

## MANAGEMENT DISCUSSION AND ANALYSIS REPORT

### Introduction

Infrastructure sector is a key driver for the Indian economy. The sector is highly responsible for propelling India's overall development and enjoys intense focus from Government for initiating policies that would ensure time-bound creation of world class infrastructure in the country. Infrastructure sector includes power, bridges, dams, roads, and urban infrastructure development. India was ranked 44 out of 167 countries in World Bank's Logistics Performance Index (LPI) 2018. India ranked second in the 2019 Agility Emerging Markets Logistics Index.

### Government Initiatives

The Government of India is expected to invest highly in the infrastructure sector, mainly highways, renewable energy, and urban transport.

- In April 2020, the Government set a target of constructing roads worth Rs 15 lakh crore (US\$ 212.80 billion) in the next two years.
- In May 2020, Border Roads Organisation (BRO) achieved major milestone by digging up a 440-metre long tunnel below the busy Chamba town on Rishikesh-Dharasu road Highway (NH 94).
- Indian energy sector is expected to offer investment opportunities worth US\$ 300 billion over the next 10 years.
- NHAI will be able to generate revenue of Rs one lakh crore (US\$ 14.31 billion) from toll and wayside amenities over the next five years.
- In the Union Budget 2020-21, the Government has given a massive push to the infrastructure sector by allocating Rs 1,69,637 crore (US\$ 24.27 billion) to develop the transport infrastructure.
- Communication sector has been allocated Rs 38,637.46 crore (US\$ 5.36 billion) to develop post and telecommunications departments.
- Indian Railways has received an allocation of Rs 72,216 crore (US\$ 10.33 billion) under Union Budget 2020-21.

### Achievements

Following are the achievements of the Government in the past four years:

- In 2019, the sector witnessed seven merger and acquisition (M&A) deals worth US\$ 1,461 million.
- In March 2020, NHAI accomplished the highest ever highway construction of 3,979 km of national highways in FY20.
- Freight earnings in FY20 (till February 2020) stood at Rs 119,216.11 crore (US\$ 17.06 billion), while its gross revenue stood at Rs 183,092.74 crore (US\$ 26.20 billion) during the same period.
- Cargo traffic handled stood at 707.4 million tonnes (MT) in FY20.
- Electricity production in India reached 1,252.61 BU in FY20.
- The largest PE investment witnessed was the acquisition of Pipeline Infrastructure India by Canadian asset management firm Brookfield's for US\$ 1.9 billion in Q1 2019.
- India's rank jumped to 22 in 2019 from 137 in 2014 on World Bank's Ease of doing business – "Getting Electricity" ranking.
- Energy deficit reduced to 0.7 per cent in FY20 from 4.2 per cent in FY14.

### Road Ahead

The infrastructure sector has become the biggest focus area for the Government of India. India plans to spend US\$ 1.4 trillion on infrastructure during 2019-23 to have a sustainable development of the country. The Government has suggested investment of Rs 5,00,000 crore (US\$ 750 billion) for railways infrastructure between 2018-2030. India and Japan have joined hands for infrastructure development in India's Northeast states and are also setting up an India-Japan Coordination Forum for Development of Northeast to undertake strategic infrastructure projects for the region.

### Impact of COVID-19 on the EPC Sector Outlook Remains Robust for the Infrastructure Sector

COVID-19 has caused disruptions in every sector imaginable, and it has not spared the infrastructure construction sector. Anecdotally, there are many reports of delays in infrastructure projects, due to supply chain disruptions and low mobility among workers.

This note analyzes the infrastructure sector via the lens of major engineering, procurement, and construction (EPC) contractors that are actively involved in infrastructure projects in Asia. By tracking more recent data of 24 such contractors, it is possible to get insights into the state of infrastructure construction and understand the potential impact of COVID-19 on infrastructure development.

From a bird's-eye view, it would seem that infrastructure development is in a fix. Governments have been increasingly devoting more resources to address immediate needs, and infrastructure development is expected to take a back seat. In addition, uncertainties regarding project completion, project financing, and future pipelines amidst lockdowns are surfacing. Notwithstanding these short-term difficulties, our analysis shows that the sector as a whole remains resilient.

### Financial and Operational Performance

The Company has achieved a turnover of Rs.207.89 crores as at 31<sup>st</sup> March, 2020 against Rs 184.30 crores resulting into an increase by 12.80%.

### Internal Control System

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The Company has an adequate system of internal controls to safeguard and protect from loss, unauthorized use or disposition of its assets. All transactions are properly authorized, recorded and reported to the management. The Company is following all the Accounting Standards for properly maintaining the books of accounts and reporting of financial statements. The Company has appointed external Internal Auditors to review various areas of the operations of the Company. The audit reports are reviewed by the management and the Audit Committee of the Board periodically.

Consequent to implementation of Companies Act, 2013 (Act), the Company has complied with the specific requirements in terms of Section 134(5) (e) of the Act calling for establishment and implementation of an Internal Financial Control framework that supports compliance with requirements of the Act in relation to the Directors' responsibility statement.

**Human resources**

The company's mission has always been in creating an exciting workplace where opportunities are made available for employees to perform, deliver results to their fullest potential and add value to the organizational growth. Effective and judicious redeployment of manpower played a significant role in ensuring timely mobilization of key personnel required at new project sites.

Improved communication channels, periodic brain-storming sessions, sharing best practices and use of technology to our advantage, augmented the seamless working between sites and various departments and brought in the required coordination for achieving our company's goals & objectives. Periodic reviews and visits were undertaken to ensure costs are kept under control amidst stringent monitoring.

The Top Management's active involvement in Operations provided the thrust & impetus for smooth & effective execution of ongoing projects. Senior leadership team continued to guide, mentor and instill the sense of pride, ownership & commitment amongst the employees so as to strive to excel in this highly competitive Infrastructure industry

**SIGNIFICANT CHANGES IN KEY FINANCIAL RATIOS COMPARED TO PREVIOUS YEAR**

Sr. No.	Particulars	2019-20	Change %
1	Debtors Turnover	NA	
2	Current Ratio	1.06	1%
3	Debt Equity Ratio	17.81	-11%
4	Operating Profit Margin (%)	-0.50%	90%
5	Net Profit Margin (%)	0.79%	26%

**Cautionary Statement**

Statements in this Management Discussion and Analysis describing the Company's objectives, projections, estimates and expectations 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 the 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 and interest costs.