



## CHAIRMAN'S MESSAGE

“Economy always throws up challenges along with opportunities. The only way forward for any institution is by following employee-centric inclusive growth strategies and building people-centric assets of international standards that add value to society.”

**Mr. G. M. Rao**, Chairman, GMR Group

## Dear Shareholders,

Last year's 'Taper Tantrum' witnessed the start of the long-awaited interest rate normalization process as longer-term yields moved up significantly, while currency and financial market volatility was very high last year, it has largely evaporated now. The Second quarter of 2014 provided a Welcome rebound in the United States with the annual pace of economic growth rising to 4.0%. United Kingdom has returned to a 3% growth rate while the other advanced economies have been unable to generate consistent traction. Growth in Japan also remains well short of expectations, undermined by the recent increase in VAT taxes.

The pace of activity in the emerging and developing economies has continued to edge lower, even with signs that China's growth appears to be stabilizing at 7%. India's economy is getting a boost from the reforms introduced by the new Government. Escalating geopolitical tensions in Eastern Europe, the Middle East, Africa and Asia, alongside the insurgency in Iraq, could well extend the period of uncertainty and complexity. Increasing sanctions on Russia because of its military involvement in Ukraine have the potential to further minimize the country's growth. We are continuing to live in a world where volatility and uncertainty have become the New Norms.

During 2013-14 India witnessed a reduced GDP growth rate at about 5 percent, with a slowdown in the investment cycle, high inflation, high interest rates and a volatile currency. However, I am very optimistic about the Indian growth story under the current political regime.

The people of this country has given a clear mandate at the Centre to the NDA Government with a very decisive Prime Minister, whose focused agenda of development and growth for the country has already started showing the signs of the economic recovery. Stock market is touching new highs and there is a spur of activities all around in the economy. It seems like 'light at the end of the tunnel'. The present Government is committed and is creating much required enabling frameworks for the Infrastructure sector. I am very confident that we will see robust growth in the years to come.

The development of the economy is further fuelled by the maiden budget of this Government. For your company, if you notice in this year budget, there has been lot of focus on PPP (Public Private Partnership). There is a clear plan on the adoption of PPP framework in various Infrastructure developments ranging from cleaning of

Ganga to modernizing railways, gas pipelines, airports, ports, smart cities and so on.

This budget has given the much required thrust on the revival of the Infrastructure sector like:

Critical financing support that the Infrastructure sector was seeking - like Infrastructure trust, Long term financing by the banks, banks to raise capital for funding Infrastructure with CRR/ SLR reductions, development of the bond market - have been given a green signal

Push to the Urban development and Transportation sector - Fresh award of road and airports projects which is significantly higher than last year would be critical to kickstart the capex cycle

Assurance of coal to power plants which are already commissioned or would be commissioned by March 2015, to unlock dead investments

For the speedy recovery of economy, a major breakthrough from the Government has been taken which is setting up of new institution called "3P India" which will facilitate faster clearances of the projects, dispute resolutions and other similar issues. Not only this, the Government is conducting a thorough review of PPP formats, bidding mechanisms, model concession agreements, and dispute resolution and renegotiation mechanisms.

In fact, a lot of action has already happened on the ground with clearance to the real estate investment trusts (REITs), higher FDI in defence, opening up of Railways Infrastructure for private investments, 25/5 format for Infrastructure lending, SLR and CRR benefits, take out financing being made more simpler, revised ECB norms, etc. Thus, all these measures add up to a marked shift in creating the enabling framework to revive the Infrastructure sector of the country.

On the other hand, we are experiencing the favourable macro-economic factors like lowering of inflation, increase in forex reserves, control in fiscal deficit and monsoon also finally meeting the expectations.

The present Government focusing on the development, recent budget and measures, favourable macro-economic factors all coupled together have created a strong positive perception in favour of our country. The foreign investors have once again started investing in

India and we are experiencing huge interest from Japan, Korea, US and even China. There is a change in the air and the future looks very bright.

It is very clear that the way forward for the Infrastructure development of this country is through PPP route and your company has already successfully built landmark projects on PPP mode thus proving its mettle. Thus, your company is well placed to leverage the upcoming opportunities and to become bigger and better in the times to come.

However at the same time, we have to ensure insulation from the volatile and unpredictable external environment. For that, your company proactively formulates appropriate strategies to adapt in this ever changing complex environment. I mentioned in the last year Annual General Meeting about your company's strategy of Asset Light Asset Right. Through regular portfolio reviews, the Group identifies those assets which have already created maximum value and divesting these assets releases capital for better opportunities, and also improves the quality of our portfolio. This recycling approach insulates the Group from the volatility seen in the global markets and enables sustainable growth and profits. The Asset Light approach will improve profitability and free cash flows by 'sweating' of existing assets, i.e. achieving better operating efficiencies by increasing revenue and reducing cost.

Our Asset Light execution has resulted in the successful divestment of GMR stakes in Sabhika Gocken Airport at Turkey.

We also divested from Ulundurpet Highway project in Tamil Nadu this year.

Your company's Asset Light Asset Right strategy will ensure we have the liquidity to avail the upcoming new opportunities.

With Foresight, Adaptability and Pragmatic approach your company has been continuously converting challenges into opportunities. I strongly believe that this will form a sustainable long term business model for us.

Despite a challenging macro-economic environment we have achieved several significant milestones.

**Balance Sheet Building:** As part of strengthening our Balance Sheet, Group has in July '14 raised by way of Qualified Institutional Placement an amount of Rs. 1477 Cr.

**Resolution of Pending Issues:** In airports, GMR won the first stage of International arbitration with the Government of Maldives (GoM) and Maldives Airport Company Limited (MACL).

**Operational Excellence:** There has been robust growth in traffic and both our airports scores have topped the ASQ ratings chart (DIAL - 1st, GHIAL - 2nd) for the first quarter in their respective categories. In Energy sector, both our thermal plants are running at better load factors than last year. We expect significant contribution from them through resolution of the long pending power evacuation issues. In Highways, our Hungund - Hospet project achieved complete CoD on May '14. On the other hand, we are committed to reduce the expenditure on all the assets and projects across the Group.

**New Projects in line with Asset Light Asset Right Approach:** Our Urban Infrastructure sector won the Hyderabad MMTS project, adding Rs. 389 Cr to our Railways EPC order book.

Group will continue to focus on operational excellence to improve our Operating Assets in terms of efficiency and reducing expenditure, strengthening of Balance Sheet through deleveraging by way of our Asset Light Asset Right Strategy. Going forward Group will explore refinancing of the debt in line with recent RBI policy announcement for Infrastructure Financing.

As mentioned last year, strong Institutional process and values enable us to leverage these opportunities for sustainable growth. Your company is continuously working towards its vision of becoming an 'Institution in Perpetuity'. For that we need to have strong and robust process, state-of-the-art technology, strong governance mechanism and leadership pipeline. Your company has been continuously working on these four vital pillars - People with specific focus on Leadership Development, Process, Technology and Governance.

With all humility, I could say that your company has successfully weathered the tough times because of the robust Institutional framework and dynamic strategy in place which always focus on the interests of all stakeholders and has come up with viable solutions in these trying times.

I would also take this opportunity to talk about the area which is very close to my heart. Your company since the very beginning believed in inclusive growth and we are doing so through the platform of GMR Varalakshmi

Foundation, the CSR arm of your company. The motto is simple – align business growth with socio-economic progress in a sustainable manner. Though, recently Parliament has enacted Companies Act for Corporates to contribute in Corporate Social Responsibility, your company has already been doing so.

At GMR we believe that with success comes responsibility. We believe in inclusive growth, towards which your company has been engaged in CSR activities through GMR Varalakshmi Foundation in the service of people in the neighbourhood of all our project areas. Its focus is on Education, Health and Hygiene, Empowerment and Community Development. We work in close association with the communities where our operations are based and take our responsibilities to society seriously. The Best CSR Practices Award-2014 from Government of India, the FICCI CSR Award 2012-13 for GHIAL from FICCI Aditya Birla CSR Centre for Excellence and ASSOCHAM CSR Excellence Award 2013-14 from ASSOCHAM are only a testimony of our humble contributions in this field.

**Education:**

Through state-of-the-art schools and colleges in under-served locations is helping more than 8,000 students every year

Facilitates 3,500 pre-school level children through Bala Badis and Anganwadis

Supports over 300 Government schools and reaches close to 35,000 children

**Health:**

A 135 bed state-of-the-art hospital has been set up in remote area of Andhra Pradesh to meet the health needs of local communities

Over 20,000 people are reached out every year through 29 Health Clinics, 3 Mobile Medical Units and 2 Ambulances

**Empowerment and Livelihoods:**

Runs 8 skill training and entrepreneurship development institutes which offer industry-partnered training in employable skills and has trained over 30,000 people.

It is your company’s continuous endeavour to increase efforts and reach out to a larger underprivileged section of the society. Hence, I am highly pleased to share that this year in May 2013 your company had shifted its Delhi

Vocational Training Centre to a new state-of-the-art fully equipped residential building in the vicinity of your Delhi Airport. Currently, more than 10 vocational courses are running and many more planned. Located in the capital of the country, we are able to serve the communities across the country from various states like UP, Bihar, Haryana, Rajasthan, Assam and Himachal among many others.

Your company believes in responsible growth and hence will continue to work hard for the betterment of the society and to make sure that people of our country has better future and a better world to live in.

With these thoughts and feelings, I would like to take this opportunity to wholeheartedly thank the Central and State Governments, Shareholders, Investors, Bankers, Financial Institutions, Regulators, Suppliers, Media and Customers for their consistent and constant support.

I wish to express appreciation to my colleagues on the Board and our employees for their thought leadership, dedication and commitment. I am indeed grateful to you all for your cooperation and the trust you have reposed in us.

With warm and very best regards,



**GM Rao**  
Group Chairman, GMR Group