment management system.

**OHSAS 18001:2007:** In recognition of the Company's health and safety management system.

### Our order book

The Company possessed a consolidated order book of ₹6823 cr at the close of 2015-16, which was 81% higher than at the close of 2014-15. Nearly 87% of the order book comprised orders for road construction, making the Company a faithful growth proxy of India's road infrastructure sector.

### Our awards

- 'Second-fastest growing Indian construction company (medium category)' at the 13th Annual *Construction World* Global Awards.
- 'Third-fastest growing Indian construction company (medium category)' at the 10th, 11th and 12th Annual *Construction World* Global Awards.
- 'India's top challenger company in the Construction and Engineering value chain' at the Annual *Construction World* Global Awards.



## Chairman's overview

# The unprecedented opportunity in India's road building sector

If there is one word that faithfully encapsulates the reality of India's road building and maintenance sector, it is 'excitement'.

The air of excitement in India's road building sector is unprecedented because of a number of reasons.

**One**, the Indian Government has identified road building (along with power and rail) as a core national economy driver, which means that the road building is likely to drive national growth.

**Two**, India intends to add nearly 75% to its highway length in just the next five years, setting the pace for the kind of development that we have possibly not seen in our lifetime. The Central Government has already established a monthly run-rate of ₹15000 cr in the awarding of projects over the last six months, indicating that this has conclusively extended from blueprint to reality.

**Three**, the resulting opportunity, estimated at US\$250 billion, represents possibly the largest road infrastructure

opportunity in the world, which should keep successful road building companies busy across the coming decade.

**Four**, the Central Government has shifted its attention from project award to project implementation, clearing roadblocks with the objective to accelerate India's road building throughput from 13 kms a day to a projected 41 kms a day over the coming months.

**Five**, the Central Government has evolved from the erstwhile BOT format of projects to the EPC format and has introduced the market-friendly Hybrid Annuity Model (HAM), which has corrected downsides of the erstwhile engagement while enhancing upside opportunities for industry players.

### [Attractive proxy](#)

At MBL, we see our Company as one of the prominent beneficiaries of this unprecedented sectoral opportunity.



We survived the infrastructure downturn in the last few years with our Balance Sheet integrity largely protected. As on 31 March 2016, we enjoyed a gearing (based on term loans) of 0.19, which provides us with attractive room to mobilise additional debt to fund new projects should we choose to do so.

We have been awarded large projects that provide a more than attractive 24-month revenue visibility from 1st April 2016 onwards at margins that are correspondingly higher than what we earned in our earlier projects.

We possess the respect of a Company that has demonstrated its competence in being able to embrace challenging projects and deliver them on schedule. This makes us a preferred service provider for some of the most prestigious road building projects funded by global financial institutions.

We are not just a road builder in the narrow sense of the term; we build and maintain roads, widening our opportunity landscape. Besides, we are more than just a road company; we address infrastructure-building opportunities across India's civil, railway, irrigation and waterway sectors, making us a broader proxy of India's infrastructure sector.

### Optimism turning into reality

My optimism that the widening national infrastructure play and the Company's established credentials will translate into attractive numbers has already started to become a reality.

The Company strengthened its order book from ₹3771 cr to ₹6823 cr as on 31st March 2016. This was the largest percentage and quantum growth in the Company's order book in a single year. This validated the Company's credentials, financial structure and its conscious decision to pursue only those contracts that account for large volumes on the one hand and attractive margins on the other.

MBL's prospects are not only reflected in the quantum growth of its order book; they are also reflected in the evolving quality of the order book. Nearly 31% of our year-end order book comprised prestigious HAM projects. We believe that these HAM projects will enhance

margins, profits and long-term revenue visibility. Besides, these projects will evolve our brand from being just a construction vendor into a respected core infrastructure builder.

### Strategic direction

I am optimistic that these fundamentals will translate into attractive earnings for the Company and value for our shareholders for some good reasons.

We have bid for only those projects that have been backed by NHAI, MoRTH or funded by global funding agencies, virtually eliminating the possibility of projects being stalled due to the unavailability of funds. This will translate into quicker completion, faster inflows and a stronger return on employed capital.

We have bid for complex projects marked by relatively low competition and higher margins, which should progressively reflect in stronger EBIDTA margins.

We have made it a point to conduct our BOT and HAM projects in subsidiaries with a possibility of their prospective listing, which we believe will help us deleverage our consolidated Balance Sheet and build a more valuable enterprise.

Shareholders can look forward to a stronger 2016-17 on account of robust order accretion (that will translate into stronger revenue visibility), BOT projects implementation and achieving financial

closure of our HAM projects. We believe that for a company that needs to grow revenues by 20 to 25% annually across the foreseeable future, we need to add ₹4000 cr profitable orders during the current financial year.

However, the big year at our Company is expected to be, when we commission our existing BOT projects and capitalise on a full year's working of the BOT projects. Besides, we intend to sustain the EPC projects we are presently working on and expect that the timely kick-starting of our HAM projects will translate into revenues.

Besides road projects, we are also executing projects across metro railway, urban and housing infrastructure among others. The other infrastructure projects formed nearly 23% of the Company's order book as on 31st March 2016. The Company tied up with Piacentini Costruzioni S.p.a. for executing inland waterway projects. The other infrastructure segments are expected to reduce our dependence on the road sector and enhance our revenue base.

### Overview

I must assure shareholders that MBL Infrastructures has arrived at a sweet spot in its existence.

The prevailing environment represents the coming together of three positive realities for the Company: government reforms in the sector translating into increase order throughput, financial reforms that will make it increasingly possible for companies to list their subsidiaries on secondary capital markets and mobilise financial resources that help deleverage their balance sheets. And lastly, even as all this is transpiring, most Indian infrastructure players nurse weak balance sheets that prevent them from immediately addressing the unprecedented sectoral opportunity.

In view of these realities, I expect MBL Infrastructures to report sustainable year-on-year growth translating into targeted revenues of ₹5000 cr by 2020 and emerging as one of the most attractive proxies of India's infrastructure sector.

**Anjanee Kumar Lakhotia, Chairman**

We have been awarded large projects that provide an attractive more than 24-month revenue visibility from 1<sup>st</sup> April 2016 onwards at margins that are correspondingly higher than what we earned in our earlier projects.

(km)

100087

Length of highway  
road projects in India,  
2016

(km)

175087

Length of highway  
road projects in India  
(proposed), 2021

(km/day)

13

Road construction in  
2014-15

(₹/cr)

181314

Budgetary allocation  
towards infrastructure  
sector in 2014-15

(₹/cr)

221246

Budgetary allocation  
towards infrastructure  
sector in 2016-17

(km/day)

20

Road construction in  
2015-16

(km)

6000

Highway construction  
target in 2015-16

(km)

15000

Highway construction  
target in 2016-17

(km/day)

41

targeted road  
construction in  
2016-17

(₹/cr)

44255

Budgetary allocation  
towards road sector in  
2015-16

(₹/cr)

57976

Budgetary allocation  
towards road sector in  
2016-17

(km)

10000

Highway award  
target in 2015-16

(₹/cr)

65445

Budgetary allocation  
towards railways  
sector, 2014-15

₹/lakh cr)

1.21

Proposed allocation  
towards railways  
sector, 2016-17

(km)

25000

Highway award  
target in 2016-17





# Our performance ambition

At MBL, our performance ambition is to emerge as one of the most respected infrastructure-creating companies in India.

## Overall goal

The Company has targeted revenues of ₹5000 cr by 2020.

## Probable goal contributors

- Successful bidding for HAM, EPC and O&M projects
- Graduation towards higher-EBIDTA margin projects
- Disciplined BOT project execution (on schedule and within budgeted project costs)
- Conscious initiatives to strengthen credit-rating and moderate debt costs
- Probable capital mobilisation after the new projects have been commissioned to enhance revenue visibility

## Focused investments

- Equipment ownership to shrink project turnaround and reduce rentals outgo

- Experienced personnel recruitment to address business growth

We are measuring our performance ambition through:

## Growth

- **Total income:** Grew by 19% in 2015-16
- **Net profit:** Grew by 6% in 2015-16

## Order book

- **Order book:** Grew by 81% in 2015-16

## Value creation

- **Book value per share:** Increased from ₹156.06 in 2014-15 to ₹174.76 in 2015-16

# Our business model

At MBL we have progressively graduated to a business model that we believe is likely to generate multi-year growth across industry cycles.

## Goal

In a sector marked by scale, the Company resolved to be a contrarian: not aspiring to emerge as the largest with the biggest balance sheet, but the best integrated infrastructure creator with the smallest balance sheet. This perspective influenced the Company's capital allocation, projects mix and realisations strategy, virtually defining the Company's personality. As a result, the Company has compromised peak short-term margins in exchange for sustained medium-term profitability, strengthening corporate stability that is ideal for a capital-intensive business in a high-cost economy. The result is that the Company expects to remain largely insulated from the margins volatility of the sector.

## Business quality

The Company believes that business quality has a greater impact on sustainability than quantity. As a result, there is a greater priority on doing good business. This 'good business' is defined by the ability to engage in prominent projects for credible customers that generate attractive margins and enrich the Company's credentials to be able to bag subsequent projects. Besides, 'good business' also influences the Company's decision to walk away from contracts when promised margins decline below a pre-defined hurdle rate. We believe the decline in profits arising out of a conscious vacation of business is temporary; this has even protected the Company from a larger decline in profits that would have accrued as a result of engaging in the projects.

## Evolution

Even as the Company is largely recognised for its extensive presence in India's road-building sector, the Company is fundamentally an infrastructure-creating company with an established exposure in the railways, civil, waterway and irrigation construction segments. There is a preference for the road sector as the Company's project completion is not dictated by external agencies, resulting in the Company being able to complete projects and raise its final bill without any deductions.

## Brand

Even as there is no room for the use of a brand or logo within the Company's business, we believe that the Company enjoys the respect and reputation (brand) for project dependability. This dependability has been derived from the ability to embrace challenging projects and complete all commissioned projects. We believe that this willingness to embrace project complexity has translated into clients seeking us out as a preferred service provider; we also believe that this positioning has translated in relatively low competition and attractive margins.

## Customer profile

The Company selects to work on projects of credible government agencies like NHAI and MoRTH, as well as those funded by large international funding agencies, which ensure an ability to take them to their logical conclusions, translating into predictable and periodic receivables.

