



CHAIRMAN'S MESSAGE

“Change Management is a process not an event. Adaptability is about the powerful difference between adapting to cope and adapting to win.

Driven by Excellence, Passion and Entrepreneurship in its DNA, the Group aims to continue seeking opportunities in the core areas of infrastructure development and continue building assets of strategic importance to our Nation.”

G. M. Rao
Chairman, GMR Group

Dear Fellow Shareowners,

I am extremely happy as always to connect with you to reflect on the performance of your company in the year that went by and share with you our aspiration for the future.

Last year I had indicated that VUCA (Volatile, Uncertain, Complex and Ambiguous) is the new norm. In line with this, the latter part of the year has brought the necessity to move the Corporate Office to Delhi, and that has given rise to some apprehensions and temporary uncertainties to the employees. But Institutional priorities have to take precedence over personal preferences and we must soldier on. We do so in the knowledge that the Group will only go from strength to strength.

Global Financial markets in mid-year are riding an emotional rollercoaster, hit by Chinese stock market swings, devaluation of Yuan, the quickly moving Greek drama and untangling of Iran conundrum. The ‘Taper tantrum’, is past us.

On Greek crisis, the mantra is “Do deeds, no creeds”

Global growth in the first 6 months is at 2.2 % due to output contraction in the United States, with attendant spillovers to Canada and Mexico. A strong downsizing of capital expenditure in the oil sector contributed to weakening U.S. activity. The second half is expected to be better. Global growth is projected at 3.3% in 2015, marginally lower than in 2014, with a gradual pickup in advanced economies and a slowdown in emerging market and developing economies. Nevertheless, the underlying drivers for a gradual acceleration in economic activity in advanced economies viz. easy financial conditions, more neutral fiscal policy in the euro area, lower fuel prices, and improving confidence and labor market conditions remain.

The USD has strengthened by over 20% over the past three years over most of the currencies. Longer term sovereign bond yields have risen by about 30 basis points in the United States and by about 80 basis points on average in the euro area. In emerging market economies, the continued growth slowdown reflects several factors, including lower commodity prices and tighter external financial conditions, structural bottlenecks, rebalancing in China with 15%

reduction in imports, and economic distress related to geopolitical factors.

World trade has slowed significantly since the 2008 financial crisis posting only 1.5% growth over the past 12 months compared to a long-term annual average of 7% prior to the crisis. With the majority of emerging market countries highly reliant on trade, this slowdown has put pressure on emerging markets earnings, corporate profit margins, household income and retail sales, denting growth. Currency weakness is also putting upward pressure on inflation in some emerging market countries.

Interestingly the low-income countries are seeing the highest growth numbers of 5 - 6%, depending on the countries, with some outperformers. The countries in East of Asia are still dominated by China at 6.8% which is certainly a bit lower than what it has delivered lately, but it’s a measured slowdown. Japan’s Abenomics, as it’s called, is turning out to be positive, and is beginning to deliver. The Latin America countries from the Caribbean all the way down to the South Cone, are taking a hit as a result of the commodity prices decline and probably some expectations that the change in U.S. monetary policy will also induce an element of volatility in those markets.

The present Indian Government has completed its first year in office and the Govt has nearly delivered by giving India’s gross domestic product (GDP) numbers a bit of a boost, from 4.5% in the 2013 fiscal year, to 6.9% for the 2014 fiscal. The changed way of computing the GDP by changing the base year and adding some more components has also helped. The global fall in crude oil prices have been a big help to the economy. Wholesale price inflation which represents the price of goods traded in bulk has substantially eased and is hovering around zero % or in the negative territory. However this is mainly because prices of manufactured products dropped, which isn’t exactly a good sign for industry. Growth in consumer price inflation, or retail inflation an indicator of consumption expenses is about 6%.

India’s benchmark index, the Sensex, touched 30,000 points level, on March 4, 2015, when RBI governor Mr. Raghuram Rajan cut the repo rate and since has made some correction. However, certain tax issues for

foreign institutional investors need to be looked into and in the absence of any major on-ground reforms, investors' patience may also be wearing thin. But the Indian rupee is still under pressure due to impending interest rate hike by US Federal Reserve.

In my last year speech, I had indicated that the govt. budget has laid emphasis on providing financing support for infrastructure sector, giving impetus to urban development and transportation sector and assurance of fuel to power plants which are struck up. And I am glad to say that the govt. has lived up to its promise on this front. It has introduced the 5/25 scheme, given impetus to JLF to reduce the stressed assets, opened up innovative bond market schemes, done coal mine auctions, gas bidding for the struck gas based power plants and a host of other measures.

Your company is pioneer in Infrastructure development & Operations and with proven record of success; it is well placed to leverage the growing home economy. I am glad to inform you that your company has taken advantage of this and has successfully won -

- The railway EPC project for Rail Vikas Nigam Limited (RVNL) for 417 km (in 2 packages) in the Mughalsarai – New Bhaupur Section (including) of Eastern Dedicated Freight Corridor (DFCC);
- The railway EPC project for RVNL for the 77 Km (in 3 packages) in Secunderabad and Hyderabad Divisions of South Central Railway, Andhra Pradesh;
- Won 2 coal blocks, Talabira in Sambalpur district of Orissa with 8 MT extractable reserves and Ganeshpur in Latehar district of Jharkhand with extractable reserves of 91.8 MT during recently conducted coal auction. This gives for energy business a captive fuel supplies, especially to Chhattisgarh;
- Opening of the Schulich Business School in collaboration with York University, Canada as part of value creation to GHIAL and Aero city in Hyderabad;
- Apart from the projects won, your company has also successfully completed the QIP for ₹ 1,476.77 crore which will continue to help in maintaining the financial health of the company.

This year the Government has proposed many other Market reforms like

- Proposes to introduce a public contract resolution of disputes bill
- To establish an autonomous bank board bureau to improve management of public sector banks
- To bring a new bankruptcy code
- Amend the RBI act and provide for a monetary policy committee.

In the infrastructure space, the Govt has

- Earmarked ₹ 70,000 crore to Infrastructure sector.
- Tax-free bonds for projects in rail, road and irrigation
- PPP model for infrastructure development to be revitalized and govt. to bear majority of the risk reallocation
- Govt. proposes to set up 5 ultra-mega power projects, each of 4,000 MW.
- Roads sector is expected to see an investment of ₹ 14,031 crore to sanction 1 Lakh Kilometers, with an ambitious target of 30 KM construction of Roads & Highway per day.
- Smart Cities, Make in India, Swachh Bharat, Digital India, Jan Dhan Yojana, Skill India etc. have become the happening words in the country.

Dear Shareowners, your company has **grown in stature** and is invited by various government and industry forums. In the interest of healthy growth of infrastructure in our country, policy advocacy is our responsibility and opportunity as well. The top leadership of your company keeps on proactively participating in industry associations and forums to further cause of the Infrastructure industry.

Year 2014 - 15 has been a great year with quite a few awards for the Airports, Energy, Highways and Foundation's activities; its vocational skilling prowess recognized more widely; and its educational institutions having done exceedingly well.

We have done a lot over the years in creating world class assets, but the best is yet to come in the form of fruits of this investments. Our infrastructure has been part of the India Growth story and has been delighting many people.

Before concluding, I always make it a point to talk about GMR Varalakshmi Foundation, the CSR arm of your company. This is very close to my heart as it embodies the postulate of inclusive growth. The motto is simple - align business growth with socio-economic progress in a sustainable manner. It is your company's continuous endeavor to increase efforts and reach out to a larger underprivileged section of the society. Hence, I am highly pleased to share that we are making consistent progress towards that. Currently, the Foundation is working in over 200 villages / urban communities across 23 locations spread across different states.

Your company believes in responsible growth and hence will continue to work hard for the betterment of society and to make sure that people of our country have better future and a better world to live in. India's challenges require a quality of growth that creates, captures and retains larger value in India. Your company has registered 7 CDM Projects with United Nations Framework Convention on Climate Change (UNFCCC). Energy Sector has published its first ever Sustainability Report as per GRI-G4 guidelines.

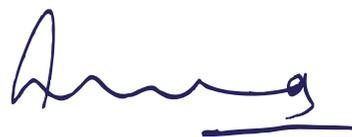
Your company is privileged to be able to pursue a path less travelled to create multiple drivers of growth supported by creating some of the World class national assets and an abiding vision to put country before corporation. It is our collective aspiration that your company should be one such World class infrastructure developer & operator of the Nation.

I would like to extend my appreciation to the entire GMR team for their determination and efforts to make this possible. I truly believe that it is not a chance occurrence but a sustainable performance. We should obviously not rest on our laurels or allow a sense of complacency to set in. The general economic conditions set to ease further, your company is poised to achieve even better in all business areas in the coming year. I draw the strength from Team GMR and from their dedication & commitment.

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 and customers for their consistent and constant support.

I also wish to express my appreciation to my colleagues on the Board, Group Performance Advisory Council for their thought leadership, dedication and commitment. With such eminent advisors, experienced and committed team leading your Company, and interested stake holders, I am very confident that the future outlook of your company is very bright. I am indeed grateful to you all for your cooperation and the trust you have reposed in us.

Thank You



G M Rao
Group Chairman, GMR Group