

MANAGEMENT DISCUSSION AND ANALYSIS REPORT (2018-19)

INTRODUCTION:

Your Company is one of the leading infrastructure development Companies in India, having pioneered the development of various first-of-its-kind-in-India projects such as Seaport, Logistics, Railway, Defence Shipyard, Offshore Asset Construction Yard and Special Economic Zone in the private sector.

INDUSTRY STRUCTURE & DEVELOPMENTS:

The story of economic growth is half-documented without narrating the story of industry-infrastructure nexus. India, being home to more than 1.25 billion population, needs to build a robust industry with a buoyant and resilient infrastructure. Success of social and economic transformation of an economy is in providing inclusive and sustainable infrastructure amenities to the people and the pace of economic growth depends on how competently and judiciously an economy is able to address its infrastructure bottlenecks.

To keep up with the global economic growth pace, India needs to develop its industry and infrastructure at a rapid pace, too. As one of the fastest growing economies, the scope for industry and next generation infrastructure in India is enormous. To realise the said potential, it is necessary to clear the obstacles which the government of India is committed to get rid of and as a way forward, the government has also announced various measures for ease of doing business in India.

In the Union Budget 2018-19, the Government of India has given a massive push to the infrastructure sector by allocating Rs. 5.97 lakh crore for the sector. The government is keenly looking forward to private sector participation in infrastructure development in the country and this has opened the floodgates for the private sector to grab this opportunity.

OPPORTUNITIES & THREATS:

The Indian economy continues to remain one of the fastest growing economies among major global economies and is expected to become the third largest construction market globally by 2022. Government's endeavours to augment growth in public investments along with high priority to infrastructure development through Public-Private-Partnership (PPP) mode have given a boost to the infrastructure sector with huge prospects for private players.

To optimally benefit from these prospects, private sector players in Indian infrastructure sector will have to maintain equilibrium between two imperatives. The first is to methodically control their balance sheets, trim fixed costs and monetize non-core activities — all these in a way that provides enough comfort to the lenders. The second is to increase the business volumes and execute to the satisfaction of the clients inspite of difficulty in availability of affordable finances. The way these imperatives are met will determine the state of the business in the next few years.

On the other hand, following two key areas need immediate government attention, which, if not addressed suitably and expeditiously, may spiral into potential threats:

- (a) Expeditious litigation-free land acquisition process to kick start and achieve planned targets.
- (b) Better and faster dispute resolution mechanism to avoid delays in planned completion.

SEGMENT-WISE or PRODUCT-WISE PERFORMANCE:

Your Company has a proven track record of having successfully conceptualized and developed various mega green-field infrastructure projects of national importance.

Given its long standing presence in the infrastructure sector and deep understanding of PPP, your Company will continue to focus on exploring and executing various infrastructure projects such as Urban Infrastructure, Free Trade & Warehousing Zone (FTWZ), Port, Logistics Park, Industrial Park, Industrial Township, Recreational Infrastructure etc. through various subsidiaries / affiliates / associates / joint ventures / special purpose vehicles.

Due to on-going liquidity issues in the market due to various reasons beyond the control of the Company, the Company is struggling to raise finances to commence development of various projects. The Company is confident that with the stabilization of liquidity in the market, it may be in a position to raise finances for its projects.

OUTLOOK:

The three key growth drivers for infrastructure in India are government initiatives, public private partnerships and in-flow of international investment.

The government has undertaken various initiatives like Housing for All By 2022, recapitalization of public sector banks to augment credit flows; permission for 100% FDI under the automatic route across various infrastructure sectors, effective improvement in its policies implementation with respect to infrastructure related reforms to make the sector attractive for private players, efforts to reduce bottlenecks and impeding growth in the infrastructure sector, greater stability in operationalizing the GST regime and a continued commitment to fiscal prudence etc. which augur well for the infrastructure sector in particular and the economy in general and offer significant opportunity for both global and domestic companies engaged across the value chain.

All those government initiatives has made private sector take notice of the enormous potential business volumes in infrastructure in India. Various private players, in collaboration with globally reputed companies, are keen to have their share in India's infrastructure building.

India has tremendous housing infrastructure in place and as per records India will need to construct 43,000 houses every day until 2022 to achieve the vision of Housing for All by 2022. This will catapult India to the 3rd largest construction market globally. The sector is expected to contribute 15% to the Indian economy by 2030. **(Source: India Brand Equity Foundation, January, 2019)**

In view of the above, the outlook for infrastructure sector in India is extremely forward looking and prospective.

RISKS & CONCERNS:

Growth of infrastructure in last 10 years in India has continuously witnessed the challenges in form of legacy issues of massive under-

investment due to collapse of Public Private Partnership (PPP), especially in power and telecom projects; stressed balance sheet of private companies; issues related to land and forest clearances; and litigations that have stalled or delayed projects of strategic importance. Further, the credit availability still remains an issue with Indian banking and lending sector still grappling with its Non-Performing Assets (NPA) overhang.

In order to create a five trillion dollar economy by 2024, India needs a robust and resilient infrastructure and therefore, the real challenge lies in bringing adequate private investment through various innovative approaches with the collaboration of public sector. Along with physical infrastructure; provision of social infrastructure is also equally important as these two would determine India's global position in next 10 years.

Private players will have to strike a fine balance between maintaining pace of execution activities, closing completed projects and growing the order book while carefully managing the limited working capital available.

Moreover, rapid and massive infrastructure growth including resultant high population as well as pollution clusters in urban and industrial areas does have its own safety and environment hazards which need to be addressed through strong regulatory framework and effective yet easily implementable risk mitigation and disaster management processes in order to achieve desired success of "Green Growth".

Your Company is in an industry and in a sector which requires high capital infusion. Therefore the Company's growth depends upon, to a large extent, availability of affordable funding. Business prospects and resultant profitability gets impacted on account of irregular and expensive capital infusion. Further, given the fact that infrastructure projects which the Company envisages have traditionally long gestation period to break even, the Company would like to have a guarded optimism with regards to immediate profits.

DISCUSSION ON RESULTS OF OPERATIONS:

Your Company's total revenue stands at Rs. 2,620.73 lacs during the FY 2018-19 compared to Rs. 207.54 lacs for the previous financial year. The loss before exceptional items and tax is Rs. 25,205.19 lacs for the FY 2018-19 as against loss of Rs. 27,140.45 lacs for the previous financial year.

DETAILS OF SIGNIFICANT CHANGES IN KEY FINANCIAL RATIOS OF THE COMPANY:

There was significant change in a financial ratio namely Interest Coverage Turnover, albeit on positive side. It was 0.26 in FY 2018-19 in comparison to 0.03 in FY 2017-18. The improvement was due to increase in one-time other income, reduction in expenses and reduction of finance cost.

There were no significant changes in other key financial ratios such as Current Ratio and Debt Equity Ratio of FY 2018-19 in comparison to FY 2017-18.

As far as Debtors Turnover and Inventory Turnover ratios are concerned, the Company did not have the same either in FY 2017-18 or in FY 2018-19.

INTERNAL CONTROL SYSTEMS & THEIR ADEQUACY:

Your Company has an adequate system of internal control to ensure that the resources of the Company are used efficiently and effectively, all assets are safeguarded and protected against loss from unauthorized use or disposition and the transactions are authorised, recorded and reported correctly, financial and other data are reliable for preparing financial information and other data and for maintaining accountability of assets. The internal control is supplemented by internal audits, review by management, documented policies, guidelines and procedures.

As part of internal control systems, the Company has set up following Committees:

- 1) Audit Committee of the Board
- 2) Nominations and Remuneration Committee
- 3) Stake Holder's Relationship Committee
- 4) Independent Director's Committee
- 5) Finance Committee
- 6) Corporate Social Responsibility Committee
- 7) Security Allotment and Transfer Committee

MATERIAL DEVELOPMENTS IN HUMAN RESOURCES/INDUSTRIAL RELATIONS:

Your Company values its Human Resources and as such remains focussed on continuously evolving interactive team building with transparency and equal-opportunity-for-all doctrine. It enables the Company to foster team spirit and provide a level-playing field for its talent pool. It also helps the Company to attract and retain the competent talent. The employees are motivated on a continuous basis. The industrial relations during the year continued to be cordial and peaceful.

CAUTIONARY STATEMENT

Statements in this Management Discussion and Analysis may be forward looking statements within the meaning of applicable laws and regulations. Actual results might differ substantially or materially from those expressed or implied. Important developments that could affect your Company's operations include a downtrend in the infrastructure sector, significant changes in political and economic environment in India, exchange rate fluctuations, tax laws, litigation, labour relations, interest costs, global economic conditions etc. The Company cannot guarantee the accuracy of assumptions and perceived performance of the Company in future. Therefore, it is cautioned that the actual results may materially vary from those expressed or implied in the report.

SUBSIDIARY COMPANIES AND THEIR ROLE AND INPUTS

The subsidiary companies formed for the purpose of different projects are in the process of getting the desired approvals for respective projects.