MATTANCHERRY BRIDGE - PRESS RELEASE BY GAMMON INFRASTRUCTURE PROJECTS LTD.

We regret to inform our esteemed stakeholders that the Greater Cochin Development Authority (GCDA) has, in violation of the spirit of the concession agreement and in disregard of orders of the Arbitral Tribunal, chosen to unilaterally seal the toll booths and obstruct toll collection of Cochin Bridge Infrastructure Company Ltd. (CBICL), the Company's subsidiary, at the Mattancherry Bridge at Kochi in an attempt to end CBICL's right to collect toll fees at the bridge.

The project to construct and manage the Mattancherry Bridge connecting Mattancherry, Palluruthy and Fort Kochi with Willingdon Island was originally awarded to Gammon India Ltd. The concession agreement for the project was executed on 27.10.1999 between GCDA, the Government of Kerala (GOK) and Gammon India Ltd. It was the first Build, Own and Operate (BOT) project in the State of Kerala. On 06.01.2001, a supplementary agreement was executed between Gammon India Ltd, GOK, GCDA and CBICL, whereby the entire rights and obligations of Gammon India Ltd. was transferred to CBICL and CBICL became the concessionaire of the Mattancherry Bridge.

The original concession agreement provided for collection of toll for a period of 13 years and 9 months by way of single and two-way toll tickets from vehicles passing through the bridge. The original concession agreement also provided for an annual revision of toll fees linked to the wholesale price index (WPI).

The project was successfully completed on 18.08.2001, well ahead of the scheduled date of completion. The bridge was inaugurated by the then Chief Minister of Kerala on 20.08.2001.

The toll fees were first revised by GOK in September, 2001 in accordance with the original concession agreement to make it in line with WPI. However,

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following agitation by private bus operators, the GOK directed CBICL in October, 2001 to collect only Rs.200 from private buses plying more than 9 trips in a single day. The second revision of toll fees was made by GOK in October, 2002 in accordance with the original concession agreement to make it in line with the WPI; but CBICL could collect a maximum of only Rs.200/- from private bus (being bound by GOK's earlier directions). The third revision of toll fees was made by GOK in October, 2003 to make the toll fees in line with WPI. However, there was a public agitation against the revision and the GOK again intervened and directed CBICL to keep the third revision in abeyance and collect toll fees as per the second revision with the further restriction that only a maximum of Rs.10/- be collected for return trips by car type vehicles and a maximum of Rs.100/- per day from private bus operators irrespective of the number of trips they made in a day.

Later on 24.01.2005, on account of further agitation, the GOK modified the terms of the original concession agreement by its Order GO (MS) No. 11/2005/PWD, directing CBICL to keep the toll rates constant at the year 2002 level without any revision based on WPI (with the additional restriction of Rs.100 per day from private bus operators for multiple trips and introducing multiple trip passes for car type vehicles at Rs.10/- per day) and providing that CBICL would be compensated for its revenue loss by extending the concession period by 6 years and a fixed annuity of Rs.1.54 crores from GOK with effect from the year 2004 and further compensation for multiple trip passes issued to motor cars category of vehicles at actuals. The Said Order further provided that GOK and GCDA would sign a supplementary agreement with CBICL to amend the concession agreement to give effect to the said Order.

Several mails were exchanged and meetings were held between CBICL and the officials of GOK and GCDA. However, there was no progress on the issue of signing the supplementary agreement and no annuity payment was paid by GOK. After constant follow up for nearly three years had made no progress, CBICL

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decided to invoke arbitration proceedings in January, 2008 and nominated Mr. Justice S.P. Bharucha, former Chief Justice of India to the arbitration panel. Thereafter, owing to delays and prevarication of GOK and GCDA, CBICL had to approach the Honorable High Court of Kerala for the appointment of Mr. Justice P. Krishnamoorthy, former Justice of High Court of Kerala as the GOK's nominee on the arbitration panel and Mr. Justice K.T. Thomas, former Justice of Supreme Court of India as the presiding arbitrator on the arbitration panel.

However, instead of entering into the supplementary agreement to amend the concession agreement, the GOK choose to unilaterally cancel its earlier Government Order dated 24.01.2005 by a Government Order dated 26.12.2008; after having compelled CBICL to act in accordance with its earlier Government Order dated 24.01.2005 for over three years.

It was not possible for CBICL to revert to the terms of the original concession agreement as the GOK's Government Order dated 24.01.2005 amending the terms of the original concession agreement had become a fait accompli as CBICL had already been forced to act in accordance with the same for over three years. Accordingly, CBICL placed its case before the Arbitral Tribunal in December, 2010, which by that time had been legally constituted. The Honorable Arbitrators passed two orders, dated 22-11-2010 and 28-03-2011 permitting CBICL to collect the toll fees until further orders of the Arbitral Tribunal notwithstanding the new Order issued by GOK on 26.12.2008. The said orders were passed after hearing GCDA as well as the GOK. The said orders are still in force and have not been modified or set aside. Meanwhile, an order dated 28.07.2009 came to be passed by the Honorable High Court of Kerala in writ petition (WP(C)No. 13178/2007) directing GCDA to issue sealed coupons to CBICL to enable CBICL to collect toll fees from the users of the Mattancherry Bridge.

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CBICL has been collecting toll fees in accordance with the GOK's Government Order dated 24.01.2005 and has the right and authority to do so till 27.04.2020. GCDA had no right or authority to stop or interfere with the collection of toll fees by CBICL or seal the toll booths of CBICL.

When CBICL came across certain threatening statements by the Chairman of GCDA in the press that CBICL had no right to collect toll fees after 27.04.2014 and that GCDA would not issue coupons for toll collection after 26.04.2014, CBICL moved the Honorable District Court at Ernakulam and thereafter the Honorable High Court of Kerala for interim relief. On 25.04.2014, the Honorable High Court, during the course of the hearing, orally directed the counsel for the GCDA not to deviate from the orders passed by the Honorable Arbitrators permitting CBICL to collect the toll fees until further orders of the Court and posted further hearing to 29.04.2014.

However, GCDA, despite being made aware of the oral order of the Honorable High Court and without waiting till the next date of hearing fixed for 29.04.2014, choose to seal the toll booths of CBICL on 27.04.2014. On 29.04.2014, the Honorable High Court refused to grant an injunction on the action of GCDA.

The stakeholders are aware that governments generally do not go back on its business commitments, particularly when such commitments have been sanctified by way of Government Orders. But, the GOK and GCDA chose to do precisely that, that too after a gap of over three years and after forcing CBICL to act in accordance with its Order.

CBICL is yet to recover its investment in the project and has a huge cash loss on a year to year basis, mainly on account of the non-compliance of the commercial terms by GOK and/or GCDA, contrary to allegations by various political / social organisations in Kerala.

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We would like to assure our stakeholders that we will pursue all possible options including legal options to restore CBICL's right to collect toll at Mattancherry Bridge and / or collect CBICL's dues from GOK and/or GCDA.

For, **Gammon Infrastructure Projects Ltd,**

G. Sathis Chandran
Company Secretary

Date: 02.05.2014

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