Management Discussion and Analysis

1. Industry review

1.1 India's infrastructure opportunity

The Indian infrastructure sector is a key driver for the country's economy. Growing urbanisation, demand for energy and financing needs for sustainable living pose a challenge for the infrastructural setup in the country. Infrastructure, and the lack of it, is envisaged as the primary growth constraint, while good infrastructure is widely recognised as an enabler of growth. In the coming era of supply chain disruptions, new technologies and increasing 'glocal' demand, infrastructure growth must keep pace with the need created for it. The sector is accountable for propelling India's overall development. Thus, it requires intense focus from the government for introducing policies that would ensure time-bound formation of world-class infrastructure in the country. The opportunities in the sector have seen an incremental curve over the previous years and are growing to establish the sector as a key driver in India's development story and economic growth at a high rate.

In December 2019, the government launched the National Infrastructure Pipeline (NIP), an investment plan unveiled by the Central Government for enhancing infrastructure in identified sectors. This is a first-of-its-kind exercise to efficiently provide world-class infrastructure across the country and improve the quality of life for all citizens. NIP will enable a forward outlook on both economic and social infrastructure projects, which will create jobs, improve ease of living and provide equitable access to infrastructure for all, thereby making growth more inclusive.

It is envisaged that during the FY 20-25, sectors such as energy (24%), roads (18%), urban (17%) and railways (12%) would amount to ~71% of the projected infrastructure investments in India, with a total capital expenditure projected at ~₹ 111 lakh crore. The Centre (39%) and states (40%) are expected to have an almost equal share in implementing the NIP in India, followed by the private sector (21%).

Out of the total expected capital expenditure of ₹ 111 lakh crore, projects worth ₹ 44 lakh crore (40% of the NIP) are under implementation, projects worth ₹ 33 lakh crore (30%) are at the conceptual stage and projects worth ₹ 22 lakh crore (20%) are under development.

The Government of India has given a massive push to the infrastructure sector by allocating ₹ 1,69,637 crore for the transport infrastructure. The highways sector has been one of the best performing areas of the government, with government expenditure rising from ₹ 34,345.20 crore in FY 15 to ₹ 91,823 crore in FY 21.

Source: Press Information Bureau Government of India, Ministry of Road Transport & Highways http://pib.nic.in/newsite/PrintRelease.aspx?relid=186932

1.2 Road and highway sector

As per the Ministry of Road Transport and Highways (MoRTH), FY 20 was the year of consolidation of the gains that accrued from major policy decisions taken in the previous five years. It was a time for monitoring of ongoing projects, tackling roadblocks and adding to the already impressive pace of work achieved during the past years.

During the year, the MoRTH and its associated organisations have carried forward the good work of the previous years, expanding the national highway network in the country, taking various steps to make these highways safe for the commuters and undertaking efforts to minimise any adverse impact on the environment. As a result, the length of India's National Highways (NHs) has increased from 91,287 kms in April 2014 to about 1,32,500 kms as on December 31, 2019.

The MoRTH has envisaged an ambitious highway development programme called 'Bharatmala Pariyojana', which includes development of about 65,000 kms of NHs. Under Phase-I of Bharatmala Pariyojana, the MoRTH has approved the implementation of 34,800 kms of NHS in five years with an outlay of ₹ 5,35,000 crore (US$ 76.55 billion). The National Highways Authority of India has been mandated the development of about 27,500 kms of NHs under Bharatmala Pariyojana Phase-I.

The MoRTH had taken up a detailed review of the NH network and has given investment approval for the Bharatmala Pariyojana Phase-I Scheme for development of about 34,800 kms [including 10,000 kms residual National Highways development Project (NHDP) stretches] at an estimated outlay of ₹ 5,35,000 crore. Development of major highways will be done under this scheme, including the development of economic corridors, inter-corridors and feeder roads; efficiency improvements of national corridors; border and international connectivity roads; coastal and port connectivity roads; and expressways. Total 246 projects with a length of 10,100 kms have been awarded until February 2020. Further, 1,255 kms has been constructed under the Bharatmala Pariyojana Project in FY 20.

The MoRTH has also taken up the Connectivity Improvement Programme for Char Dham (Kedarnath, Badrinath, Yamunotri and Gangotri) in Uttarakhand. The Programme includes projects of improvement/development of 889 kms length of NHs at a total estimated cost of about ₹ 11,700 crore. Out of the 889 kms, 1.1 kms has been completed and 646 kms is under construction. Total length of 6,940 kms of NHs has been constructed in the country during FY 20 until December 2019, whereas 1,522 kms of NHs has been constructed during FY 20 under the Bharatmala Pariyojana.

Details of NH length constructed per day during the last six years:

Year	Length in kms	Pace (kms per day)
FY 15	4,410	12.08
FY 16	6,061	16.56
FY 17	8,231	22.55
FY 18	9,829	26.93
FY 19	10,855	29.74
FY 20 (up to December)	6,940	25.23

NHAI has accomplished construction of 3,979 kms of NHs in FY 20. This is the highest ever highway construction achieved in a financial year by NHAI. The construction pace, as noticed in the previous years, has seen a steady growth with 3,380 kms in FY 19. Continuing the same trend with the development of 3,979 kms of NHs during FY 20, NHAI has achieved an all-time high construction since its inception in 1995.

1.3 Growth drivers

To accelerate the pace of construction, a large number of initiatives have been undertaken to revive the stalled projects and expedite completion of new projects:

- Identification of model NH in the state for development by the government
- Streamlining of land acquisition and acquisition of a major portion of land prior to bidding
- Award of projects after adequate project preparation in terms of land acquisition, clearances, etc.
- Disposal of cases in respect of Change of Scope (CoS) and Extension of Time (EoT) in a time-bound manner
- Procedure for approval of General Arrangement Drawing for Road-over Bridges (ROBs) simplified and made online
- Close coordination with other ministries and state governments' one-time fund infusion
- Regular review at various levels and identification/removal of bottlenecks in project execution
- Proposed exit for equity investors
- Securitisation of road sector loans
- Revamp of dispute resolution mechanism to avoid delays in project completion of projects

In addition, there are a few more initiatives that will drive growth for the infrastructure sector in India:

- **Massive infrastructure push:** The Government of India has given a massive push to the infrastructure sector by allocating ₹ 1,69,637 crore the transport infrastructure.
- **NH expansion:** The MoRTH proposes developing an additional 60,000 kms of NHs in the next five years, of which 2,500 kms are express ways / access-controlled highways, 9,000 kms are economic corridors, 2,000 kms for coastal and port connectivity highways and 2,000 kms border roads / strategic highways. The MoRTH also intends to improve connectivity for 100 tourist destinations and construct bypasses for 45 towns/cities during this period.
- **Growing demand:** With the increase in consumer demand and nuclear families, need for two-wheelers and compact cars has been on the rise and is expected to grow even further. Road's traffic share of the total traffic in India has grown from 13.8% to 65% in freight traffic and from 32% to 90% in passenger traffic over FY 1951-2017 .
- **Government initiatives:** The Government of India is expected to invest heavily in the infrastructure sector, mainly highways, renewable energy and urban transport. Increasing budget allocations, Smart City Mission, Pradhan Mantri Awas Yojana, new metro rail policy, Housing for All and the North East Special Infrastructure Development Scheme are expected to contribute significantly to drive infrastructure growth in India.
- **Increasing investments:** In recent years, India has emerged as one of the most attractive destinations for doing business and making investments. 100% Foreign Direct Investment (FDI) is allowed in infrastructure development projects such as townships, housing and built-up infrastructure and construction developments.

1.4 Opportunities

Here are some trends that are ensuring seamless travel, better infrastructure and connectivity:

- **Electronic toll collection:** The National Electronic Toll Collection (NETC) programme is the flagship initiative of MoRT&H and NHAI. It uses the FASTAg device that employs Radio Frequency Identification (RFID) technology for making toll payments directly from the prepaid or savings account linked to it. The programme has been implemented on a pan-India basis to remove bottlenecks and ensure seamless movement of traffic and collection of user fee as per the notified rates.
- **Different models:** The type of Public-Private Partnership (PPP) models used in road projects are BOT (Build Operate Transfer), TOT (Toll Operate Transfer) and HAM (Hybrid Annuity Model). The government's efforts to evolve new, flexible policies to create investor-friendly highway development initiatives have already started by way of introduction of monetisation of highway assets under the TOT mode. The next fiscal year is likely to witness an increase in the award of contracts under the TOT and BOT modes as financial constraints limit the total expenditure that can be undertaken by NHAI and accordingly contract award on EPC/HAM basis.
- **FDI in roads:** Cumulative FDI inflows into the construction development sector, including roads and highways, stood at US$ 25.37 billion between April 2000 and December 2019. This is expected to grow as the MoRTH has come out with business-friendly initiatives.
- **NIP:** The final report of the NIP Task Force has projected total infrastructure investment of ₹ 111 lakh crore between FY 20-25. The sectors such as energy (24 %), roads (18 %), urban (17 %) and railways (12 %)

amount to around 71 % of the projected infrastructure investments in India.

- **Favourable policies in other sectors:** These include 100% exit policy for stressed BOT players, providing secured status for PPP projects while lending, and proposal to scrap slow-moving highway projects, among others.

1.5 Highlights of Union Budget 2020-21

- The government has given a massive push to the infrastructure sector by allocating ₹ 1,69,637 crore (US$ 24.27 billion) for the transport infrastructure.
- The government has allocated ₹ 91,823 crore (US$ 13.14 billion) to the MoRTH.
- The government has set a target to complete one road project every two days as part of its 100-day plan.
- The government plans to invest ₹ 15 lakh crore (US$ 214.62 billion) in the next five years.
- The government has allocated ₹ 19,500 crore (US$ 2.79 billion) under the Pradhan Mantri Gram Sadak Yojana (PMGSY).
- An accelerated development of highways to include development of 2,500 kms access control highways, 9,000 kms of economic corridors, 2,000 kms of coastal and land port roads, and 2,000 kms of strategic highways.
- The Delhi-Mumbai Expressway and two other packages would be completed by 2023. The Chennai-Bengaluru Expressway would also be started.
- The government has raised a proposal to monetise at least 12 lots of highway bundles of over 6,000 kms before 2024.

1.6 Bharatmala Pariyojana: Phase-I

Bharatmala Pariyojana is the umbrella programme for the highways sector unrolled in FY 18. The programme aims to optimise the efficiency of road traffic movement across the country by bridging critical infrastructure gaps. Under this programme, the MoRTH has taken up a detailed review of the NH network with a view to develop road connectivity to border areas; develop coastal roads, including road connectivity for non-major ports; improve the efficiency of national corridors; and develop economic corridors, inter-corridors and feeder routes; along with integration with Sagarmala, etc.

The Bharatmala Pariyojana envisages the development of about 26,000 kms length of economic corridors, which along with Golden Quadrilateral (GQ) and North-South and East-West (NS-EW) corridors are expected to carry the majority of the freight traffic on roads. Further, about 8,000 kms of inter-corridors and about 7,500 kms of feeder routes have been identified for improving the effectiveness of economic corridors, GQ and NS-EW corridors. The programme envisages the development of ring roads / bypasses and elevated corridors to decongest the traffic passing through cities and enhances logistic efficiency. 28 cities have been identified for ring roads and 125 choke points and 66 congestion points have been identified for their improvements. Further, to reduce congestion on proposed corridors, enhance logistic efficiency and reduce logistics costs of freight movements, 35 locations have been identified for development of multimodal logistics parks.

The Bharatmala Pariyojana (approved for estimated cost of ₹ 6,92,324 crore including other ongoing schemes) is to be funded from cess (₹ 2,37,024 crore) collected form petrol and diesel (as per Central Road & Infrastructure Fund Act, 2000; erstwhile CRF Act, 2000), amount collected from toll (₹ 46,048 crore) apart from additional budgetary support (₹ 59,973 crore), expected monetisation of NHs through TOT (₹ 34,000 crore), Internal & Extra Budgetary Resources (IEBR) (₹ 2,09,279 crore) and private sector investment (₹ 1,06,000 crore) as per Financing Plan up to 2021-22 .

Phase-I of Bharatmala Pariyojana includes the development of:

Sr. No.	Scheme	Length (kms)	Cost (₹ crore)
1	Economic corridors	9,000	1,20,000
2	Inter-corridors and feeder roads	6,000	80,000
3	National corridor efficiency improvement	5,000	1,00,000
4	Border and international connectivity roads	2,000	25,000
5	Coastal and port connectivity roads	2,000	20,000
6	Expressways	800	40,000
	Subtotal	24,800	3,85,000
7	Ongoing projects, including NHDP	10,000	1,50,000
	Total	34,800	5,35,000

1.7 Outlook

The roads and highways sector is expected to take a mighty blow from the nationwide lockdown to contain the COVID-19 pandemic, which has pushed back a much anticipated economic recovery this fiscal by bringing movement of people, goods and all major industries to a standstill. However, the key to reversal in economic activity lies in the consumption propensity of people and ability of industries to achieve pre-COVID levels of operations. The government has been facilitating measures to safeguard liquidity, compensate developers/contractors for the losses experienced during lockdown and provide additional loans for a smooth resumption of operations. The Union Minister for Road Transport & Highways and MSMEs, in his communication dated April 07, 2020, has set a target of constructing roads worth ₹ 15 lakh crore in the next two years.

Furthermore, there are tremendous opportunities in the near and long term for the infrastructure space in India. The government's ambitious infrastructure development programmes provide significant opportunities for investors and market players to help transform the sector and partner India's socio-economic progress. Robust demand, higher investments, attractive opportunities and policy support changed the face of the road sector in the country within three years.

The government is implementing various projects across the length and breadth of the country to solve the woes of the common man. The MoRTH has introduced notable trends that will make India take lead position in road infrastructure in the times to come.

2. Company and business overview

2.1 Company overview

IRB Infrastructure Developers Limited (IRB) was incorporated in 1998. The Company is among India's leading infrastructure developers specialising in roadways and highways. It enjoys robust in-house integrated project execution capabilities — Engineering, Procurement and Construction (EPC) and Operation and Maintenance (O&M)— across all its business verticals:

1. Build Operate Transfer (BOT)
2. Hybrid Annuity Model (HAM)
3. Toll-Operate-Transfer (TOT)

The Company is a pioneer in the road BOT business and thus enjoys first-mover advantage. It is India's largest road BOT operator with a rich portfolio of 21 projects, including 19 BOT, 1 TOT and 1 HAM project. The BOT segment includes three projects under tolling in the parent company, nine projects under Private InvIT with O&M contracts and seven projects under O&M contracts as a project manager for the Public InvIT Fund. The Company also has the largest TOT – Mumbai-Pune Expressway – to its credit. Altogether, it has 20% share of the GQ Highway Network under various stages. Over the years, the Company has developed rich in-house expertise in both its EPC and O&M verticals.

The Company's clients primarily comprise government agencies such as MoRTH and NHAI, among others.

IRB is strategically growing its presence beyond its stronghold states of Maharashtra and Gujarat and over the years, it has established a strong foothold in six more states, including Punjab, Rajasthan, Uttar Pradesh, Karnataka, Haryana and Tamil Nadu.

On a per lane km basis, IRB's geographic spread is 29% in Maharashtra, 24% in Rajasthan, 16% in Uttar Pradesh, 14% in Gujarat, 9% in Karnataka and 8% in Haryana.

2.2 Business overview

2.2.1 Construction and development (EPC)

During the reporting year, IRB successfully constructed more than 12,317 lane kms of highways on a BOT basis, of which it owns and operates 8,262* lane kms and manages 4,055 lane kms under InvIT Assets as a project manager. Currently, the Company has 3,508 lane kms under construction, including improvement of national highways and sections of the GQ Highway Network.

* Includes lane kms of nine BOT projects transferred to IRB Infrastructure Trust in FY 20

The Company has an integrated approach towards project execution and involves in-house construction, as well as O&M activities with least outsourcing. It owns a range of advanced equipment IRB InvIT Fund in FY 18 and skilled workforce that enables it to complete projects within set times and budget. The expert talent pool also helps the organisation manage its entire tolling and maintenance functions in-house. Besides, its state-of-the-art IT infrastructure strengthens its integrated business model.

IRB strengthened its order book further to end 2020 at ₹ 119,970 million. Of this, the construction order book would be executed over the next two years.

IRB emerged as the winner for India's largest single road TOT – Mumbai-Pune Expressway – for the second time running, at a bid price of ₹ 8,262 crore. The project received appointed date in March 2020.

The Company's BOT (toll) project, Karwar to Kundapur in Karnataka, achieved PCOD and started tolling from February 2020, and with this, all the Company's projects are now revenue generating. Further, other projects under implementation are progressing largely as per schedule and are expected to be completed within their stipulated timelines.

2.2.2 Toll O&M

IRB has 20# projects under O&M. With its in-house expertise in handling BOT O&M on-road projects, the Company routinely carries out maintenance of toll roads.

Inclusive of seven BOT projects transferred to IRB InvIT Fund in FY 18 and nine BOT projects transferred to IRB Infrastructure Trust in FY 20. The Company is the project manager for both these entities.

2.2.3 Sponsor of IRB InvIT Fund

IRB launched the first public InvIT of the country, IRB InvIT Fund, in May 2017 and continues to run it as the sponsor.

It transferred six assets at the time of IPO in May 2017 and 7th asset in September 2017. IRB owned ~16% stake in the Trust, as on March 31, 2020. During the fiscal, the Company received total distribution of ₹ 1,047 million, of which ₹ 760 million were received as interest and ₹ 287 million as return on capital.

2.2.4 Sponsor of IRB Infrastructure Trust

IRB has incorporated a private InvIT viz. IRB Infrastructure Fund in August 2019 and continues to run it as the sponsor and 51% shareholder.

IRB has transferred nine of its BOT assets into the Private InvIT in which IRB continues to hold a controlling stake of 51%. The portfolio spans across ~5,900 lane kms in Haryana, Uttar Pradesh, Rajasthan, Maharashtra and Karnataka. All nine assets in the portfolio are revenue-generating assets. As a part of the transaction, GIC affiliates has acquired 49% of the Trust. The investment proceeds will be used for deleveraging the portfolio and for equity funding for the under-construction projects.

3. Financial analysis

3.1 BOT assets

As is the norm for financing highway BOT projects, debt funds from project lenders are the major source of funding. The project lenders have reposed trust in the Company's financial strength, demonstrated by healthy growth in internal accruals and net worth. Besides, they have also shown faith in the Company's project execution capabilities. This trust of the project lenders has played a primary role in helping IRB achieve the required financial closures.

IRB invested in projects that were under construction and are now in operation. With this, it has augmented capacity to invest in new projects that may be secured on a diligent evaluation of their risks and commercial viability. Internal accruals were robust even after providing for debt repayments as well as dividend payouts. Total consolidated income for FY 20 grew 2% to ₹ 70,472 million from ₹ 69,026 million in FY 19. Consolidated toll revenues decreased by 17% to ₹ 17,232 million in FY 20 from ₹ 20,848 million in FY 19. Consolidated construction revenues rose 11% to ₹ 51,290 million in FY 20 from ₹ 46,223 million on a y-o-y basis

EBITDA in FY 20 increased to ₹ 31,664 million from ₹ 31,329 million.

Interest costs increased by 40% y-o-y to ₹ 15,644 million in FY 20 from ₹ 11,201 million mainly on account of disbursements availed in four-to-six laning projects.

Depreciation decreased by 13% to ₹ 4,683 million in FY 20 from ₹ 5,395 million in FY 19.

Profit Before Tax (PBT) and share of profit/loss from joint ventures decreased by 23% y-o-y to ₹ 11,337 million in FY 20 from ₹ 14,733 million in FY 19. PBT decreased by 20% to ₹ 11,752 million in FY 20 from ₹ 14,733 million in FY 19.

PAT for FY 20 came in at ₹ 7,209 million, decreased by 15% from ₹ 8,500 million in FY 19.

The Company recommended a final dividend aggregating to ₹ 5/- per equity share for FY 20.

Key financial ratios

Particulars	FY 20	FY 19
Return on net worth (%)	11%	13%
Return on capital employed (%)	19%	12%
Debt equity ratio	1.14	2.46
Net debt to equity ratio	0.76	2.11
Net profit margin (%)	10%	12%

The above financial analysis and key financial ratios of FY 20 vis-a-vis FY 19 are not comparable since nine project assets have been transferred to Private InvIT from March 01, 2020. Accordingly, consolidation has been done for the partial period.

4. Key Competitive Advantage

IRB's competitive edge stems from the following:

- Proven track record of completing all phases of BOT projects in the highway sector within timeline
- Robust order book of ₹ 119,970 million (as on March 31, 2020)
- Market leader with the largest domestic BOT project portfolios in the roads and highways sector
- Strong financial track record; healthy relationships with leading banks/financial institutions
- Integrated and efficient project execution, supported by a comprehensive equipment pool
- Professionally managed Company with a qualified and skilled employee base
- One of the few infrastructure companies to have successfully implemented SAP
- One of the leading global sovereign funds as a long-term partner for 49% stake in Pvt InvIT

5. Risks and Challenges

The Company's ability to foresee and manage business risks is crucial to its efforts to achieve favourable results. Although management is positive about the Company's long-term outlook, it is subject to a few risks and uncertainties, as discussed below:

1. **Competition risk**

   Attractive growth opportunities exist in the road construction sector, especially with the government going full throttle on infrastructure development with the Bharatmala Pariyojana. This may increase the number of players operating in the industry. However, the Company is confident about retaining its competitive edge, backed by its industry-leading experience in the roads and highways sector. Further, the Company has carved out a niche in the BOT segment. Higher competencies including financial strength required for this segment create entry barriers, thereby limiting competition. As a prudent strategic initiative, IRB will continue to bid for projects based on their financial, operational and execution viability.

2. **Availability of capital and interest rate risk**

   Infrastructure projects are typically capital intensive and require high levels of long-term debt financing. IRB intends to pursue a strategy of continued investments in infrastructure development projects. In the past, the Company has been able to infuse equity and arrange for debt financing on acceptable terms for the projects. However, IRB believes that its ability to continue to arrange capital requirements depends on various factors. These factors include timing and internal accruals, timing and size of the projects awarded, credit availability from banks and financial institutions, and the success of its current infrastructure development projects. Besides, there are several other factors outside its control.

The Company's strong track record has enabled it to raise funds at competitive rates thus far. In addition, the credit rating outlook has improved from Stable to Positive, which has helped maintain the average cost of debt at ~10.25% per annum.

3. Traffic growth risk

Toll revenue is a function of toll rates and traffic growth.

The Government plans to link toll rate increases to changes in the Wholesale Price Index (WPI). Toll rates of the Company's projects awarded after 2008 are decided based on a formula, which is 3% fixed plus 40% of WPI. The Company's other projects, including state highway projects, have fixed annual or periodical increase clause in their concession agreement.

4. Traffic

Rapid economic development increases traffic growth while low economic activity has a negative impact on traffic volume. Most of the Company's projects are part of India's GQ corridor or are key connectors between India's busiest highways or economic/social hubs and carry long-distance freight.

This includes the Ahmedabad-Vadodara, Kishangarh-Gulabpura, Gulabpura-Chittorgarh, Udaipur-Rajasthan/Gujarat border road projects, among others. For their strategic connectivity, industrial growth and development of the Delhi-Mumbai industrial corridor along these projects are expected to boost the traffic growth momentum in the coming years, partially offsetting the risk of a slowdown in traffic growth. Moreover, pickup in economic activity and the implementation of Bharatmala Pariyojana will lead to higher traffic growth in the roads sector. With the passage of time, even road projects that have been witnessing muted traffic growth could benefit from the uptick in economic growth.

5. Input cost risk

Raw materials, such as bitumen, stone aggregates, cement and steel need to be supplied continuously to complete projects. There is also a risk of cost escalations or raw material shortages. The Company's extensive experience, its industry position and bulk purchases have helped it procure raw materials at competitive rates. Moreover, the Company procures stone aggregates from its leased mines, which ensures quality and lowers costs, as compared to buying aggregates from open markets. Captive sourcing also minimises supply disruptions or price escalations.

6. Labour risk

Timely availability of skilled and technical personnel is one of the key industry challenges. The Company maintains a healthy and motivating work environment through various initiatives. This has helped it recruit and retain skilled workforce and, in turn, complete projects in time.

6. Human resource management

IRB has a large pool of experienced and skilled technical manpower, with which IRB executes world-class projects and delivers excellent quality. IRB aims to keep its employees abreast of the latest technical developments and emerging technologies related to the construction of roads and structures, toll operations, collection processes and road maintenance activities. The Company encourages its executives to attend seminars and symposiums conducted by professional bodies of global repute. Employees are also nominated to attend other professional skill-building programmes.

IRB's reputation of providing a congenial work environment that respects individuality and encourages professional growth, innovation and performance, acts as a strong force to attract new industry talent. Human resources continue to be one of the core focus areas. Open work culture, effective communications, fair and equitable treatment and welfare of employees are significant value propositions, which help IRB retain its highly engaged talent pool and generate trust among its employees. IRB remains the 'employer of choice' with one of the lowest attrition rates in the infrastructure sector.

7. Internal control systems

IRB has now become a SAP-complied organisation across all business functions – tolling as well as construction. IRB maintains adequate internal control systems, including internal financial control systems, which provide, among other things, reasonable assurance of recording transactions of its operations in all material aspects. This system also protects against significant misuse or loss of Company assets. IRB has a strong and independent internal audit function. The Internal Auditor reports directly to the Chairman of the Audit Committee. Periodic audits by professionally qualified, technical and financial personnel of the internal audit function ensure that the Company's internal control systems are adequate and are complied with.

8. Cautionary statement

'IRB', 'the Company', 'IRB Group' and 'the Group' are interchangeably used and mean IRB Group or IRB Infrastructure Developers Limited as may be applicable.

This Annual Report contains certain forward-looking statements, and may contain certain projections. These forward-looking statements generally can be identified by words or phrases such as 'aim', 'anticipate', 'believe', 'expect', 'estimate', 'intend', 'objective', 'plan', 'project', 'will', 'will continue', 'will pursue', 'seek to' or other words or phrases of similar import. Similarly, statements that describe strategies, objectives, plans or goals are also forward-looking statements.

All forward-looking statements and projections are subject to risks, uncertainties and assumptions.

Actual results may differ materially from those suggested by forward-looking statements or projections due to risks or uncertainties associated without expectations with respect to, but not limited to, regulatory changes pertaining to the infrastructure sector in India and the Company's ability to respond to them, the Company's ability to successfully implement its strategy and objectives, the Company's growth and expansion plans, technological changes, the Company's exposure to market risks, general economic and political conditions in India that have an impact on the Company's business activities or investments, the monetary and fiscal policies of India, inflation, deflation, unanticipated turbulence in interest rates, foreign exchange rates, equity prices or other rates or prices, the performance of the financial markets in India and globally, changes in domestic laws, regulations and taxes and changes in competition in the infrastructure sector. Certain important factors that could cause the Company's actual results to differ materially from expectations include, but are not limited to, the following:

- The business and investment strategy of the Company
- Expiry or termination of the project Special Purpose Vehicles (SPVs) respective concession agreements
- Future earnings, cash flow and liquidity
- Potential growth opportunities
- Financing plans
- The competitive position and the effects of competition on the Company's investments
- The general transportation industry environment and traffic growth
- Regulatory changes and future government policy relating to the transportation industry in India

By their nature, certain market risk disclosures are only estimates and could be materially different from what actually occurs in the future. As a result, actual gains or losses could materially differ from those that have been estimated. Forward-looking statements and projections reflect current views as of the date hereof and are not a guarantee of future performance or returns to investors. These statements and projections are based on certain beliefs and assumptions, which in turn are based on currently available information. Although the Company believes the assumptions upon which these forward-looking statements and projections are based are reasonable, any of these assumptions could prove to be inaccurate, and the forward-looking statements and projections based on these assumptions could be incorrect. The Company and their respective affiliates/advisors do not have any obligation to update or otherwise revise any statements reflecting circumstances arising after the date hereof or to reflect the occurrence of underlying events, even if the underlying assumptions do not come to fruition. There can be no assurance that the expectations reflected in the forward-looking statements and projections will prove to be correct. Given these uncertainties, readers are cautioned not to place undue reliance on such forward-looking statements and projections and not to regard such statements to be a guarantee or assurance of the Company's future performance or returns to investors.