

## CHAIRMAN'S MESSAGE

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**G M Rao**  
Chairman, GMR Group



## **Dear Fellow Stakeholder,**

It gives me immense pleasure to welcome you all to the 4<sup>th</sup> Annual General Meeting of the Company.

As we cross over from a pre-pandemic to the post-pandemic world, it gives me pride to say that India not only successfully fought this adversity, but has also emerged stronger and more resilient. India today has emerged as a bright spot in a world that is economically fragile and geopolitically fractured. In this process, we have begun a transformational journey towards being a technologically advanced, environmentally conscious, industrially self-reliant, economically prosperous and a geopolitically benevolent developed nation. The Government of India led by our Honourable Prime Minister Shri Narendra Modi has made significant efforts to ensure this transformation.

You would recall that during FY 2021-22, your company had achieved a key milestone i.e., implementation of the demerger of GMR Infrastructure Limited and emergence of two separate listed entities - GIL (GMR Airports Infrastructure Limited) & GPUIL (GMR Power and Urban Infrastructure Limited). With this demerger of GIL business and the vesting of the Energy, Transportation & Urban Infra Businesses of GIL into your Company, the resultant simplified corporate holding structure has enabled the airport and non-airport businesses to chart their respective growth plans independently while also offering investors separate platforms to participate in

the growth story. GPUIL is now strongly focused on the Energy, Transportation & Urban Infrastructure verticals as the key value drivers of the portfolio. The Transportation vertical includes Highways & DFCC projects leveraging the EPC capabilities of the Group.

Over the past few years, we have consolidated our position, focused on rationalization and management of corporate debt and stressed assets, while building a platform of growth for the future. We have taken many significant steps in implementing our stated strategy to strengthen the balance sheet through improved cash flows from increased profitability, debt reduction through asset monetization, value unlocking and prudent working capital management while creating new avenues for growth. As a material development, the Company has strong focus on reducing 'third party' corporate debt and liabilities at GPUIL level, and it has taken additional loans from GMR Airports Infrastructure Limited (GIL) in order to pay off third party corporate debt. There is a further commitment to convert outstanding FCCBs into equity to ensure there is no continuing debt liability on this account. Further, GPUIL has a number of initiatives in place to pay off or refinance existing third party debt in order to strengthen the balance sheet of the company and prepare for future growth.

In this direction, your company has undertaken a number of initiatives. As part of the deleveraging efforts and also to steer away from fossil fuels, in August 2022, your Company divested its 30% equity stake

in PT GEMS in Indonesia to PT Radhika Jananta Raya, a subsidiary of PT ABM Investama Tbk ("ABM"), following a competitive bidding process. GMR Coal Resources Pte Ltd ("GCRPL"), a subsidiary of GPUIL, received USD 420 Mn along with deferred consideration based on mutually agreed milestones.

In recent times, climate change has been globally recognized as a major challenge. Various countries including India have committed to a number of initiatives at COP27, to make progress in climate protection. India is now committed to achieve net zero emissions by 2070. Some of the intermediate targets as submitted under the updated First Nationally Determined Contribution (NDC) on August 2022 include, fulfilling 50% of energy requirements through renewable sources by 2030, reduction of carbon intensity of the economy by 45% below 2005 levels by 2030 etc. Further, at COP 27, India has submitted its Long Term Low Emission Development Strategy (LT-LEDS), which has outlined key areas to reduce net emissions including electricity, transport, urbanization and industry while also focusing on carbon removal through afforestation.

We understand that India is at a cusp of an energy transformation and is marching towards ambition of 500 GW of installed green capacity by 2030. There is also a large headroom for increase in power consumption with the current per capita consumption in India much lower than the global average. This would mean a major transformation of power sector, with significant opportunities opening in power

distribution, renewable power space including distributed generation, intelligent energy solutions and services.

Your Company has built significant expertise and domain knowledge in the Power sector over the past years and is exploring new opportunities in the emerging scenario to expand its reach across the power sector ecosystem. Going forward, our strategy in the Energy sector, is to become a clean energy company of the future while focusing on improving operational efficiencies of existing assets. While monetization/divestment of assets on selective basis would be explored, we will simultaneously build new avenues to pursue growth opportunities in this sector that are asset light and/ or through partnership model.

In order to achieve this objective, we have embarked on a new journey to explore growth opportunities and arrive at new variant of Energy segment i.e. Energy 2.0.

Under the Energy 2.0 initiative, we will focus on innovative, asset-light, platform-based, and technology-oriented business models while deploying efficient capital structure and accessing

green financing. We intend to not only enter strategic partnerships with global reputed majors and institutes of excellence, but also invest in emerging start-ups in the clean-tech ecosystem where potential synergies can be explored.

A few of the key focus areas under this initiative will include:

- Selectively foraying into businesses directly with the end consumers, enhancing value through differentiated service offerings using new-age technology solutions.
- Continue to focus on hydropower development and explore additional innovative value enhancement opportunities, including hybrid power solutions.
- Generating value from 'Green ecosystem' through new age distributed energy business segments including areas such as electric mobility and storage solutions.
- Leveraging unique access to early adopters- airports, highways, and industrial parks under the GMR Umbrella to generate value from electric mobility and new-age storage and charging solutions.

- Capitalizing on these opportunities by developing a platform for green ecosystem play and striking strategic/ financial partnerships to build and rapidly scale our green business.

India achieving the climate targets and commitments under COP 27, would hinge on large quantum of investments and adoption of new technologies. Electric Vehicles, Green Hydrogen, Energy Storage and Smart Metering have emerged as the bellwethers towards the goals of energy transition. In line with our Energy 2.0 initiative, your company has forayed into Smart Metering and EV Charging Infrastructure areas so as to capitalize on the synergies with the existing businesses and with a view to build scalable and sustainable value proposition for all stakeholders.

GMR has participated in a tender and been awarded the Lol for a smart metering project in Uttar Pradesh through competitive bidding. The project, valued at ~ INR 7500 Crs, entails the installation of ~ 76 lakhs smart meters across a few districts of Uttar Pradesh.



EV charging infrastructure is another growth opportunity, which synergizes well with the airport portfolio of the GMR Group. We have partnered with cab operators and aggregators to put up charging infrastructure at the GMR airports and are looking



to expand this business segment further.



On the hydro power side of business, we successfully commissioned our 180 MW Bajoli Holi HEP located on the river Ravi at Chamba District, Himachal Pradesh on March 28, 2022. Bajoli Holi has PPAs with Delhi International Airport Limited (DIAL) and UPPCL. It has been regularly supplying power to these entities. Further, the 400kV transmission line has been fully commissioned ensuring that the entire power generated from the project will be evacuated during the peak summer season.

At our thermal power vertical, Warora and Kamalanga thermal power plants operated during the year at much better PLFs due to better coal availability and power demand. At Kamalanga, we entered into a medium term PPA with M/s TANGEDCO to supply 102 MW, thus ensuring that almost entire capacity of Kamalanga plant is now tied up.

On the regulatory front, our focus continued to be on the liquidation of regulatory receivables during FY 2022-23 and we have succeeded in this initiative to a significant level.

The Highway sector continues to be one of the most dynamic sectors in the country. To further accelerate the development of road infrastructure and enable seamless connectivity across the

country while reducing overall logistics costs at the same time, the Government of India (GoI) has lined up INR 2.70 lakh crore for the road and highway sector in the Union Budget for FY 2023-24, increasing it by 36%. The Highway sector continues to be one of the most dynamic sectors in the country. During FY 2022-23, NHAI awarded record number of projects in Hybrid Annuity Model (HAM) & EPC mode and government has a target of awarding 12,000 kms of roads under the HAM, EPC and BOT



models during FY 2023-24. Your Company will analyze potential opportunities and bid for projects that correspond to the overall strategy of the Group.

On the highways front, traffic has recovered well from the COVID lows. At the Chennai Outer Ring Road annuity project (CORR), all balance physical works have been completed and Final COD has been received. For the Ambala-Chandigarh, we have received concession period extension of 429 days from NHAI and further 29 days extension is expected.

Various programs announced by Government of India, and in particular the Production Linked Incentive (PLI) Scheme for 14 key sectors, Atma Nirbhar Bharat Abhiyan etc. have attracted huge

investments into the country's manufacturing sector, especially in traditionally manufacturing states like Tamil Nadu, Maharashtra, Gujarat, Andhra Pradesh, etc.

Such developments are expected to support monetization at our existing urban infrastructure portfolio. As you know, our Krishnagiri Special Investment Region (GKSIR) is in a JV agreement with Tamil Nadu Industrial Development Corporation (TIDCO) and has been

making all the basis for the past few years. The 417 Km Section between New Bhaupur and New Deen Dayal Upadhyaya junction has now been commissioned. Presently 25 pairs of Indian Railways goods trains are running on the Eastern Dedicated Freight Corridor Track.

Further, your Company will be exploring new projects under DFCCIL in PPP /EPC mode that are expected to come up during FY 2023-24 and beyond. We already have the requisite trained manpower and construction equipment to take up such new projects.

Apart from construction of railway tracks, Government has opened up private participation in



Operation & Maintenance (O&M) of Railway Tracks. Your Company has requisite track machines and skilled manpower to undertake O&M works and will explore these opportunities that align with overall Group strategy.



While the year was broadly positive for your company, we remain cognizant of the headwinds, which are impacting the global economic and geo-political climate.

While on one hand, the receding pandemic fears resulted in a strong post-COVID economic recovery, on the other hand geo-political scenario turned even more negative. Ongoing Russian-Ukraine war and post pandemic market demand fueled inflation globally. This resulted in Central banks across the world acting in unison to tighten liquidity mainly through increasing interest rates in order to rein inflation. Despite the efforts of Central Banks,

inflation has proven to be rather sticky and the US economy rather resilient. As a consequence, significant relaxation of interest rates may not happen in a short time frame resulting in a potential weaker global economy over the short to medium term.

China lifted its drastic “Zero Covid” policy after following the same for a long time. The policy resulted in disruptions to China’s manufacturing sector with some companies closing down their China operations, which in turn resulted in slowdown in China’s economy and disruption of global supply chains. Unlike analyst expectations, China continues to face various headwinds in its post covid recovery.

It is however worth noting that among all the global economic and geo-political turmoil, India has remained a bright spot. We ended FY 2022-23 on a strong footing with a GDP growth of ~7% despite negative impact from ongoing Russia-Ukraine conflict, high levels of inflation and rate hikes by RBI. Initially, India was particularly hit due to high crude oil and natural gas prices. However, the government proactively mitigated this challenge by sourcing crude oil

supplies from Russia at a discount to the prevailing pricing.

The continuing Russia-Ukraine conflict, US China disputes and geo-political reconfiguration post covid is leading to a new world order, in which India is likely to play a more important role as its economy grows. However, there is likely to be greater uncertainty in a multi-polar world and developments would need to be tracked more carefully to assess potential impact and strategy moving ahead.

While an overhang from these geo-political tussles remain, India has continued its journey to economic transformation. Government initiatives including digital transformation of economy, reduction in corporate taxes, significant infrastructure spending, schemes like Production Linked Incentive (PLI) to boost manufacturing, introduction of GST etc. have started to bear fruits. For the year 2023, India is expected to be amongst the fastest growing major economies with GDP growth rate forecast of ~6% for 2023. Thus, we remain largely confident that despite a few short to medium term challenges, given relative attractiveness of India in context of concerns about China and India’s tax and PLI incentives, India’s long term growth story remains intact.

Government also announced a number of initiatives to boost green energy. INR 19,744 crore has been set aside for National Green Hydrogen Mission with a target to produce 5 MMT of Green Hydrogen (GH) annually by 2030. With ample renewable resources, captive demand from refineries, steel, cement and other industries



and potential to supply GH to developed countries, the outlook for GH looks promising in India. Your Company is also exploring appropriate opportunities in the GH value chain.

Further, setting up of 59 solar parks with a capacity of 40 GW have been approved. Off-shore wind capacity additions target of 30 GW by 2030 has been set. Funding viability for 4 GWh battery storage, and future investment to improve grid transmission for better inter-state Renewable Energy evacuation have been targeted.

Electric Vehicles have also found traction with sales reaching a critical mass. This growth has been due to acknowledgment of climate change as a serious threat, significant economic benefits of owning electric vehicles compared to conventional fuel vehicles and regulatory support for EVs. The government is also supporting the industry through tax exemptions on import of capital goods and machinery required for manufacturing of lithium-ion (Li-ion) cells for batteries for EVs. Due to these factors, major international electric vehicle companies are looking to manufacture electric vehicles and batteries in India.

As part of our strategy to strengthen the balance sheet and building a strong growth pipeline, we will continue to lookout for opportunities to monetize assets in order to recycle and redeploy capital in the most optimum manner. This will be in alignment with our asset light strategy in order to create maximum value for our shareholders.

## **Sustainability & Corporate Social Responsibility**

Sustainability and Corporate Social Responsibility have been at the core of the GMR Group ethos since inception. We have taken great pride in all the assets we have developed as National Assets of the highest quality, and we have always ensured that we adopt highest levels of environmental standards at all our projects. Further, our Foundation has been doing path breaking work on the CSR front on healthcare, education, sanitation and livelihoods for more than 30 years now.

Your Company has allocated substantial resources to increase adherence to environmental standards and pollution control measures and enhance Environment Health Safety levels. In this regard, I am proud to share a few awards won during the past year which is strong testimony to our credentials on the sustainability front:

- GMR Warora Energy Limited (GWEL), a subsidiary of your Company, bagged the India's top most recognition "Safety Shield" from M/s National Safety Council of India. GWEL is the first Indian company to bag this award.
- GWEL bagged Safety Council Gold award - Sharva Shresta Suraksha Puraskar award -2021 from M/s National Safety Council of India for achieving longest accident free man-days in the country.
- GWEL won 'National award for excellence in Energy management by CII' for 5th consecutive year and for 3rd

straight year emerged as National Energy Leader.

- GWEL bagged "Utkrith" rating (>95% score) in 5S assessment carried by M/s National productivity council.
- GMR Kamalanga Energy Limited (GKEL), a subsidiary of your Company, won 5 awards out of 6 categories in group level CIP and 3 awards out of 5 in 5S category in "Annual Group Business Excellence - Reward and Recognition Event"
- GKEL won CII national awards continuously 3 years in 3 categories viz "National Energy Leader 2022", "Excellence in Energy Management 2022" and the "Most Innovative Project 2022" award.
- GKEL got recertified under "UTKRISHT" category in recertification audit for 5S with a score of 97.02%.

Your Company has also continued its tradition of caring for the communities and stakeholders as part of its Corporate Social Responsibility program through GMR Varalakshmi Foundation (GMRVF), a CSR arm of the GMR Group. The Foundation is currently working across all the asset locations of the businesses.

All the educational institutions under GMRVF performed exceedingly well during the last year. The student strength of the education wing reached over 10,000. The Foundation also partnered with about 200 Government schools to ensure about 30,000 children get quality academic support.

GMRIT (GMR Institute of Technology) continues to be among the top 50 colleges in



the country and the top 5 in the State of Andhra Pradesh, as per rankings given by various education magazines. GMRIT has taken several initiatives in Blended learning: All curated courses of COURSERA are made available to the students of GMRIT who are accessing the courses of Machine Learning at Stanford University and Artificial Intelligence at Arizona University and the University of Michigan - through the Coursera Platform. Lecture Capture System was established with UpGrad: more than 2500 lectures are being recorded and used by the students on campus.

GMR Varalakshmi CARE hospital, Rajam was accredited by National Accreditation Board for Hospitals & Healthcare Providers (NABH) in May 2022. The hospital was also empaneled with National Board of Examination for Anesthesiology and National Board of Examination for DNB in Gynecology & Obstetrics. Full-time Neurosurgery Consultation Services, Dermatology services were also started during the year. The hospital served 1,14,126 outpatients and 9,318 inpatients during FY 2022-23.

Mobile Medical Units and Medical clinics run by the Foundation



offered healthcare services to needy people.

In line with the Group's value of Social Responsibility, initiatives such as Hundi for daily donations, Giving Wheel of Fortune etc. were launched during the year to promote Individual Social Responsibility of employees.

For its exemplary work in the area of CSR, GMR Varalakshmi Foundation received the 'Mahatma Award for Covid 19 Humanitarian Effort 2022' for SMILE (Supporting Marginalized Individuals with Livelihood & Empowerment) project at Delhi and received a plaque of honor from HelpAge India for the work with elderly people. GKEL awarded with CSR Excellence award from Odisha CSR Forum in the category of CSR Best Practices.

## Governance

Over the years, your company has built a robust Governance framework, starting right from the top with a well-structured Family Governance model. In addition to focus on financial and operational performance, we are equally committed for maintaining strong corporate governance practices and ethical behavior across every business in the GMR Group. Our reputation as an ethical and trustworthy Company is our most important asset. We believe that consistently focusing on good governance and applying the highest ethical practices in all our activities enables us to uphold the trust of our stakeholders.

Our companies are built around the Group's seven Values and Beliefs which are the embodiment of every aspect of what we do. These are Humility, Entrepreneurship, Delivering the promise, Learning & Inner excellence, Respect for individual, Teamwork & Relationships, and Social Responsibility.

To ensure transparency in transactions across all Group companies and subsidiaries, we conduct regular and structured assessments by the internal audit teams, review through an external agency and review by the Audit Committee and the eminent members of our Board of Directors.

## Digitalisation & Innovation

In the words of our Honorable Prime minister, "Innovation is the key to progress. It is the engine that drives economic growth and social development. We must create an environment where innovation can flourish".



The GMR Group has a similar belief. Along with the focus on Business, your Company recognizes the need for digital transformation & innovation in all aspects of business and customer engagement and believes that in the current context companies need to continuously innovate to grow ahead or they will perish. We have been driving several initiatives to enhance business prospects in terms of superior customer experiences, revenue enhancement and cost reduction opportunities as well as agile and efficient internal processes.

Your Company is always at the forefront in terms of development and adoption of technological innovations. In order to foster the innovation culture in your Company & build a philosophy of open innovation that enables free flow of ideas and resources between GMR and external ecosystem partners, GMR Innovex, innovation vertical of GMR, has been founded. It interacts, engages and collaborates with start-ups, academic research Institutes, ecosystem players and other companies in developing both digital & non-digital next generation solutions.

GMR Innovex, now has a SEBI registered CAT-2 fund, which aims to capture value in some of our group technology engagements with startups and create financial value for the group while providing strategic depth and expertise in in some of the emerging technology areas.

With the recent Chandrayan-3 mission and our Honorable Prime Minister Modi ji's passion to fund India's space exploration and advancement, India is emerging strong as a confident player in the new areas of technology.

These developments inspire us to commit to use technology and Indian talent to make best in class infrastructure and make our country proud in a global context.

## **LOOKING AHEAD**

Looking ahead for FY 2023-24, in the context of global weakness, we do expect the business environment in India to improve, especially with respect to inflation and interest rates. There have been early signs of inflation levels easing in India, which should gradually lead to decrease in interest rates. As outlined earlier, we do have strong confidence in India's expected economic growth over the medium to long term and India's infrastructure sector, given the strong focus from the government on improving the roads, railways and power sector with strong thrust on energy transition.

The focus areas this year, apart from continuing to improve operational efficiency at our existing assets, will be to enhance value through more asset light business activities. We will continue to build on our Energy 2.0 initiative through pursuing opportunities in the asset light businesses while also to take up the Smart Metering Project in Uttar Pradesh. With the conclusion of DFCC project, we would be looking out for opportunities in the EPC sector, both within and outside the country.

As I conclude, I would like to take this opportunity to express my gratitude towards our customers, suppliers and other stakeholders for their confidence and trust in the GMR Group. I also thank the leadership team of GMR Group for providing guidance

and navigating the organisation through various challenges. Last but not the least, my sincere appreciation for all our employees whose dedication, hard work and continued contribution enabled the Group to overcome every obstacle. Coming year holds promise for your Company due to receding pandemic and economic recovery. We hope that various initiatives taken across infrastructure and power sectors will materialize, thus supporting economic growth and millions of jobs worldwide.

I look forward to your continued support and encouragement in taking your Company to greater and newer heights in the future.

Thank you again for showing the belief and faith in the organisation. Given the faith, it becomes my duty to take it forward to greater heights and towards a brighter future.

### **Stay Safe, Stay Healthy,**

Thank You,



**G M Rao**  
Chairman, GMR Group