Creating tomorrow today

GMR Infrastructure Limited

10th Annual Report 2005 - 2006

We not only develop Airports, Roads and Power plants, we also own and operate them.

AIRPORTS POWER ROADS

GMR Group

Mission

To build entrepreneurial organizations that make a difference to society through creation of value.

GMR Infrastructure Limited

Regd. & Corporate Office

Skip House, 25/1, Museum Road, Bangalore - 560 025.

www.gmrgroup.co.in

GMR Group

VALUES & BELIEFS

HUMILITY
We value intellectual modesty and dislike false pride and arrogance

ENTREPRENEURSHIP
We seek opportunities - they are everywhere

TEAMWORK AND RELATIONSHIPS
Going beyond the individual - encouraging boundaryless behaviour

DELIVER THE PROMISE
We value a deep sense of responsibility and self discipline
to meet and surpass on commitments made

LEARNING
Nurturing active curiosity - to question, share, and improve

SOCIAL RESPONSIBILITY
Anticipating and meeting relevant and emerging needs of society

RESPECT FOR INDIVIDUAL
We will treat others with dignity, sensitivity and honour

Contents

Page Nos.

General Information about the Company

Chairman's Statement

Profile of Directors

GMR Group
- Group Companies
- Sector wise Subsidiaries
- Subsidiaries Business - Overview

Consolidated Financial Statements

Directors' Report

Financial Statements

Financial Statements of Subsidiary Companies Sectorwise

Power Sector

- GMR Energy Limited
- GMR Power Corporation Private Limited
- Vemagiri Power Generation Limited
- GMR Mining & Energy Private Limited

Road Sector

- GMR Tuni-Anakapalli Expressways Private Limited
- GMR Tambaram - Tindivanam Expressways Private Limited
- GMR Ambala-Chandigarh Expressways Private Limited
- GMR Jadcherla Expressways Private Limited
- GMR Pochanpalli Expressways Private Limited

Airport Sector

- GMR Hyderabad International Airport Limited

Risk Management

Board of Directors

Mr. G. M. Rao	- Chairman & Managing Director
Mr. Srinivas Bommidala	- Group Director
Mr. G. B. S. Raju	- Group Director & Group Chief Financial Officer
Mr. G. Kiran Kumar	- Group Director
Mr. B.V. Nageswara Rao	- Group Director
Mr. K. Balasubramanian	- Director
Mr. K.V.K. Seshavataram	- Director*
Mr. Arun K. Thiagarajan	- Director**
Mr. K. R. Ramamoorthy	- Director**
Dr. Prakash G. Apte	- Director**
Mr. R.S.S.L.N. Bhaskarudu	- Director**
Mr. Udaya Holla	- Director**
Mr. Uday M. Chitale	- Director**
Mr. Luis Miranda	- Director***
Mr. T.R.Prasad	- Director***
Mr. P.B. Vanchi	- Director****

* resigned w.e.f. 02.09.2005 ** appointed w.e.f. 02.09.2005
*** appointed w.e.f. 14.04.2006 **** appointed w.e.f. 13.05.2006

Company Secretary & Compliance Officer

Mr. A. S. Cherukupalli

Audit Committee Members

Mr. K.R.Ramamoorthy	- Chairman
Mr. Arun K. Thiagarajan	- Member
Mr. Udaya Holla	- Member
Mr. Uday M. Chitale	- Member

Bankers

United Bank of India
Indian Overseas Bank
UTI Bank Limited
ING Vysya Bank Limited

Statutory Auditors

Price Waterhouse
Chartered Accountants
6-3-550, IInd Floor, L B Bhavan, Somajiguda, Hyderabad - 500082.

Registered Office

25/1, Skip House, Museum Road, Bangalore - 560 025

Tel No : 080 22270100
Fax : 080 22998118
e-mail : gil@gmrgroup.co.in
website : www.gmrgroup.co.in

Registrar and Share Transfer Agent

KARVY Computershares Private Limited
46, Avenue 4, Street No. 1, Banjara HIlls, Hydrabad - 500 034

Chairman's Statement

Dear Shareholders,

I am glad to share with you the highlights of contributions, achievements and financial performances of your Company and GMR Group, during the year 2005-2006, in the context of present national and global scenario.

International Economy and importance of Infrastructure Development

Worldwide, infrastructure growth has been consistently higher than the economic growth. Efficient infrastructure system is a pre-requisite for sustained economic development. Infrastructure facilities like Transport, Power and Airports are considered as benchmarks for measuring a Nation's development. In the current global scenario, transport growth is on fast track due to specialization, sourcing of supplies and materials on a wider scale, increased distribution of retail and wholesale commodities. The increased production results in increased demand for transport services, which necessitate better Highways and road facilities. Improved Road facilities increase transport activity. The competition among suppliers of transport services as well as pressures from users resulted in the prices of transport services falling. Civil aviation has played significant role, in putting any country on the world map and to get immediate global recognition. Past history, substantiate that a nation with world class air services, such as UK , Singapore, Malaysia and Hong Kong, play a key role in promoting and establishing global trading connections there by supporting economic growth. Power is one of the prime driver of economic activity. The level of availability and accessibility of affordable and quality power are also one of the main determinants of the quality of life. The access to information and global connectivity at high speed has narrowed the gap between the nations beyond geographical boundaries. For a country, to become global player and for international tie ups, and to sustain the growth in this competitive world, basic infrastructure facilities need to be in good shape.

Indian Economic Scenario - Infrastructure position

In a large country like India the infrastructural availability plays significant role in promoting national integration. The road transport system in India has not been able to keep pace with economic development. Roads form the most common mode of transportation and account for about 85% of passenger traffic and 70% of freight, making it the main form of transport for commuting across the country.

Power sector growth has not kept pace with the growth in demand with the result the country has always faced energy shortages. As of March 31, 2006, India's power system had an installed generation capacity of approximately 124,311 MW. Thermal power plants powered by coal, gas, naphtha and oil accounted for 66.4% of total power capacity in India as of March 31, 2006, hydroelectric stations for 26% and others (including nuclear stations and renewable sources of energy) formed 7.6% of the installed generation capacity . The Central Power Sector Utilities (CPSUs) accounted for approximately 32% of total power generation capacity as of March 31, 2006; the various state entities accounted for 57% and private sector companies accounted for approximately 11%.

India is the fourth largest economy in the world but for an economy of this size, use of air travel is extremely low. This is also reflected in the fact that Mumbai and Delhi airports are ranked only 80th and 109th (Ministry of Civil Aviation) respectively in the world instead of being considered among the world's largest. Standard expectations for air travel growth are usually of the order of twice the level of GDP growth but India has achieved nowhere near this level of growth. The leading observers do believe that given the right regulatory conditions and product pricing, there is significant pent-up demand for air travel.

Government Thrust on Infrastructure Development

In a liberalized set up, an efficient energy and transport network becomes all the more important, in order to increase productivity and enhance the competitive efficiency of the economy in the world market. While considering the inadequacies and imbalances in the transport / power sectors, Union Government under tenth five year plan has given emphasis to provide a framework for the long-term development of the transport sector with stress on technological up-gradation and removal of distortions. Focus is also on the inter-modal mix by evolving a rational tariff and investment policy. Major policy initiatives have been made in road sector. The National Highway Development Project comprising Golden Quadrilateral and North South - East West corridors which are the flagship projects in the road sector, are largely on track and are also expected to be a source of major fiscal stimulus to the economy.

The report, of working group for tenth plan, on power has envisaged a substantial capacity addition. The government proposes to enhance public funding as well as encourage Public sector undertakings to take up projects in joint ventures with private investors and state governments. There is also focus on initiating suitable policy measures to accelerate the pace of hydro power development. Initial response of domestic and foreign investors in power sector had been encouraging. However the major impediment to private sector participation is the poor financial condition of the monopoly purchasers viz, State Electricity Boards (SEBs). With power sector reforms already set in motion, these problems are expected to be sorted out in due course.

To give a major fillip to hydro power generation, the government has finalised a new set of guidelines for development of projects over 100 mega watt by the private sector through competitive tariff-based bidding. Against India's hydro power potential of 84,000 mw, just about 20% has been exploited so far. According to the new policy, states with huge hydro potential would be asked to shortlist credible developers based on certain preset technical qualifying criteria. The final developer would be selected on the basis of tariff-based financial bids. The power ministry plans to offer a series of run-of-the-river projects for development by the private sector. The idea is to tap the surplus power of states with substantial hydro potential and wheel it to power-deficit states. The host state would, however, retain 12% of the power generated at free of cost. A special requirement of hydel projects is the availability of long-term funding at reasonable interest rates. This ensures that the cost of power during the initial years is reasonable. Financial institutions, which fund almost 70% of the project cost, would find these projects more attractive.

The main thrust of the development of civil aviation sector in the Tenth Plan is to provide world - class infrastructure facilities and efficient safe and reliable air services to meet the requirements of domestic and foreign trade and tourism. Connectivity to remote and inaccessible areas also should be a priority. This could be achieved through private sector participation on a much larger scale. The Government is in the process of inviting bids from private parties for modernizing other international airports viz., Chennai and Kolkata and other regional airports.

Industry Scenario for Infrastructure Projects

Overall industrial scenario for infrastructure projects looks promising. In fiscal budget 2006-2007, the emphasis is more on development and modernization of Transport, Power and Airport with private sector participation on much larger scale. It is evident that the Government has taken several policy measures to ensure that the infrastructure development shall be put on fast track. Your company, with focus on promoting and developing infrastructure projects, looks at dynamic growth opportunities that lead to overall growth and maximization of shareholders value. Global opening up and invitation for participation in international projects, has been encouraging and the GMR Group is looking forward to create an international brand name.

Role of your Company

Government of India (GOI) has laid importance to the development of infrastructure, particularly Roads, Power and Airports in the country. Your company being lead financial member for several prominent infrastructure projects envisions very attractive projects in the sectors of Power, Airport and Roadways in the coming years. On this occasion, I would like to explain to our esteemed stakeholders the vital role your company plays in providing the highest standard of quality infrastructure facilities to the nation.

Your Company belongs to the GMR Group, the emerging major player in infrastructure projects which have been opened up for private sector. Your company is the promoter investor for the projects taken up by the Group.

a) Participation in Road Projects

After the Golden quadrilateral, North-South and East-West (NSEW) corridors are being given importance by the Government. The Union Cabinet has approved development of approximately 4000 kilometers long National Highways across the country through private - public participation. The cost involved is estimated at Rs. 22,000 crores and the development would be under 'Build, Operate and Transfer' (BOT) basis. Your company is participating in the capacity of Lead member/member of consortium of GMR Group, in the bids being called for by the National Highways Authority of India (NHAI) to construct and develop new Roads.

It gives me immense pleasure to share with you that the Group being the first awardee of two road projects namely a) Tuni - Anakapalli Road Project and b) Tambaram Tindivanam Road Project, in Southern India and achieved the completion of the assigned projects in time. Your company led a crucial role in these infrastructure projects as sponsor, guarantor, promoter and strategic investors and more significantly as lead financial member. With effect from financial year 2005-06, Tuni - Anakapalli Road Project and Tambaram - Tindivanam Road Project have started receiving regular annuities from NHAI, in terms of Concession Agreement entered with NHAI. The first and second installments of Annuity were received during the period under review.

I am also delighted to share with you that, your Company is the promoter for Ambala - Chandigarh Road Project, Farukhnagar - Jadcherla Road Project and Pochanpalli Road Project. These projects have been awarded to the GMR Group during the financial year 2005-06 .Tindivanam - Ulundurpet Road Project is another Project that has been awarded to the GMR Group post March, 2006. Preliminary works have already been commenced in relation to implementation for these projects.

b) Participation in Airport Projects

Your Company is the strategic partner holding a majority stake in the Hyderabad International Airport Project. Looking at the project progress, we are confident that the project will be completed within the schedule by first quarter of 2008. I am proud to inform you that our group won prestigious project of Modernization of Delhi International Airport and your company is the lead member and promoter in that project. Airports Authority of India (AAI) has granted an exclusive right to operate, maintain, develop, design, construct, upgrade, modernize, finance and manage the Delhi Airport.

c) Participation in Power Projects

Your company is the holding company of GMR Energy Limited (GEL), which set up 220 MW Naptha based barge mounted power plant in Mangalore. GEL is also the holding company of GMR Power Corporation Private Limited (GPCPL), with 200 MW Low Sulphur Heavy Stock based power generation plant in Chennai and Vemagiri Power Generation Limited (VPGL), which is implementing the 370 MW Gas based power generation project near Rajahmundry in Andhra Pradesh.

Your company is also implementing of the prestigious Hydro Power Project at Badrinath in Himalayan region. I am proud to state that, our group won this project overcoming the tough competition from very big Indian Power Companies. GMR (Badrinath) Hydro Power Generation Private Limited, which is going to set up the 140 MW Alaknanda Hydro Power Project is located near Badrinath in the Chamoli district of Uttaranchal State. Located on the Alaknanda river (a tributary of Ganga), the project is a Run of River (RoR) type development, harnessing a Head of about 460 meters with a proposed installation of 140 MW (2 X 70 MW). The Project has a Design Energy of 702.72 MUs (PLF of 57.3%). The Project will supply 12% free power to the state of Uttaranchal.

Corporate Governance

Your Company, is committed to highest level of business ethics and corporate governance. Though an unlisted Company, your company strives to adopt codes and rules for good governance applicable to listed Companies.

Safety - Group Mission Statement

GMR Group is dedicated to highest level of safety and environment protection. Aim is to build an entrepreneurial organization that makes a difference to the society through creation of value. Your subsidiary companies and group companies have ensured the highest level of safety at their respective plant project locations, with zero accident and zero fault track record. They have maintained clean and green environment. Accident Frequency and severity rates are at zero level at all plant locations.

Initial Public Offer (IPO) of the Company

In order to meet the requirement of funds to accomplish the infrastructure projects taken by the company through its subsidiaries, your company proposes to issue of 38136980 Equity Shares of Rs. 10 each at a price as may be determined by the Board with the consent of Book Runner and Lead Managers which is being made through a 100% book building process. The Issue will constitute 11.52% of the fully diluted post Issue paid-up capital of the Company.

Corporate Social Responsibility (CSR)

GMR Group believes corporate entities have a special and continuing responsibility towards the society. The grim reality in India is that millions of people lack basic amenities and live in abject poverty - a situation that cannot be redressed by the Government alone.

GMR Group is fully conscious of its corporate social responsibility and is working towards making a difference to society. With this objective, GMR Group has been focusing in areas of Education, Health, Hygiene, Community service empowerment and enterprenuer development. It has been providing intensive vocational training to the youth and women, particularly those drawn from rural areas, through specialized training. This has opened up employment opportunities for these less advantageous sections of the society. The Group also actively promotes and ensures environment protection and compliances through best industry practices. Group also provides a helping hand to the needy and deserved through contributions, aids, donations etc. through its special purpose vehicles and subsidiary Companies. GMR Varalakshmi Foundation, the CSR arm of GMR group renders yeoman service to the society in this direction.

Performance Review

During the financial year 2005-2006 your Company earned a total income of Rs. 612.87 millions and a net profit after tax of Rs. 355.45 millions against Rs. 563.18 millions and Rs. 243.81 millions respectively in the previous financial year. The increase in income is mainly on account of substantial savings in finance charges and also due to increase in dividend income. Consequently the Earning per share (EPS) for the FY 2005-06 stood at Rs. 1.34 as against Rs. 0.86 for the corresponding previous year.

The company promotes and sponsors Special Purpose Vehicles and Corporate Entities to undertake Infrastructure projects and set up Infrastructure facilities. Hence the consolidated financial results of the company and the financial results of subsidiaries accompanying the annual report for the year 2005-06 will provide a holistic picture of the group's performance in this sector.

Values, Beliefs and HR initiatives

The GMR Group has put in place seven Values & Beliefs and taken HR initiatives like the People Capability Maturity Model (PCMM) , ISO 9000, Six Sigma, 5S etc. to enhance the ethics , efficiency and productivity of the Organisation.

Acknowledgements

I express my sincere gratitude to the Shareholders, Lenders, Banks, Financial Institutions, Reserve Bank of India, National Highway Authority of India, Airport Authority of India, Central and State Governments and other regulatory authorities / Agencies for providing continual support. I wish to express my appreciation to my colleagues on the Board and our employees for their dedication and commitment. I express my sincere appreciation to the managements and workforce of GMR Group Companies for their continued support. My dear Shareholders I am grateful to you for your support and the trust bestowed upon us and look forward to the same in a greater measure in the years ahead.

Thank you,

G. M. Rao
Chairman

Bangalore
July 12, 2006

Profile of Directors

Mr. G. M. Rao, 56, Chairman and Managing Director, is the promoter of our Company. He is a distinguished industrialist and Founder Chairman of the GMR group of companies. GMR Group leads infrastructure development in the Country and has national presence in Airports, Roads, and Power Sectors. GMR Group also has the business of Sugar and Ferro Alloys. He is also the founder and Chairman of the GMR Varalakshmi Foundation, a philanthropic organization, which actively contributes to the society in the areas of education, hygiene and empowerment of the underprivileged people. During the 80's and 90's, he made his foray into banking and played a key role in the transformation of Vysya Bank into a new generation private sector bank. He is a graduate in mechanical engineering from Andhra University. He was awarded the Doctorate in Philosophy in 2005 by the Jawaharlal Nehru Technological University, Hyderabad in recognition of his services to industry.

Mr. Srinivas Bommidala, 42, Group Director, is the son-in-law of Mr. G. M. Rao and has been a member of the Board since 1996. He has over 22 years of experience in the agriculture, fast moving consumer goods and services sector. He led the GMR Group's foray into the infrastructure sector and was the managing director of GMR Power. He also held the position of Managing Director of Vemagiri Power and led the implementation of the project. He is currently the Managing Director of Delhi International Airport.

Mr. G.B.S. Raju, 31, Group Director and Group Chief Financial Officer, is the elder son of Mr. G.M. Rao and has been on the Board since 1999. He completed his bachelors in commerce from Vivekananda College, Chennai, and University of Madras in 1995. He began his career as Managing Director in GMR Energy. Under his leadership, GMR Energy's barge-mounted power plant was established in record time, well ahead of schedule. Till recently , as Sector head of the GMR Groups' road business, he led the Group's foray in the roads sector. Mr. Raju also heads the Group's shared services and Corporate Departments.

Mr. G. Kiran Kumar, 30, Group Director is the younger son of Mr. G.M. Rao and has been on the Board since 1999. He completed his bachelors in commerce from Badruka College, Hyderabad, Osmania University in 1996. He led the Group's foray into Airport Business and is currently the Managing Director of GMR Hyderabad International Airport Limited (GHIAL). He also heads the Group's business development in Airports. Before taking over the reins of GHIAL, he headed the Group's Finance functions and the shared services.

Mr. B. V. Nageswara Rao, 51, Group Director, is an engineering graduate. He has been on the Board since 1996. He has extensive experience in the banking sector with specific experience in industrial finance and rehabilitation of sick industries. He also has experience in international trade. He heads the asset management of the Power Business of the group. He is also responsible for the entire Road Business and corporate relations for the GMR Group.

Mr. K. Balasubramanian, 62, Director, has been on the Board since 2004. He has close to 40 years of experience in international banking. He has worked in India with two large banks, ING Vysya and American Express Bank for about 10 years. Through his 25 years tenure with American Express, he held senior positions in marketing, credit and general management in several Asian and European countries. During his career with American Express Bank, he has also served as the Country Head for Korea, India and Nepal as well as the Chief Credit Officer for the Asia-Pacific region and Indian subcontinent. He was also the managing director and chief executive officer for ING Vysya Bank. He is currently the Chairman of GMR Industries and GMR Power. He heads the Group's agri-business sector and Social contribution activities. He is also on the Boards of several other GMR Group Companies.

Mr. P.B. Vanchi, 54, Director (Power Business Development), has an honors degree in electrical engineering from the University of Madras in 1973 and has completed a Financial Management Programme from Harvard Business School, Cambridge, USA in 2001. He has over 32 years of experience in the power, oil and natural gas sectors with reputed companies in India and overseas. He has worked in senior management positions with electrical utility and worked as the chief executive officer of an oil and gas drilling company in the Middle East. He served as the vice president and regional business head for PSEG Global Inc, an affiliate of Public Service Electric and Gas, New Jersey, U.S.A. and was responsible for India and Middle East for development and investment in large thermal electric generation projects. He received the Indira Gandhi Priyadarshini Award for the year 2002 in recognition of his notable contribution to the development of the Indian power sector. He is also on the Boards of Vemagiri Power and GMR Energy.

Mr. Arun K Thiagarajan, 61, Director, has done his masters in electrical engineering from the Royal Institute of Technology, Sweden. He has also obtained a management degree from Sweden and has done an advanced management program from Harvard Business School (USA). He has held many senior positions in various global companies including as President & Country General Manager - Hewlett-Packard India Limited, Vice Chairman- Wipro Limited and Managing Director- Asea Brown Boveri Limited. He has been associated with the GMR Group since 2004 and is currently also a director of GMR Energy. He is also on the board of several other companies.

Mr. K.R.Ramamoorthy, 66, Director, is a senior banker, with over 40 years of commercial and banking experience in India. He served as the Chairman and Managing Director of Corporation Bank and Vysya Bank. He is currently the non -executive Chairman of ING Vysya Bank. He has been consulting for commercial banks in India and other developing countries. His services are also availed by World Bank, IMF and IFC. He is on the Boards of various companies, including GMR Power and GMR Ambala-Chandigarh.

Mr. Luis Miranda, 44, Director, is an MBA (University of Chicago) and a Chartered Accountant. He has 11 years of banking experience and 6 years of private equity experience. He is the President and CEO of IDFC Private Equity Company Limited, which manages USD 630 million of funds focussed on infrastructure in India. He previously worked for ChrysCapital, HDFC Bank, HSBC and Citibank. He is on the Advisory Board of the Emerging Markets Private Equity Association and Chairs the Asia Cabinet of the Graduate Advisory Board, GSB University of Chicago. He has been associated with the GMR Group since 2004.

Dr. Prakash G. Apte, 59, Director, holds a doctorate degree in economics from Columbia University. He also holds a post graduate diploma in management from the Indian Institute of Management, Kolkata and B.Tech. (Mechanical Engineering) from Indian Institute of Technology, Mumbai. He has taught Economics at the Vassar College, Poughkeepsie, USA, and Columbia University. He was a consultant at Edison Electric Institute, New York and a project manager at Centron Industrial Alliance, Mumbai. He has published four books and several articles in academic journals and professional media. He has served on expert committees appointed by NSE and SEBI and is a consultant to several leading organizations in Government, public and private sectors. He has also been a visiting faculty at the Katholieke Universiteit Leuven, Belgium. Currently, he is a director and UTI chair professor at the Indian Institute of Management, Bangalore.

Mr. R.S.S.L.N.Bhaskarudu, 66, Director, is a graduate Electrical Engineer from College of Engineering, Kakinada, Andhra University. He has over 44 years of experience with proven track record of management and leadership skills. He has served 21½ years at Bharat Heavy Electricals Limited (BHEL). During his tenure in BHEL he was involved in the development and production of Turbine Generator sets (both for Hydro & Thermal Power Plants) including auxiliaries of different ratings for power projects all over the country. He has also worked for over 16 years with Maruti Udyog Limited (MUL) from its inception, the largest car manufacturing companyy in India. He held the post of Managing Director of MUL and contributed in a big way for its good performance and achievements. He has also served as a Member / Chairman of the Public Enterprises Selection Board of the Government of India.

Mr. T. R. Prasad, 64, Mr. T R Prasad, 64, is a retired officer of the Indian Administrative Service of the 1963 batch. He served as Cabinet Secretary, Govt. of India from 1st November 2000 till 31st March 2002. He also served later, as member of the 12th Finance Commission. Prior to that he has served as the Defence Secretary, Government of India, Secretary, Industrial Policy and Promotion, Ministry of Industry, Chairman, Foreign Investment Promotion Board, Secretary, Heavy Industry and Chairman, Maruti Udyog Limited. He has also been a director of IDBI, EXIM Bank, Vizag Steel Plant, Hindustan Shipyard, Nagarjuna Chemicals and Fertilizers and Dredging Corporation of India.

Mr. Udaya Holla, 55, Director, is a lawyer by profession and presently the Advocate General of the State of Karnataka. His main areas of specialization are corporate laws, mergers and acquisitions, foreign collaborations and joint ventures, FEMA and other legal matters and has been practicing law for more than 33 years. Mr. Udaya Holla has been associated with GMR Group since 2003 and is currently also serving as director of Vemagiri Power, GMR Tambaram-Tindivanam and GMR Tuni Anakapalli.

Mr. Uday M. Chitale, 56, Director, is a practicing Chartered Accountant. He is the senior partner of M.P. Chitale & Co, Chartered Accountants, Mumbai.. He has been associated with the GMR Group since 2004 and is also a Director of Vemagiri Power. He is / has been director of some prominent companies including ICICI Bank Limited, ICICI Securities Limited and JSW Steel Limited. He is also currently a Director and Vice President, Asia- Pacific, DFK International which is a Global association of Independent Accountant firms and business advisors.. He also served as a member of many expert committees set up by the Government of India, Insurance Regulatory & Development Authority, Reserve Bank of India, SEBI and professional bodies (Institute of Chartered Accountants of India, Bombay Chartered Accountants Society). Mr. Chitale, is founder Director of Indian Council for Dispute Resolution and is accredited 'Certified Mediator' of the Centre for Effective Dispute Resolution (CEDR), London, UK.

Group Companies

Holding Company

GMR Holdings Private Limited

Subsidiaries of the Company

GMR Energy Limited
GMR Power Corporation Private Limited
Vemagiri Power Generation Limited
GMR (Badrinath) Hydro Power Generation Private Limited*
GMR Mining & Energy Private Limited
GMR Tambaram-Tindivanam Expressways Private Limited
GMR Tuni-Anakapalli Expressways Private Limited.
GMR Ambala-Chandigarh Expressways Private Limited
GMR Jadcherla Expressways Private Limited
GMR Pochanpalli Expressways Private Limited
GMR Ulundurpet Expressways Private Limited*
GMR Hyderabad International Airport Limited
Delhi International Airport Private Limited *
Gateways For India Airports Private Limited *
GVL Investments Private Limited*

(became subsidiary after 31st March, 2006)*

Other Subsidiary Companies of Holding Company

GMR Industries Limited
Bharat Sugar Mills limited
GMR Ferro Alloys & Industries Private Limited
Sri Varalakshmi Jute Twine Mills Private Limited
Ideaspace Solutions Limited
GMR Estates & Properties Private Limited
GMR Projects Private Limited
GMR Operations Private Limited
GMR Highways Private Limited
Raxa Security Services Private Limited
Saci Sports Private Limited
Sucharitha Estates Private Limited

Social Arm

GMR Varalakshmi Foundation

GMR Infrastructure Limited

Sector wise subsidiaries

POWER

- 99.99% GMR Energy Limited (GEL)
- 51.0% GMR Power Corporation Private Limited (GPCL)
- 100% Vemagiri Power Generation Limited (VPGL)
- 100% GMR (Badrinath)* Hydro Power Generation Private Limited (GBHP)
- 89.0% GMR Mining & Energy Private Limited (GMEPL)

ROADS

- 74.0% GMR Tambaram-Tindivanam Expressways Private Limited (GTTEPL)
- 74.0% GMR Tuni-Anakapalli Expressways Private Limited (GTAEPL)
- 100% GMR Ambala-Chandigarh Expressways Private Limited (GACEPL)
- 100% GMR Jadcherla Expressways Private Limited (GJEPL)
- 100% GMR Pochanpalli Expressways Private Limited (GPEPL)
- 100% GMR Ulundurpet* Expressways Private Limited (GUEPL)

AIRPORT

- 63.0% GMR Hyderabad International Airport Limited (GHIAL)
- 51.0% Delhi International Airport* Private Limited (DIAL)
- 74.33% Gateways for India Airports* Private Limited (GFIAPL)
- 100% GVL Investments Private* Limited (GVLIPL)

Percentage of holding represents our direct and indirect shareholding

*(Became subsidiaries after 31st March, 2006)

Subsidiaries - Business Over View

The overview of business of various subsidiaries of three verticals (i.e., Power, Roads and Airports) of GMR Infrastructure Limited (GIL) is briefly presented below:

Power Sector - "Powering Growth"

Electric Energy is an engine for economic growth and a means to raise the standard of living of our people. However, scarcity of power, low per capita consumption of electricity, poor availability and quality of power, high costs and inadequate transmission and distribution networks characterize the Indian energy sector today, crippling our economic growth. To sustain the high levels of GDP growth, speedy and comprehensive development of power sector is imperative. However, Government resources are limited and can only partially fund the all round development of this sector. This scenario creates tremendous potential for private enterprenuers to enter into this Sector. Seizing this business opportunity, GMR forayed into power generation in 1999 with the commencement of commercial operations of its first power plant in Chennai city. Consolidating its presence in the power generation business, the group has since set up two more power plants, taking aggregate installed capacity to 809 MW with a fixed asset base of about Rs. 27 billions.

GMR has so far developed three green-field power projects in the country, two of which have been in operation and the third project, a gas-fired 389 MW plant, is almost ready for commercial operations. We have also won, through a competitive bidding process, the concession to develop and operate a 140 MW hydroelectric power plan on the Alaknanda River in the state of Uttaranchal, for which we have commenced preliminary development activities.

GMR's long term strategy is integrated development of electricity business, from captive coal mining to delivering power to the end consumer. The group's current endeavor is to consolidate the Group's power generation business through reliable, high quality power supply at cost-competitive price to the customer. The group seeks to expand its business primarily through organic growth. The group's future focus will be on coal fired power projects and hydroelectric power projects, as they help us to diversify our portfolio of power assets and make us less susceptible to increase in oil and naphtha prices. In addition, coal-fired and hydroelectric power plants are generally able to generate electricity at a lower cost than oil or naphtha-based power plants, which makes them more competitive. As part of this strategy, the group has recently, been qualified to submit a bid for development of Ultra Mega Power Project (with net exportable capacity of 3500 MW-3800 MW) at Sasan in the state of Madhya Pradesh on a BOO basis and have submitted requests for qualification for development of a 450 MW +/-10% Gas based combined cycle power project at Sirajganj (near Dhaka) in Bangladesh on a BOOT basis. the group is also evaluating the feasibility of two coal-fired power projects that are situated near the coal mines in any two of the states of Orissa, Jharkhand and Madhya Pradesh, with the targeted market largely being the power deficient states in southern and western India. the group has applied to the relevant government authorities to engage in captive coal mining, as well as to grant them the necessary approval so that they can enter into long term coal supply agreements with state-owned coal mining companies for fuel supply to their coal-fired power projects. The group is also evaluating two power transmission projects (each on a "Build, Own, Operate and Transfer" basis), tenders for which have been issued in November 2005. They also seek to explore opportunities for the development of additional hydroelectric power plants so that they can reduce their reliance on high-cost fuel. They also obtained a power trading license with a term of 25 years and are planning to bid for the development of power trading business, which would involve the purchase and sale of power from surplus pockets to deficit areas.

Company operates its Power Business through following Subsidiary Companies

- GMR Energy Limited (GEL)
- GMR Power Corporation Private Limited (GPCPL)
- Vemagiri Power Generation Limited (VPGL)
- GMR (Badrinath) Hydro Power Generation Private Limited (GBHPL)
- GMR Mining & Energy Private Limited (GMR Mining)

Brief details of the above subsidiaries are presented below:

GMR Energy Limited (GEL)

GIL holds 99.99% equity in GEL, which owns GPCPL, VPGL, GBHPL and GMR Mining. Thus, GEL is the primary vehicle through which the GMR Group operates in the Energy Sector.

GMR Infrastructure Limited held 27,68,26,898 (84.89%) equity shares of GEL during the Financial Year 2005-06 and it further acquired 4,92,36,829 (15.10%) equity shares on 19th April, 2006. Hence as on date, the total holding is 99.99% of the equity share capital of GEL.

GEL owns and operates a barge-mounted, naptha-based combined cycle power plant with a contracted capacity of 220 MW situated off the coast of Mangalore, in the state of Karnataka. The Mangalore plant commenced simple cycle operations on June 08, 2001 and combined cycle operations on November 21, 2001.

The plant is the only barge-mounted power plant in India and the biggest operational Independent Power Producer (IPP) in Karnataka, selling its entire output to the distribution Companies in Karnataka. As on date the plant is ISO 14001, ISO 9001 and OHSAS certified.

The Plant commenced the commercial operations in 2001 and currently supplies power to two distribution companies in Karnataka pursuant to the recent assignment of the 7 year PPA by Karnataka Power Transmission Corporation Limited. During the financial year 2005-2006, GEL generated a Total revenue of Rs 4551.45 millions with a net profit of Rs. 882.13 millions. GEL had declared 16% dividend during the year.

Financial Performance

(Rs. in Millions)

Year	2003-2004	2004-2005	2005-2006
Total Income	5523.98	5427.10	4551.45
Profit After tax	760.60	801.52	882.13
Share Capital	3260.74	3260.74	3260.74
Free Reserves	1205.47	1417.09	17,04.32

GMR Power Corporation Private Limited (GPCPL)

GMR Power Corporation Private Limited, the subsidiary of GEL, operates 200 MW power plant, located at Basin Bridge, in Chennai, in the state of Tamil Nadu. GEL holds 51% of Share Capital of the Company.

This project is the first Independent Power Producer in Tamil Nadu . The Plant is operated as a base load plant using Low Sulphur Heavy Stock (LSHS) as fuel and sells the entire power generated to the Tamil Nadu Electricity Board (TNEB). The power purchase agreement entered between company and TNEB is valid for a period of 15 years, until 2014.

DNV Certification, Netherlands, has certified the power plant to be ISO 14001 and OHSAS 18001 compliant. The Plant has received the prestigious Dr. M.S. Swaminathan Award for being an environment friendly project.

The Plant commenced the commercial operations in February, 1999 and sells all its of electricity output to TNEB. During the financial year 2005-06, GPCPL generated a Total revenue of Rs 4740.64 millions with a net profit of Rs. 277.27 millions.

Financial Performance

(Rs. in Millions)

Year	2003-2004	2004-2005	2005-2006
Total Income	4379.42	3873.04	4740.64
Profit After tax	322.90	363.58	277.27
Share Capital	2475.00	2475.00	2475.00
Free Reserves	764.40	1127.98	1405.25

Vemagiri Power Generation Limited (VPGL)

Vemagiri Power Generation Limited, the wholly owned subsidiary of GEL has set up a 389 MW combined cycle natural-gas based power project near Rajahamundry in the State of Andhra Pradesh. This project is GMR's third and most recent green field power project and is almost ready to begin the commercial operations.

VPGL has signed a Gas Supply Agreement (GSA) for the supply of natural gas with the Gas Authority of India Limited (GAIL) for the term of the Power Purchase Agreement (PPA). Transmission Corporation of Andhra Pradesh (AP Transco) is the sole purchaser of electricity from this project.

The construction of this Power Project started in January 2004 and as at end March 2006, the project has achieved an overall progress of 98.82%. The project Commercial Operation Date (COD) is delayed mainly due to the problem related to supply of Gas. The project commercial operation is expected to be achieved by the end of July – August 2006. The Financial Summary of the Project as on March 2006 was as under.

(Rs.In Million)

Particulars	Budget	March 31,2006
Sponsor Equity	2,765	2,531
Sub-Debt	610	552
Foreign Currency Loan	460	460
Rupee Term Loan	7,415	6,372
Total Inflow	11,250	9,915
E P C Cost	7,928	7,180
Non - E P C Cost	694	536
Land	31	48
I D C & Financing Charges	821	747
Pre-Operative Expenses	1,776	1,387
Total Outflow	11,250	9,898

GMR (Badrinath) Hydro Power Generation Private Limited (GBHPL)

GBHPL is the subsidiary of GEL and was incorporated on February 17, 2006 in Dehradun, in the State of Uttaranchal. GBHPL has been set up as a special purpose vehicle for 140 MW hydroelectric power plant on the river Alaknanda in the Chamoli district of Uttaranchal. GBHPL has not commenced operations as on March 31, 2006.

The Project is part of the Prime Minister's 50,000 MW Hydro Power initiative and has been awarded to us by Government of Uttaranchal, through a two-stage competitive bidding process.

Pursuant to the award, the Government of Uttaranchal has executed a Project Development Agreement (PDA) on October 22, 2005 with GEL for undertaking project development activities of the Project. As per the PDA, GEL is to carry out detailed investigations of the Project and prepare a Detailed Project Report (DPR) to establish the techno-economic viability of the Project.

The term of the PDA is 36 months from the date of execution at the end of which the Government of Uttaranchal shall enter into an Implementation Agreement (IA) with GEL to take up implementation of the Project. This term of the IA shall be 45 years from the date of its execution, with an option of extension thereafter. As per the PDA, GEL is free to sell the power from the Project to any customer within or outside Uttaranchal. However, we are required to supply 12% of the net deliverable energy to the state of Uttaranchal as royalty energy.

GBHP was incorporated on February 17, 2006 and is yet to close its first financial year.

GMR Mining & Energy Private Limited (GMR Mining)

GMR Mining was incorporated on September 23, 2005 in the State of Karnataka, at Bangalore with an object to carry on business of coal mining and power generation. GMR Mining is yet to start its operations.

Roads - "Networking India"

India's economic growth is closely tied to the quality of our road transportation system. Good, dependable transportation infrastructure can lower transportation costs, encourage ancillary businesses and enhance industrial competitiveness and productivity. Though India has one of the largest road networks in the world comprising about 3.3 million kilometers, the highway network suffers from poor quality, traffic congestion, poor maintenance, lack of logistical facilities and ever increasing accidents.

Recognizing the need for quality highway network for sustained development of the Indian economy, in the year 2000, the central government, through NHAI, initiated the National Highway Development Program (NHDP), in an effort to improve highway infrastructure. The two key arterial highway network upgrade programs initiated in 2000 are now referred to as Phase I and II. Recently, the government has added five additional phases that will further upgrade about 45,000 kms of national highways or other road networks.

Forseeing the vast business opportunities in this sector, GMR Group bid for the development and operation of national highways. Based on its cost competitiveness and expertise of the consortium partners United Engineers Berhad (UEM), the Group was awarded two road projects i.e. a 93 kilometers stretch between Tambaram-Tindivanam on NH-45 and a 59 kilometers stretch between Tuni-Anakapalli on NH-5 by the National Highway Authority of India under the Build, Own and Transfer (BOT) Annuity Scheme.

In both the expressway projects, safety considerations during construction were given the highest priority. Project Companies erected pedestrian fencing along service roads, installed appropriate caution and safety boards, provided exclusive bus bays, installed reflective road delineators at sharp curves, etc. State-of-the-art illumination, with special high-mast lighting at all major junctions and flyovers were also provided 24 hour exclusive highway patrolling and first aid facilities were implemented to assist travelers in case of emergencies.

Meticulous planning and implementation in an effective and efficient manner had characterized the Tambaram-Tindivanam and Tuni-Anakapalli projects. With due care imparted to quality of work and safety, the Tambaram-Tindivanam project was completed ahead of schedule and Tuni-Anakapalli project on schedule.

In addition, in the past two years, the group has won four concessions to develop, operate and maintain the following road projects, which are currently under development:

- a 35 kilometers stretch toll road between Ambala and Chandigarh on the New Delhi-Chandigarh (NH21/NH22) highway, or the Ambala-Chandigarh road project, which project is expected to enter into commercial operation by mid-2008;
- a 46 kilometers stretch toll road between Faruknagar and Jadcherla and an additional 12 kilometers stretch on the Hyderabad-Bangalore (NH7) highway, or the Faruknagar-Jadcherla road project, which project is expected to enter into commercial operation by mid-2008;
- an 86 kilometers stretch annuity road between Adloor Yellareddy and Kalkallu and an additional 17 kilometers stretch on the Hyderabad-Nagpur (NH7) highway, or the Adloor Yellareddy-Kalkallu road project, which project is expected to enter into commercial operation by the end of 2008; and
- a 73 kilometers stretch toll road between Tindivanam and Ulundurpet on the Chennai-Dindigul (NH-45) highway, or the Tindivanam-Ulundurpet road project, which project is expected to enter into commercial operation by the end of 2008.

We own 74% of each of the Tuni - Anakapalli and Tambaram – Tindivanam Road Projects and 100 of each of the other four projects.

The group seeks to expand their road business through organic growth, as well as acquisitions. They plan to submit bids for new projects, as well as bids under the capacity augmentation program established by NHAI.

GMR Infrastructure Limited operates its Roads Business through following Subsidiary Companies

- GMR Tambaram-Tindivanam Expressways Private Limited
- GMR Tuni-Anakapalli Expressways Private Limited.
- GMR Ambala-Chandigarh Expressways Private Limited
- GMR Jadcherla Expressways Private Limited
- GMR Pochanpalli Expressways Private Limited
- GMR Ulundurpet Expressways Private Limited

Brief details of the above subsidiaries are presented below:

GMR Tambaram Tindivanam Expressways Private Limited (GTTEPL)

GMR Tambaram-Tindivanam Expressways Private Limited, implemented project for the strengthening of existing 2 lanes and widening thereof to 4 lane dual carriageway, from Km. 28/0 to Km. 121/0 (93 km stretch) in Tambaram-Tindivanam section on NH-45 in the State of Tamil Nadu on build, operate and transfer basis.

The Company commenced commercial operations on 11th October, 2004 (ie.,ahead of the Scheduled completion date). Operation and Maintenance of the project commenced upon achieving commercial operations. The Company started receiving annuities from May 2005. The company also received bonus for achieving the project completion ahead of the schedule.

During the financial year 2005-2006, GTTEPL generated a revenue of Rs 975.85 millions with a net profit of Rs. 48.38 millions.

Financial Performance (Rs. in Millions)

Year	2003-2004	2004-2005	2005-2006
Total Income	Nil	637.37	975.85
Profit After tax	Nil	78.59	48.38
Share Capital	726.48	1070.40	1070.40
Free Reserves	Nil	78.59	126.97

GMR Tuni-Anakapalli Expressways Private Limited (GTAEPL)

GMR Tuni-Anakapalli Expressways Private Limited, implemented the project for strengthening of existing 2 lanes and widening thereof to 4 lane dual carriageway, from Km. 300/0 to Km. 359/20 (59 km stretch) in Tuni Anakapalli section on NH-5 in the State of Andhra Pradesh on build, operate and transfer basis.

The Company achieved commercial operations on 24th December. Operation and Maintenance of the project commenced upon achieving commercial operations. The Company started receiving annuities from May 2005.

During the financial year 2005-2006, GTAEPL generated a revenue of Rs. 655.60 millions with a net profit of Rs. 13.68 millions.

Financial Performance (Rs. in Millions)

Year	2003-2004	2004-2005	2005-2006
Total Income	Nil	233.39	655.60
Profit After tax	Nil	87.97	13.68
Share Capital	514.06	787.80	787.80
Free Reserves	Nil	87.97	101.65

GMR Ambala-Chandigarh Expressways Private Limited (GACEPL)

GMR Infrastructure Limited and GMR Energy Limited have jointly bid and won the Ambala Chandigarh Road Project on toll basis with a 20 year concession. The project envisages the Improvement, Operation and Maintenance including Strengthening and Widening of 35 kilometers existing 2-Lane Road to 4-Lane Dual Carriageway from km 5.735 to km 39.960 of NH- 22 and km 0.000 to km 0.870 of NH-21 (Ambala-Chandigarh Section) in the States of Haryana & Punjab on Build, Operate and Transfer (BOT) basis ("the project"). The project has achieved Financial Closure on 11th May 2006.

The project is currently under implementation stage.

GMR Jadcherla Expressways Private Limited (GJEPL)

GMR Infrastructure Limited and GMR Energy Limited have jointly bid and won the Jadcherla-Farukhnagar Road Project with a 20 year concession. The project envisages design, construction, development, finance, operation and maintenance on a toll basis the 46 Kms. stretch from Farukhnagar to Jadcherla and (ii) improvement, operation and maintenance of the stretch of 10 kms., from Thondapalli to Farukhnagar on NH-7 in the State of Andhra Pradesh under North-South Corridor (NHDP Phase II) on Build, Operate and Transfer Basis. GJEPL has signed the concession agreement with NHAI for development of the expressway on February 20, 2006.

The project is currently under implementation stage.

GMR Pochanpalli Expressways Private Limited (GPEPL)

GMR Infrastructure Limited and GMR Energy Limited have jointly bid and won the Adloor Yellareddy to Kalkallu Annuity Road Project with a 20 year concession. The project consists of (i) design, construction, development, finance, operation and maintenance of the 86 Km stretch from Adloor Yellareddy to Kalkallu on the Hyderabad Nagpur Highway and (ii) improvement, operation and maintenance of the 17 Km stretch from Kalkallu to Gundla Pochanpalli on the same Highway under North-South Corridor (NHDP Phase II) on Build, Operate and Transfer (BOT)-Annuity Basis. In addition, we also required to maintain a stretch of 10 Kms., as and when such is constructed and its operation is transferred to us by NHAI, in return for an additional annuity. GPEPL signed the Concession agreement with NHAI on March 31, 2006.

The project is currently under implementation stage.

GMR Ulundurpet Expressways Private Limited (GUEPL)

GMR Infrastructure Limited and GMR Energy Limited have jointly bid and won the Tindivanam to Ulundurpet Road Project. The project has been awarded on a toll basis for design, construction, development, finance, operation and maintenance of the 73 Km stretch between Tindivanam and Ulundurpet on NH 45 in the State of Tamil Nadu on Build, Operate and Transfer Basis. GUEPL signed the 20 year Concession agreement with NHAI on 19th April 2006.

The project is currently under implementation stage.

Airports - "Building Connections"

Airports are very critical for a nation's development. It is a proven fact that any city with a good airport has grown exponentially (Singapore, London, Dubai, etc.). Airports positively impact business, tourism and are a significant source of employment. In the Indian context, our strategic location on the world map makes our country an ideal "halt over" or transit point for flights from west to east and vice versa.

GMR Group entered into airport development with the firm belief that the aviation sector will be a primary economic driver for India in the 21st century. The Group was awarded the Hyderabad International Airport after participating in an international competitive bidding process. Based on a Public Private Partnership model, GMR Hyderabad International Airport Limited (a GMR Group company) has undertaken this project together with Malaysia Airports Holdings Berhad, Government of Andhra Pradesh and Airports Authority of India. Hyderabad will be preferred destination on global aviation Map.

GMR Group also won prestigious project for Modernization and operation of Delhi International Airport and your company is the lead member and promoter in that project. Airports Authority of India (AAI) has granted an exclusive right to operate, maintain, develop, design, construct, upgrade, modernize, finance and manage the Delhi International airport.

Delhi International Airport Private Limited (a GMR Group company), which recently signed a long-term agreement to operate, manage and develop the Delhi Airport, pursuant to a 30-year concession granted by the Government of India acting through the Ministry of Civil Aviation. The concession is renewable for another 30 years, subject to the satisfaction of certain requirements.

Company operates its Airport Business through following Subsidiary Companies

- GMR Hyderabad International Airport Limited
- Delhi International Airport Private Limited
- Gateways For India Airports Private Limited

GMR Hyderabad International Airport Limited (GHIAL)

GHIAL, a group Company has been incorporated for the development, construction and operation of the upcoming Greenfield International Airport at Shamshabad, Hyderabad. GMR Infrastructure Limited is holding Company with 63% of shareholding in GHIAL.

The GHIAL Project will be one of India's first two privately owned International Airports being developed on public-private partnership model. The new Airport at Hyderabad is being developed to international standards comprising state of the art facilities and passenger amenities to cater to much larger volumes of passenger and cargo traffic than being handled at the existing airport at Begumpet, Hyderabad.

Development Plan & Implementation Schedule

The Project is proposed to be developed in multiple phases. The Project during its initially phase would cater to 7 million passenger capacity and 1, 00, 000 MT cargo. Ultimate capacity of the Project will be 40 million passengers and 1 million MT of cargo. The implementation of the phases will be based on the traffic triggers. We expect the Hyderabad airport to be operational towards the end of the first quarter of 2008.

Financial Performance

The Company is yet to achieve Commercial Operation and the project is under implementation. Total investment in the project is expected to be Rs.17, 600 million - USD 390 Million

Key Features of the Project are as under:

- India's foremost Greenfield airport developed under Public-Private initiative
- 7 million pax per annum initial capacity,
- Code-F (A-380) compatible runway,
- Parallel taxiway to be used for emergency take-off
- Modular Terminal Building, - initial capacity of 1,0600 sq.m.
- Hotels and Convention Facilities,
- State of art IT technology,
- 1,00,000 MT initial capacity of Cargo terminal
- Fuel Farm, Flight catering, Aircraft MRO etc
- Excellent connectivity from city
- Airport Village' a place for meeters and greeters

Delhi International Airport Private Limited (DIAL)

GMR Group won the Delhi International Airport bid for modernization and operation of Delhi Airport Project. The project was awarded to our consortium on 31st , January, 2006.

A new special purpose vehicle, Delhi International Airport Private Limited (DIAL), has been formed, which entered into an Operation, Management and Development Agreement (OMDA) on April, 4, 2006 with the Airport Authorities of India. Pursuant to the OMDA, DIAL has been appointed to undertake certain functions relating to the operation, maintenance, development, design, construction, modernization and management of Delhi Airport as well as certain aeronautical and non-aeronautical services at the airport for an initial term of 30 years, which may, subject to the satisfaction of certain requirements, be extended for another 30 years. DIAL has also received the control of the operations and development on May 3, 2006.

GMR Infrastructure Limited, along with subsidiaries, GEL and GVL Investments, holds 50.10% of DIAL's equity share capital, while 26% is held Airport Authorities of India, and the balance 23.90% is held by our consortium partners, Fraport AG, Malaysia Airports (Mauritius) Private Limited and India Development Fund.

DIAL was incorporated on March 1, 2006 and is yet to close its first financial year.

Gateways For India Airports Private Limited (GFIAPL)

Gateways For India Airports Private Limited (GFIAPL) was incorporated on January 12, 2005 in Hyderabad, Andhra Pradesh. GFIAPL was incorporated with an object to establish, promote, develop and/or finance, plan, design, construct, alter, repair, set up, commission, operate, market, manage and maintain international airports and airport infrastructure. We intend to use this company to carryout airport business development.

OTHERS:

GVL Investments Private Limited (GVL)

GVL Investments Private Limited (formerly Medvin Finance Private Limited) was incorporated on February 6, 1992 in State of Tamil Nadu as a Non Banking Finance Company engaged in investment activities. On April 28, 2005 Medvin Finance Private Limited changed its name to GVL Investments Private Limited. On October 13, 2005, the registered office of GVL was shifted from State of Tamil Nadu to the State of Karnataka. The registered office of GVL is located at Skip House, 25/1 Museum Road, Bangalore, Karnataka 560 025. GVL is registered as a non banking finance company engaged in investment activities.

GVL has became a wholly owned subsidiary of GMR Infrastructure Limited on 14th April, 2006. following the acquisition of its entire equity capital by the latter.

Corporate Social Responsibility - "Committing to better society"

GMR Varalakshmi Foundation (GVF)

GMR Varalakshmi Foundation is a company incorporate under section 25 of the Companies Act and is the philanthropic arm of GMR Group. To focus on this critical area of social improvement, GMR Varalakshmi Foundation was established as a non-profit organization to make a difference to the society. Its contribution to the society is in the areas of education, health & hygiene (building facilities and providing medical assistance), community services (community awareness/development programs) and creating livelihood through empowerment to the local communities (entrepreneurial and income-generating institutes). Through a holistic approach to community development, the Foundation hopes to empower entire families to take control of their lives.

GMR Varalakshmi Foundation is head quartered in Rajam, the ancestral hometown of the GMR Group's founder Chairman and controls most of the activities from this place. Though all the educational institutions are located in Rajam, its other activities are undertaken in the areas surrounding GMR's project sites in Rajam, Chennai, Bangalore, Rajahmundry, Hyderabad, Mangalore and now in Delhi.

CONSOLIDATED FINANCIAL STATEMENTS

Auditors' Report

To:

The Board of Directors
GMR Infrastructure Limited
Skip House
25/1, Museum Road
Bangalore - 560 025

Dear Sirs,

1. We have audited the attached Consolidated Balance Sheet of GMR Infrastructure Limited (the company) and its subsidiaries and associates (hereinafter together referred to as consolidated entities) as at March 31, 2006, the Consolidated Profit and Loss Account for the year ended on that date, annexed hereto, which we have signed under reference to this report. These Consolidated Financial Statements are the responsibility of the management of the company. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.
2. We have conducted our audit in accordance with auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are prepared, in all material respects, in accordance with an indentified financial reporting framework and are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. We did not audit the financial statements of certain subsidiaries, whose financial statements reflect total assets of Rs.10,903.95 millions as at March 31, 2006 and total revenues of Rs.1,629.98 millions for the year ended on that date, considered in the consolidated financial statements. These financial statements have been audited by other auditors whose reports have been furnished to us, and our opinion, in so far as it relates to the amounts included in respect of such subsidiaries, is based solely on the report of the other auditors.
4. We report that the consolidated financial statements have been prepared by the company in accordance with the requirements of accounting standard 21, 'Consolidated Financial Statements' and Accounting Standard 23, 'Accounting for Investments in Associates in Consolidated Financial Statements' issued by the Institute of Chartered Accountants of India and on the basis of the separate audited financial statements of the Company and its consolidated entities included in the Consolidated Financial Statements.
5. On the basis of the information and explanations given to us and on consideration of the separate audit reports on individual audited financial statements of the company and its aforesaid consolidated entities, in our opinion, the Consolidated Financial Statements give a true and fair view in conformity with the accounting principles generally accepted in India:
   (a) in the case of the Consolidated Balance Sheet, of the consolidated state of affairs of the company and its consolidated entities as at March 31 2006.
   (b) in the case of the Consolidated Profit and Loss Account, of the consolidated results of operations of the Company and its consolidated entities for the year ended on that date; and
   (c) in the case of the consolidated cash flow statement, of the consolidated cash flows of the Company and its consolidated entities for the year ended on that date.

P. Ramakrishna
Partner
Membership Number 22795
For and on behalf of
Price Waterhouse
Chartered Accountants

Place : Hyderabad
Date : May 13, 2006

Consolidated Balance Sheet

(Rs. in millions)

Particulars	Schedule Reference	As at March 31, 2006	As at March 31, 2005
I. Sources of Funds			
1. Shareholders' Funds			
(a) Capital	1	2,644.37	1,586.62
(b) Reserves and Surplus	2	3,059.90	2,806.17
		5,704.27	**4,392.79**
2. Minority Interest		4,243.38	3,709.30
3. Loan Funds			
(a) Secured Loans	3	25,438.48	18,037.20
(b) Unsecured Loans	4	3,778.17	1,117.36
4. Deferred Tax Liabilities (Refer Note 4(xviii) on schedule 20)		1.79	2.61
Total		**39,166.09**	**27,259.26**
II. Application of Funds			
1. Fixed Assets			
(a) Gross Block	5	24,558.88	24,274.84
(b) Less: Depreciation		11,051.19	8,856.68
(c) Net Block		**13,507.69**	**15,418.16**
(d) Capital Work-in-Progress (including capital advances)		13,868.34	7,058.02
(e) Expenditure during construction period, pending allocation (net)	6	2,450.04	890.33
		29,826.07	**23,366.51**
2. Investments	7	2,556.98	1,754.79
3. Current Assets, Loans and Advances			
(a) Inventories	8	358.64	306.30
(b) Sundry Debtors	9	2,433.34	1,832.31
(c) Cash and Bank Balances	10	6,754.21	4,509.43
(d) Other Current Assets	11	841.35	32.63
(e) Loans and Advances	12	1,051.46	507.63
		11,439.00	**7,188.30**
Less: Current Liabilities and Provisions	13		
(a) Liabilities		3,859.23	4,092.78
(b) Share Application Money		–	400.00
(c) Provisions		796.76	557.72
		4,655.99	5,050.50
Net Current Assets		**6,783.01**	**2,137.80**
4. Miscellaneous Expenditure (to the extent not written off or adjusted)	14	0.03	0.16
Total		**39,166.09**	**27,259.26**
Significant Accounting Policies and Notes to the Consolidated Accounts	20		

The schedules referred to above form an integral part of the Consolidated Balance Sheet.

This is the Consolidated Balance Sheet referred to in our report of even date.

For and on behalf of the Board of Directors

Sd/-
P. Rama Krishna
Partner
For and on behalf of
Price Waterhouse
Chartered Accountants

Sd/-
G.M.Rao
Chairman &
Managing Director

Sd/-
G B S Raju
Group Director &
Group CFO

Sd/-
A.S.Cherukupalli
Company Secretary

Place : Hyderabad
Date : May 13, 2006

Place : Bangalore
Date : May 13, 2006

Consolidated Profit And Loss Account

(Rs. in millions)

Particulars	Schedule Reference	For the year ended March 31, 2006	For the year ended March 31, 2005
I. Income			
Sales and Operating Income	15	10,589.58	9,929.10
Other Income	16	315.13	285.43
		10,904.71	**10,214.53**
II. Expenditure			
Generation and Operating Expenses	17	5,057.84	5,134.22
Administration and Other Expenses	18	1,028.24	858.21
Interest and Finance Charges	19	1,557.77	1,129.15
Depreciation		2,199.71	1,911.65
Amortisation of Miscellaneous Expenditure		-	10.06
		9,843.56	**9,043.29**
III. Profit Before Taxation and before Minority Interest/Share of profits of Associate		**1,061.15**	**1,171.24**
Provision for Taxation			
- Current		112.29	121.85
- Deferred		(0.80)	(69.15)
- Fringe Benefit		13.59	–
IV. Profit after Taxation and before Minority Interest/Share of profits of Associate		**936.07**	**1,118.54**
Minority Interest		230.58	430.24
Share of Profits of Associate		–	2.17
V. Net Profit after Minority Interest/Share of profits of Associate		**705.49**	**690.47**
Surplus brought forward		679.01	618.96
VI. Amount available for appropriation		**1,384.50**	**1,309.43**
Appropriations:			
Debenture Redemption Reserve		37.50	370.00
Capital Redemption Reserve		-	185.00
Preference dividend		-	15.48
Issue of bonus shares		99.31	-
Dividend Distribution Tax		73.17	59.91
VII. Available Surplus carried to Balance Sheet		**1,174.52**	**679.04**
Earnings Per Share (Rs.) - Basic		2.67	2.54
- Diluted		2.67	2.54
(Equity Share of Rs. 10/- each, fully paid up) (Refer note 4(xvii) on schedule 20)			
Significant Accounting Policies and Notes to the Consolidated Accounts	20		

The schedules referred to above form an integral part of the Consolidated Profit and Loss Account.

This is the Consolidated Profit and Loss Account referred to in our report of even date.

For and on behalf of the Board of Directors

Sd/-
P. Rama Krishna
Partner
For and on behalf of
Price Waterhouse
Chartered Accountants

Place : Hyderabad
Date : May 13, 2006

Sd/-
G.M.Rao
Chairman &
Managing Director

Sd/-
G B S Raju
Group Director &
Group CFO

Sd/-
A.S.Cherukupalli
Company Secretary

Place : Bangalore
Date : May 13, 2006

Schedules forming part of The Consolidated Balance Sheet

(Rs. in millions)

Schedule 1	As at March 31, 2006	As at March 31, 2005
Capital		
Authorised		
400,000,000 (2005 - 175,000,000) Equity shares of Rs.10/- each	4,000.00	1,750.00
Nil (2005, - 3,000,000) Preference Shares of Rs.100/- each	–	300.00
	4,000.00	**2,050.00**
Issued , Subscribed & Paid up		
264,436,814 (2005 -158,662,091) Equity shares of Rs.10/- each fully paid up	2,644.37	1,586.62
[Out of the above, 264,435,651 (2005-158,661,391) Equity shares fully paid up are held by GMR Holdings Private Limited, which is the holding company with effect from April 1, 2003)]		
[Out of the above 105,747,237 (2005 - Nil) Equity shares of Rs.10 each were alloted as fully paid by way of bonus shares by capitalising free reserves of the company.]		
Total	**2,644.37**	**1,586.62**

(Rs. in millions)

Schedule 2	As at March 31, 2006	As at March 31, 2005
Reserves And Surplus		
Securities Premium Account		
As at the commencement of the year	552.99	552.99
Less:Utilsed for the issue of bonus shares	552.99	–
	–	**552.99**
Capital Reserve on consolidation		
As at the commencement of the year	768.70	768.70
Add: Additions for the year	679.18	-
	1,447.88	**768.70**
Capital Redemption Reserve		
As at the commencement of the year	185.00	185.00
Less:Utilsed for the issue of bonus shares	185.00	-
	–	**185.00**
Debenture Redemption Reserve		
As at the commencement of the year	400.00	30.00
Additions during the year	37.50	370.00
	437.50	**400.00**
Special Reserve		
(under Section 45 IC of the Reserve Bank of India Act, 1934)		
As at the commencement of the year	220.44	220.44
Less: Transfer to General Reserve	220.44	–
	–	**220.44**
General Reserve		
As at the commencement of the year	–	–
Add: Transfer from Special Reserve	220.44	–
Less:Utilsed for the issue of bonus shares	220.44	–
	–	–
Profit and Loss Account	**1,174.52**	**679.04**
Total	**3,059.90**	**2,806.17**

Schedules forming part of The Consolidated Balance Sheet

(Rs. in millions)

Schedule 3	As at March 31, 2006	As at March 31, 2005
Secured Loans		
Debentures		
1,850,000 Secured Redeemable Non-Convertible Debentures of Rs.100 each	46.25	83.25
(Out of the above, debentures amounting to Rs.16,250,000 as at March 31, 2006 bear interest at the rate of 10% per annum (14% upto March 31, 2004) and debentures amounting to Rs.30,000,000 as at March 31, 2006 bear interest at the rate of 10% per annum (14% upto December 31, 2004). These debentures are redeemable in 20 equal quarterly instalments from October 1, 2002)		
(The debentures are secured, on pari-passu basis, by first charge through hypothecation of all movable and immovable properties of the Company, both present and future, pledge of equity shares of the Company held by promoter shareholders and their associates.)		
6,000 Secured Redeemable Non-Convertible Debentures of Rs.100,000 each	300.00	420.00
(These debentures bear interest at the rate of 9% per annum (12% upto June 30, 2004). These debentures are redeemable in 10 equal semi annual instalments from December 1, 2003)		
(Secured by the hypothecation of immovable property of the company, pledge and exclusive first charge on dividends to be declared / received by the Company on 48,000,000 (2005 - 48,000,000) shares held in GMR Energy Limited.)		
1,200,000 Secured Redeemable Non-Convertible Debentures of Rs.100 each	60.00	90.00
(These debentures bear interest at the rate of 10% per annum and are redeemable in four equal annual instalments from January 8, 2005)		
(The debentures are secured, on pari-passu basis, by first charge through hypothecation of all movable and immovable properties of the Company, both present and future, pledge of equity shares of the Company held by promoter shareholders and their associates.)		
650,000 Secured Redeemable Non-Convertible Debentures of Rs.100 each	32.50	48.75
(These debentures bear interest at the rate of 10% per annum and are redeemable in four equal annual instalments from February 4, 2005)		
(The debentures are secured, on pari-passu basis, by first charge through hypothecation of all movable and immovable properties of the Company, both present and future, pledge of equity shares of the Company held by promoter shareholders and their associates.)		
1,250 Secured Redeemable Non-Convertible Debentures of Rs.1,000,000 each	1,100.00	1,250.00
(These debentures bear interest at the rate of 8.9% per annum (7.9% upto September 30, 2005) and are redeemable in 10 annual instalments from September 2005.)		
(The debentures are secured by immovable property of the company, pledge of 41,253,000 equity shares of the Company held by the promoter shareholders.)		
250 Secured Redeemable Non-Convertible Debentures of Rs.1,000,000 each	220.00	250.00
(These debentures bear interest at the rate of 8.71% per annum (7.9% upto September 30, 2005) and are redeemable in 10 annual instalments from September 2005.)		
(The debentures are secured by immovable property of the company, pledge of 41,253,000 equity shares of the Company held by the promoter shareholders.)		

Schedules forming part of The Consolidated Balance Sheet

(Rs. in millions)

Schedule 3 (Contd.)	As at March 31, 2006	As at March 31, 2005
Term Loans		
Rupee loans		
From Financial Institutions	2,682.48	2,041.75
(Out of the above Rs. 760 millions (2005 - Rs. 700 million) relating to GMR Energy Limited was secured by first charge on all the intangibles and cashflows, both present and future, in the form of dividends and management / consultancy fees from subsidiary companies and a joint mortgage of the immovable properties, both present and future, rights, title, interests, benefits, claims and demands in the operating cash flows, treasury income, revenues / receivables and by a first charge by way of pledge of 64,350,000 equity shares held in a subsidiary company and 52,171,861 equity shares of GMR Energy Limited held by the Company)		
From Banks	15,040.67	7,395.22
Foreign currency loans		
From Financial Institutions	1,774.02	1,789.40
From Banks	2,403.75	2,435.24
(Loans of GMR Energy Limited are secured by an English Mortgage on all movable and immovable assets, tangible and intangible, both present and future, including all revenues and receivables and rights, interest and title in the project documents, trust and retention account balances and guarantees. The rupee term loans from banks in the previous years were further secured by pledge of fixed deposit receipts)		
(Loans of GMR Power Corporation Private Limited (GPCPL) are secured by way of joint equitable mortgage by deposit of title deeds of the leasehold land of GPCPL and are also secured by parri-passu first charge on GPCPL's movables including movable plant and machinery, machinery spares and other movable assets (save and except book debts) both present and future subject to charges created / to be created in favour of GPCPL's bankers on inventories, book debts and such movables as may be specifically permitted for securing the working capital requirements. Further secured by the irrevocable personal guarantees by some of the Directors of GPCPL and pledge of 61,875,000 shares of GPCPL held by GMR Infrastructure Limited.)		
(Loans of Vemagiri Power Generation Limited (VPGL) are secured by way of pari-passu first charge over land, VPGL's moveable and other assets, both present and future. Further secured by the right, title, interest, benefits, claims and demands of VPGL in respect of the project agreements, executed / to be executed, insurance policies both present and future and all right, title, interest, benefits, claims and demand of the Company in respect of monies lying to the credit of trust and retention account and other accounts. Further secured by way of pledge of 141,015,000 shares of VPGL held by GMR Infrastructure Limited.)		
(Loans of GMR Tambaram Tindivanam Expressways Private Limited and GMR Tuni Anakapalli Expressways Private Limited are secured by movable and immovable assets of these companies by way of deed of hypothecation and by way of legal mortgage in English form respectively.)		
(Loans of GHIAL are secured by mortgage of leasehold land and first charge on all moveable and immovable assets and intangibles and revenues, both present and future, as well as assignment of all right, title, interest, benefits, claims and demands available under the concession agreement and other project documents and further, secured by pledge of certain equity shares, both present and future, held or to be held, as the case may be, by both, the holding company and Malaysia Airport Holdings Berhad.)		

Schedules forming part of The Consolidated Balance Sheet

(Rs. in millions)

Schedule 3 (Contd.)	As at March 31, 2006	As at March 31, 2005
From Others	614.69	0.33
(The Loan from Housing and Urban Development Corporation Limited is secured by pledge of 100,000,000 equity shares of the Company held by the promoter shareholders and other third party securities. The loan on account of hire purchase is secured by way of hypothecation of the vehicle)		
(Loans of GHIAL are secured by mortgage of leasehold land and first charge on all moveable and immovable assets and intangibles and revenues, both present and future, as well as assignment of all right, title, interest, benefits, claims and demands available under the concession agreement and other project documents and further, secured by pledge of certain equity shares, both present and future, held or to be held, as the case may be, by both, the holding company and Malaysia Airport Holdings Berhad.)		
Supplier's Credit	–	1,243.93
(Supplier's credit availed by GMR Power Corporation Private Limited (GPCPL) is guaranteed by Financial Institutions and Banks under Deferred Payment Guarantee Scheme. Deferred payment guarantees are secured by way of joint equitable mortgage by deposit of the title deeds of the leasehold land of GPCPL and are also secured by first charge on GPCPL's movables including movable plant and machinery, machinery spares and other movable assets (save and except book debts) both present and future ranking pari passu with other term loans, subject to charges created/to be created in favour of GPCPL's bankers on inventories, book debts and such other movables as may be specifically permitted for securing the working capital requirements. Further secured by the irrevocable personal guarantees by some of the Directors of GPCPL).		
Short Term Loans		
From Banks		
Cash Credit and Demand Loans	1,164.12	989.33
(The facilities of GMR Energy Limited are secured by hypothecation of stocks and book debts, both present and future, and further to be secured by creation of a joint mortgage by deposit of title deeds in respect of immovable properties together with all plant and machinery attached to the earth).		
(The facilities of GMR Power Corporation Private Limited (GPCPL) are secured by way of charge on current assets, stocks of raw materials, stores and spares not relating to plant and machinery, bills receivable, book debts and other movables of the Company, both present and future. Cash credit availed from State Bank of India is further to be secured by way of second charge on the fixed assets of the company situated at the plant and is secured by the personal guarantees of some of the Directors of GPCPL)		
(The facilities of Hyderabad International Airport Limited is secured by corporate guarantee of the holding company, GMR Infrastructure Limited and pledge of certain equity shares in the holding company held by third parties)		
Total	**25,438.48**	**18,037.20**

(Rs. in millions)

Schedule 4	As at March 31, 2006	As at March 31, 2005
Unsecured Loans		
Short Term		
From Banks	1,060.50	837.24
Interest accrued and due	0.26	-
From Others	518.00	61.90
Other than Short Term		
From Others	2,199.41	218.22
Total	**3,778.17**	**1,117.36**

Schedules forming part of The Consolidated Balance Sheet

Schedule 5

Fixed Assets

(Rs. in millions)

Description	Gross Block					Depreciation					Net Block	
	As at March 31, 2005	Additions	Additions on inclusion of subsidiaries	Withdrawals	As at March 31, 2006	As at March 31, 2005	For the Year	On account of inclusion of Subsidiaries	On withdrawals	As at March 31, 2006	As at March 31, 2006	As at March 31, 2005
Goodwill	209.57	–	–	–	209.57	–	–	–	–	–	209.57	209.57
Land	111.88	16.58	–	–	128.46	–	–	–	–	–	128.46	111.88
Carriage Ways	6,571.98	–	–	–	6,571.98	166.30	438.28	–	–	604.58	5,967.40	6,405.68
Buildings	1,168.75	0.32	–	–	1,169.07	294.12	48.15	–	–	342.27	826.80	874.63
Plant & Machinery	16,065.89	187.67	–	–	16,253.56	8,336.17	1,700.28	–	–	10,036.45	6,217.11	7,729.72
Office Equipment	98.71	54.30	4.52	13.65	143.88	35.00	13.67	–	9.81	38.86	105.02	63.71
Capitalised Software	2.29	5.63	1.75	–	9.67	1.17	1.40	–	–	2.57	7.10	1.12
Leasehold Improvements	1.91	4.47	–	–	6.38	0.10	0.95	–	–	1.05	5.33	1.81
Furniture & Fixtures	32.91	20.12	0.47	3.19	50.31	18.10	3.55	–	2.34	19.31	31.00	14.81
Vehicles	10.95	6.00	–	0.95	16.00	5.72	1.33	–	0.95	6.10	9.90	5.23
Total	**24,274.84**	**295.09**	**6.74**	**17.79**	**24,558.88**	**8,856.68**	**2,207.61**	**–**	**13.10**	**11,051.19**	**13,507.69**	**15,418.16**
Capital work in progress (including capital advances)	–	–	–	–	–	–	–	–	–	–	13,868.34	7,058.02
Previous year	**17,658.93**	**6,622.76**	**–**	**6.85**	**24,274.84**	**6,943.60**	**1,915.69**	**–**	**2.61**	**8,856.68**	**15,418.16**	

Notes:

1. Plant and machinery include foreign exchange fluctuations capitalised Rs. 187.62 millions (2005 - Rs. 172.74 millions)
2. Capital work in progress is net of foreign exchange fluctuation amounting to Rs. 32.87 millions (2005 - Rs. 7.25 millions)
3. Buildings of GMR Power Corporation Private Limited with a gross book value of Rs.1,073.97 millions (2005 - Rs.1,073.66 millions) are on leasehold land.
4. Depreciation for the period includes Rs. 7.90 millions relating to certain consolidated entities in the project stage which is included in Schedule 6.
5. Carriage Ways are mainly intangible assets, being the right to operate and maintain the highways on Build, Operate and Transfer basis.

Schedules forming part of The Consolidated Balance Sheet

(Rs. in millions)

Schedule 6	As at March 31, 2006	As at March 31, 2005
Expenditure During Construction Period, Pending Allocation (Net)		
Fuel Cost (including transmission charges)	360.98	–
Operation and Maintenance	59.25	–
Salaries, allowances and benefits to employees	305.13	119.10
Contribution to provident fund and others	6.02	1.46
Staff welfare expenses	34.96	10.20
Pre-closing date development expenses	20.28	117.88
Advertisement	62.59	20.08
Rent	96.05	44.69
Repairs and Maintenance - Others	36.27	6.67
Rates and taxes	29.00	5.62
Insurance	82.34	28.09
Consultancy and professional charges	188.50	94.03
Director's Sitting Fees	0.66	0.24
Electricity Charges	84.12	7.70
Remuneration to auditors	3.06	1.02
Travelling and conveyance	170.32	91.40
Communication Expenses	28.86	12.93
Income Tax	10.02	4.40
Fringe Benefit Tax	9.40	–
Depreciation	13.46	5.57
Interest on term loans	602.66	93.93
Interest - others	7.87	7.87
Bank/ other finance charges	212.58	173.02
Loss on sale of fixed assets (net)	43.22	2.13
Miscellaneous expenses	63.64	75.92
Preliminary Expenses	0.20	–
	2,531.44	**923.95**
Less: Other Income		
Sale of Power	4.94	-
Interest received (gross)	37.50	23.03
[Tax deducted at source - Rs. 1.82 millions (2005 - Rs. 1.12 millions)		
Income from investments - Other than trade (gross)	39.79	9.69
[Tax deducted at source - Rs. Nil (2005 - Nil)]		
Profit on sale of invesments	1.32	0.45
Gain/(Loss) on account of foreign exchange fluctuations (net)	(3.02)	0.17
Miscellaneous income	0.87	0.28
	2,450.04	**890.33**

Schedules forming part of The Consolidated Balance Sheet

(Rs. in millions)

Schedule 7	As at March 31, 2006	As at March 31, 2005
INVESTMENTS		
Long term		
Other than Trade - Quoted *		
In equity shares of Rs.10/- each, fully paid up		
N E Electronics Limited	–	33.15
(Nil (2005 - 780,000) Equity Shares)		
Sangam India Limited	–	0.05
(Nil (2005 - 1,500) Equity Shares)		
Mega Corporation Limited		
(Nil (2005 - 2,088,500) equity shares of Re. 1/- each, fully paid up)	–	9.19
	–	42.39
Less: Provision for diminition in value of investments	–	–
(i)	**–**	**42.39**
In shares of associate company		
(At cost plus share of profits based on equity accounting)		
GMR Operations Private Limited	–	20.85
(Nil (2005 - 2,450) equity shares of Rs. 100/- each, fully paid up)		
Gateways for India Airports Private Limited	0.04	0.04
(3,784 (2005 - 3,784) Equity Shares of Rs.10/- each, fully paid up)		
Others		
In equity shares of Rs.10/- each, fully paid up		
Sri Varalakshmi Jute Twine Mills Private Limited	-	30.00
(NIL (2005 - 4,000,000 equity shares))		
In preference shares		
GVL Investments Private Limited	-	205.10
(Nil (2005 - 6%, 5,127,500) Preference shares of Rs. 10/- each, fully paid up)		
GMR Industries Limited	-	190.40
(Nil (2005 - 8%, 20,695,580) Preference shares of Rs. 11/- each, fully paid up)		
In bonds		
Industrial Development Bank of India - Growing Interest Bond	2.50	2.50
(500 Bonds (2005) of Rs.5,000 each, fully paid up)		
(ii)	**2.54**	**448.89**

Schedules forming part of The Consolidated Balance Sheet

(Rs. in millions)

Schedule 7 (Contd.)	As at March 31, 2006	As at March 31, 2005
Current		
Other than trade - unquoted		
(Purchased during the year)		
Mutual Funds **		
Chola Mutual Fund-Liquid Institutional Plus Daily Dividend (126,615,675.93 units of Rs.10/- per unit)	1,270.06	
Canbank Mutual Fund-Liquid Fund-Institutional Dividend (1,702,419.31 units of Rs.10/- per unit)	17.09	
HDFC Mutual Fund Cash - Management Fund - Call Option Daily Dividend Reinvestment (680,980.78 units of Rs.10/- per unit)	7.10	
LIC Liquid Fund-Daily Dividend (2,140,839.45 units of Rs.10/- per unit)	23.44	
Kotak Mutual Fund - Institutional Premium Plan - Daily Dividend (7,899,088.39 units of Rs.10/- per unit)	96.59	
ING Vysya Liquid Fund Super Institutional - Daily Dividend Option (3,999,627.99 units of rs.10/- per unit)	40.01	
Can Liquid Fund - Institutional Daily Dividend Reinvest (3,162,010.85 units of Rs.10/- per unit)	31.75	
Kotak Mahindra Mutual Fund - Daily Dividend Option (2005-8,709,447.91 units of Rs.10/- per unit)		106.50
(Sold during the year)		
Kotak Mutual Fund-Liquid Institutional Growth (2005-11,466,029.49 units of Rs.10/- per unit)		152.21
(Sold during the year)		
Chola Mutual Fund - Liquid Institutional Dividend Reinvestment Plan (39,466,853.06 (2005-21,301,830) units of Rs. 10/- per unit)	395.51	213.31
Kotak Liquid Institutional Premiun Plan Daily Dividend (28,652,496.38 units of Rs.10/- each)	350.37	
Chola Liquid Fund - Cumulative Institutional Plus - Growth Option (2005-10,029,196.1 units of Rs.10/- per unit)	-	135.00
(Sold during the year)		
Chola Mutual Fund - Liquid Institutional Plus Cumulative (2005-14,936,797.28 units of Rs.10/- per unit)	-	201.00
(Sold during the year)		
(iii)	**2,231.92**	**808.02**
Other than Trade - Quoted		
Government Securities* **		
6.35% Government of India 2020 (1,500,000 units of Rs. 100 per unit)	132.97	140.70
6.05% Government of India 2019 (500,000 units of Rs. 100 per unit)	43.31	45.67
5.59% Government of India 2016 (1,000,000 units of Rs. 100 per unit)	-	90.45
(Sold during the year)		
7.38% Government of India 2015 (500,000 units of Rs. 100 per unit)	-	52.65
(Sold during the year)		
7.38% Government of India 2015 (500,000 units of Rs. 100 per unit)	-	52.65
(Sold during the year)		
7.46% Government of India 2017 (500,000 units of Rs. 100 per unit)	40.08	52.38

Schedules forming part of The Consolidated Balance Sheet

(Rs. in millions)

Schedule 7 (Contd.)	As at March 31, 2006	As at March 31, 2005
Equity Shares**		
(Purchased during the year)		
Alstom Projects India Limited		
(13,092 (2005-1,000) shares of Rs.10 each, fully paid up)	14.40	0.17
Andhra Bank		
(337,728 shares of Rs.10 each,fully paid up)	27.31	–
Bank of Baroda		
(58,108 shares of Rs.10 each,fully paid up)	11.09	–
Bajaj Hindustan Limited		
(5,000 shares of Re.1 each, fully paid up)	0.99	–
Ballarpur Industries Limited		
(16,840 shares of Rs.10 each, fully paid up)	–	1.49
(Sold during the year)		
Birla Corporation Limited		
(3,000 shares of Rs.10 each, fully paid up)	–	0.54
(Sold during the year)		
Century Textiles & Industries Limited		
(5,000 shares of Rs.10 each, fully paid up)	1.59	–
Coromandal Fertilisers Limited		
(10,000 shares of Rs.2 each, fully paid up)	0.84	–
Cipla Limited		
(1,000 shares of Rs.2 each, fully paid up)	0.64	–
Dredging Corporation Limited		
(1,000 shares of Rs.10 each, fully paid up)	–	0.51
(Sold during the year)		
Elecon Engineering Limited		
(500 shares of Rs.10 each, fully paid up)	0.35	–
Engineers India Limited		
(715 shares of Rs.10 each, fully paid up)	–	0.23
(Sold during the year)		
EID Parry India Limited		
(7,732 shares of Rs.10 each, fully paid up)	–	3.06
(Sold during the year)		
Federal Bank Limited		
(5,000 shares of Rs.10 each, fully paid up)	0.89	–
Futura Polyster Limited		
(10,000 shares of Rs.10 each, fully paid up)	–	0.28
(Sold during the year)		
Great Eastern Shipping Co Limited		
(5,000 (2005-2,000) shares of Rs.10 each, fully paid up)	1.23	0.31
Gujarat Industries Limited		
(5,200 shares of Rs.10 each, fully paid up)	–	0.37
(Sold during the year)		
Hindalco Limited		
(3,303 shares of Re.1 each, fully paid up)	0.56	–
Hindustan Petroleum Corporation Limited		
(5,000 shares of Rs.10 each, fully paid up)	–	1.53
(Sold during the year)		
Indian Petrochemicals Corporation Limited		

Schedules forming part of The Consolidated Balance Sheet

(Rs. in millions)

Schedule 7 (Contd.)	As at March 31, 2006	As at March 31, 2005
(5,000 shares of Rs.10 each, fully paid up)	1.21	–
Indraprashta Gas Limited		
(5,000 shares of Rs. 10 each, fully paid up)	–	0.49
(Sold during the year)		
J K Paper Limited		
(18,000 shares of Rs.10 each, fully paid up)	–	0.86
(Sold during the year)		
Jindal Iron & Steel Co Limited		
(3,000 shares of Rs. 2 each, fully paid up)	–	0.29
(Sold during the year)		
Jain Irrigations Systems Limited		
(10,000 shares of Rs.10 each, fully paid up)	1.83	–
Kesoram Industries Limited		
(10,000 shares of Rs.10 each, fully paid up)	1.97	–
Mangalore Petrol Refinery Limited		
(5,000 shares of Rs.10 each, fully paid up, sold during the year)	–	0.24
Maruti Udyog Limited		
(2,000 shares of Rs.5 each, fully paid up, sold during the year)	–	0.84
Morgan Stanley		
(25,000 shares of Rs.10 each, fully paid up)	1.00	–
Neyveli lignite Corporation Limited		
(50,000 shares of Rs.10 each, fully paid up)	3.48	–
NIIT Technologies Limited		
(5,000 shares of Rs.10 each, fully paid up)	0.90	–
Punjab National Bank Limited		
(1,000 shares of Rs.10 each, fully paid up)	0.48	–
Ranbaxy Laboratories Limited		
(2,500 shares of Rs.5 each, fully paid up)	1.04	–
Ramco Systems Limited		
(15,000 shares of Rs.10 each, fully paid up)	2.91	–
Reliance Industries Limited		
(25,000(2005-5,000) shares of Rs.10 each, fully paid up)	9.20	2.37
Reliance Natural Resource Limited		
(20,000 shares of Rs.5 each, fully paid)	1.24	–
Reliance Communication Ventures Limited		
(20,000 shares of Rs.5 each, fully paid)	6.84	–
Reliance Communication Ventures Limited		
(2,500 shares of Rs.10 each, fully paid)	0.77	–
Raymond Limited		
(6,100 shares of Rs.10 each, fully paid up, sold during the year)	–	1.92
State Bank Of India		
(2,000 shares of Rs.10 each, fully paid up)	1.88	–
SRF Limited		
(5,000 shares of Rs.10 each, fully paid up)	–	0.42
(Sold during the year)		

Schedules forming part of The Consolidated Balance Sheet

(Rs. in millions)

Schedule 7 (Contd.)	As at March 31, 2006	As at March 31, 2005
T N Newsprint Limited (10,000 shares of Rs.10 each, fully paid up) (Sold during the year)	-	0.59
TRF Limited (30,637 shares of Rs.10 each, fully paid up)	9.42	–
Tata Motors Limited (4,900 shares of Rs.10 each, fully paid up) (Sold during the year)	–	2.03
Tata Tele Services Limited (10,000 shares of Rs.10 each, fully paid up) (Sold during the year)	–	0.25
Tata Power Limited (2,000 shares of Rs.10 each, fully paid up) (Sold during the year)	–	0.72
Uniphos Enterprises Limited (23,174 shares of Rs.10 each, fully paid up)	0.69	–
UCO bank Limited (15,000 shares of Rs.10 each, fully paid up) (Sold during the year)	-	0.45
Vijaya Bank Limited (5,000 shares of Rs.10 each, fully paid up) (Sold during the year)	-	0.32
Webtel-SI-Energy Systems Limited (7,609 shares of Rs.10 each, fully paid up)	1.40	-
Wockhardt Limited (2,000 shares of Rs.5 each, fully paid up) (Sold during the year)	-	0.71
(iv)	322.52	455.49
Total (i)+(ii)+(iii)+(iv)	**2,556.98**	**1,754.79**

Notes:

* Aggregate Market value of long term equity shares - Rs. Nil (2005 - Rs. 91.99)

** Aggregate Net Asset Value of Mutual Funds - Rs. 2,232.22 (2005 - Rs.808.89)

*** Aggregate Market value of Government securities as at March 31, 2006 - Rs. 216.36 (2005 - Rs. 434.50)

**** Aggregate Market Value of short term quoted equity shares - Rs. 120.90 (2005 - Rs.22.67)

(Rs. in millions)

Schedule 8	As at March 31, 2006	As at March 31, 2005
INVENTORIES		
Stores and spares	177.70	191.10
Raw Materials	180.94	115.20
Total	**358.64**	**306.30**

Schedules forming part of The Consolidated Balance Sheet

(Rs. in millions)

Schedule 9	As at March 31, 2006	As at March 31, 2005
SUNDRY DEBTORS		
(Trade, unless otherwise stated)		
Debts outstanding for a period exceeding six months:		
Secured - considered good	320.70	217.42
Unsecured - considered doubtful	127.81	–
	448.51	**217.42**
Other debts:		
Secured - considered good	1,552.55	976.11
Unsecured - considered good*	505.54	621.88
Unsecured - other than trade - considered good	54.55	16.90
	2,112.64	**1,614.89**
Less Provision for doubtful debts	127.81	–
Total	**2,433.34**	**1,832.31**

* includes unbilled revenue amounting to Rs.545.88 millions (2005: Rs.611.47 millions)

(Rs. in millions)

Schedule 10	As at March 31, 2006	As at March 31, 2005
CASH AND BANK BALANCES		
Cash and Cheques on hand	1.21	83.97
Balances with scheduled banks		
- On Current accounts	314.56	687.22
- On Deposit accounts	6,385.78	3,695.52
- On Margin Money*	52.66	42.72
Total	**6,754.21**	**4,509.43**
*The margin money deposits are towards letters of credit and Bank Guarantees issued by the bankers on behalf of the Company.		

(Rs. in millions)

Schedule 11	As at March 31, 2006	As at March 31, 2005
OTHER CURRENT ASSETS		
Interest accrued but not due on deposits	31.06	32.63
Claims receivable	93.39	–
Grant receivable from authorities	716.90	–
Dividend receivable	–	–
Total	**841.35**	**32.63**

Schedules forming part of The Consolidated Balance Sheet

(Rs. in millions)

Schedule 12	As at March 31, 2006	As at March 31, 2005
LOANS AND ADVANCES		
(Unsecured and considered good, unless otherwise stated)		
Advance towards share application money	112.46	1.13
Advances recoverable in cash or in kind or for value to be received		
- considered good	716.05	414.39
- considered doubtful	28.67	160.03
Deposit with government authorities	131.00	22.67
Advance tax (net of provision)	91.95	69.44
	1,080.13	**667.66**
Less: Provision for doubtful advances	28.67	160.03
Total	**1,051.46**	**507.63**

(Rs. in millions)

Schedule 13	As at March 31, 2006	As at March 31, 2005
CURRENT LIABILITIES AND PROVISIONS		
a) Liabilities		
Sundry Creditors		
Dues to small scale industrial undertakings	-	-
Dues to other than small scale industrial undertakings	3,685.70	3,840.98
	3,685.70	**3,840.98**
Book overdraft	29.02	32.53
Interest accrued but not due	24.68	42.45
Other liabilities	119.83	176.82
Sub Total	**3,859.23**	**4,092.78**
b) Provisions		
Proposed dividend	-	-
Dividend distribution tax	73.17	-
Provision for employee benefits	16.67	9.12
Provision for Operations and Maintenance (net of advances)	642.00	483.68
Provision against claims recoverable	64.92	64.92
Sub Total	**796.76**	**557.72**
Total	**4,655.99**	**4,650.50**

(Rs. in millions)

Schedule 14	As at March 31, 2006	As at March 31, 2005
MISCELLANEOUS EXPENDITURE		
(to the extent not written off or adjusted)		
Preliminary expenses	0.03	0.16
Total	**0.03**	**0.16**

Schedules forming part of The Consolidated Profit And Loss Account

(Rs. in millions)

Schedule 15	For the year ended March 31, 2006	For the year ended March 31, 2005
SALES AND OPERATING INCOME		
Income from sale of electrical energy	9,196.36	9,207.98
Less: Prompt Payment Rebate	163.81	152.93
	9,032.55	**9,055.05**
Annuity income	1,392.45	625.51
Income from variation works	111.85	244.07
Income from management and other services	12.50	1.42
Dividend received (gross)	57.92	0.63
[Tax deducted at source - Rs. Nil (2005-Rs. Nil)]		
Profit on sale of investments	(17.69)	2.42
Total	**10,589.58**	**9,929.10**

(Rs. in millions)

Schedule 16	For the year ended March 31, 2006	For the year ended March 31, 2005
OTHER INCOME		
Interest received on deposits, debts, loans, etc. (gross)	264.18	179.05
[Tax deducted at source - Rs. 24.60 Millions (2005: Rs.30.27 Millions)		
Income from investments- other than trade (gross)	36.36	7.27
[Tax deducted at source - Rs. Nil (2005- Rs. Nil)]		
Liabilities/Provisions no longer required, written back	1.06	25.88
Claims Received	-	70.00
Gain/(loss) on account of foreign exchange fluctuations (net)	0.47	(9.47)
Provision for diminution in value of investments written back		11.35
Miscellaneous income	13.06	1.35
Total	**315.13**	**285.43**

(Rs. in millions)

Schedule 17	For the year ended March 31, 2006	For the year ended March 31, 2005
GENERATION AND OPERATING EXPENSES		
Consumption of fuel and lubricants	4,080.75	4,064.92
Operations and Maintenance	568.78	561.58
[net of warranty and other claims - Rs. 31.11 millions (2005- Rs. Nil) and includes stores and spare parts consumed Rs.162.2 Millions (2005: Rs. 77.85 Millions]		
Cost of variation works	102.06	232.51
Technical consultancy fee	102.30	97.09
Salaries, allowances and benefits to employees	5.71	5.59
Water charges	1.46	3.35
Repairs and maintenance:		
Plant and machinery (net of claims)	20.44	28.26
Buildings	54.54	18.43
Others	2.38	3.02
Land lease rentals	119.42	119.47
[net of sub lease rentals - Rs. 2.81 Millions (2005 -Rs Nil)		
Total	**5,057.84**	**5,134.22**

Schedules forming part of The Consolidated Profit And Loss Account

(Rs. in millions)

Schedule 18	For the year ended March 31, 2006	For the year ended March 31, 2005
ADMINISTRATION AND OTHER EXPENSES		
Salaries, allowances and benefits to employees	294.19	218.03
Contribution to Provident and other funds	13.24	12.54
Staff welfare expenses	9.13	9.29
Rent	52.32	49.75
Repairs & Maintenance		
- Buildings	0.74	1.04
- Others	5.20	5.34
Rates and Taxes	17.35	5.46
Insurance	81.96	83.88
Consultancy and other professional charges	105.88	77.63
Directors' sitting fee	1.09	0.82
Electricity charges	3.22	1.82
Remuneration to Auditors	2.95	2.11
Green belt maintenance	1.61	6.32
Traveling and conveyance	82.97	29.09
Communication expenses	17.53	10.22
Provision for doubtful advances/ Write off of claims and debts	127.81	160.03
Advances written off	28.68	–
Loss on sale of fixed assets	(0.11)	27.53
Fixed Assets written off	4.65	–
Provision for diminution in value of investments	–	–
Miscellaneous Expenses	177.83	157.31
Less: Reimbursement of expenses		–
Total	**1,028.24**	**858.21**

(Rs. in millions)

Schedule 19	For the year ended March 31, 2006	For the year ended March 31, 2005
INTEREST AND FINANCE CHARGES		
Interest on term loans	1,257.06	976.10
Interest - Others	29.63	54.32
Guarantee Commission	23.55	33.73
Bank/other finance charges/prepayment premium (net of reimbursement)	247.53	65.00
Total	**1,557.77**	**1,129.15**

Schedule 20

Statement on significant Accounting Policies and Notes to the Consolidated Accounts:

1. Description of business

GMR Infrastructure Limited ('GIL' or 'the Company') and its consolidated subsidiaries and associates (hereinafter collectively referred to as Group) are engaged in generation of power, development of expressways and airport infrastructure facilities. GIL is a holding company with its investments mainly within the group companies. It is also involved in the development of the infrastructure and other projects as mentioned above.

Power business

Certain entities of the Group are involved in the generation of power. These are separate special purpose vehicles formed which have entered into Power Purchase Agreements with the electricity distribution companies of the respective state governments either on MOU basis or on bid basis.

Airport business

The Group is developing the Greenfield International Airport at Hyderabad on build, own, operate and transfer basis along with a consortium of sponsors like Airport Authority of India, State Government of Andhra Pradesh and Malaysian Airport Holdings Berhad under concessionaire agreement.

Development of expressways

Certain entities of the Group are engaged in development of expressways on build, operate and transfer basis. There are special purpose vehicles which have entered into concessionaire agreements with National Highways Authority of India for carrying out these projects.

2. Principles of consolidation

The consolidated financial statements include accounts of GMR Infrastructure Limited ('the Company') and its subsidiaries and associate. Subsidiary undertakings are those companies in which GIL, directly or indirectly, has an interest of more than one half of voting power or otherwise has power to exercise control over the operations. Subsidiaries are consolidated from the date on which effective control is transferred to the Group till the date such control exists. The consolidated financial statements have been prepared in accordance with historical cost convention, the applicable accounting standards issued by the Institute of Chartered Accountants of India and the relevant provisions of the Companies Act, 1956.

All inter company transactions, balances and unrealised surpluses and deficits on transactions between group companies are eliminated.

Investments in the Associates have been accounted in these consolidated statements as per Accounting Standard 23 on Accounting for Investments in Associates in Consolidated Financial Statements. Investments in associate companies which have been made for temporary purposes have not been considered for consolidation.

The companies considered in the consolidated financial statements in each of the years are listed below:

Schedule 20 (Contd.)

Subsidiaries/Associates of GIL

Sl. No.	Name of the Company	Relationship	Percentage of ownership interest	
			March 31, 2006	March 31, 2005
1	GMR Energy Limited (GEL)	Subsidiary	84.90%	84.90%
2	GMR Hyderabad International Airport Limited (GHIAL)	Subsidiary	63.00%	63.00%
3	GMR Tuni Anakapalli Expressways Private Limited (GTAEPL)	Subsidiary	43.12%	29.92%
4	GMR Tambaram Tindivanam Expressways Private Limited (GTTEPL)	Subsidiary	43.12%	29.92%
5	Vemagiri Power Generation Limited (VPGL)	Subsidiary	–	–
6	GMR Power Corporation Private Limited (GPCPL)	Subsidiary	–	–
7	GMR Jadcherla Expressways Private Limited (GJEPL)	Subsidiary	59.49%	–
8	GMR Pochanpalli Expressways Private Limited (GPEPL)	Subsidiary	59.49%	–
9	GMR Operations Private Limited (GOPL)	Associate	–	49.00%
10	Gateways for India Airports Private Limited (GFIAPL)	Associate	37.00%	37.00%

Subsidiaries of GEL

Sl. No.	Name of the Company	Relationship	Percentage of ownership interest	
			March 31, 2006	March 31, 2005
1	VPGL	Subsidiary	100.00%	100.00%
2	GPCPL	Subsidiary	51.00%	51.00%
3	GMR Mining and Energy Limited (GMEPL)	Subsidiary	89.00%	–
4	GMR Ambala Chandigarh Expressways Private Limited (GACEPL)	Subsidiary	51%	–

3 The significant accounting policies are as follows:

(i) REVENUE RECOGNITION:

In case of power generating companies, revenue from sale of energy is recognised on accrual basis in accordance with the provisions of the Power Purchase Agreement (PPA). Claims for delayed payment charges and any other claims, which the company is entitled to under the Power Purchase Agreement, on grounds of prudence, shall be accounted for in the year of acceptance. Insurance claims are accounted on finalization and acceptance. The PPA provides for payment of fixed tariff based on cumulative availability of plant and also the fuel cost at a predetermined station heat rate.

In case of companies involved in construction and maintenance of roads, annuity is accrued on time basis in accordance with the provisions of the Concessionaire Agreement entered into with National Highways Authority of India ('NHAI'). Claims raised on NHAI under Concessionaire Agreement, on grounds of prudence, shall be accounted for in the year of acceptance.

Significant items of income and expenditure on accrual basis except in case of those with significant uncertainties. Income from management/technical services is recognised as per the terms of the agreement and on the basis of services rendered.

Expenses incurred on developmental projects are charged to revenue. These will be dealt with at appropriate time for recovery/capitalization.

(ii) OPERATIONS AND MAINTENANCE

GEL has entered into a Long Term Service Agreement (LTSA) for maintenance of the main plant, Operations and Maintenance Agreement for regular and major maintenance and Long Term Assured Parts Supply Agreement (LTAPSA) for supply of parts for planned and unplanned maintenance over the term of the agreement. Amounts payable under the agreements are charged to the Profit & Loss Account based on actual factored fired hours of the Gas Turbines during the period on the basis of average factored hour cost including Customs Duty applicable at the current prevailing rate. Periodical minimum payments are accounted as and when due.

Schedule 20 (Contd.)

(iii)FIXED ASSETS

Fixed Assets are stated at cost of acquisition less depreciation. Cost of acquisition is inclusive of freight, duties, levies and all incidentals attributable to bringing the asset to its working condition. Assets under installation or under construction as at the balance sheet date are shown as Capital Work in Progress.

In case of GTAEPL and GTTEPL, all costs incurred to construct, widen and rehabilitate the respective expressways have been capitalised as Carriage Ways.

Borrowing costs that are attributable to the acquisition or construction of qualifying assets are capitalized as part of the cost of such assets. A qualifying asset is one that takes substantial period of time to get ready for its intended use or sale. Other borrowing costs not attributable to the acquisition of any capital asset or investments are recognised as expenses in the period in which they are incurred.

All the fixed assets are assessed for any indication of impairment at the end of each financial year. On such indication, the impairment (being the excess of carrying value over the recoverable value of the asset) is charged to the profit and loss account in the respective financial year. The impairment loss recognised in the prior years is reversed where the recoverable value exceeds the carrying value of the asset upon re-assessment in the subsequent years.

(iv) DEPRECIATION

Depreciation is provided on straight line method at the rates specified under Schedule XIV to the Companies Act, 1956 or at rates based on estimated useful lives whichever is higher except for assets costing less than Rs. 5,000, which are fully depreciated in the year of acquisition. Leasehold improvements are amortised over the period of the lease or estimated useful life whichever is shorter. Depreciation on adjustments to the historical cost of the assets on account of foreign exchange fluctuations is provided prospectively over the residual useful life of the asset.

In respect of GEL, the Plant & Machinery and Buildings (except temporary structures, which are charged off at 100%) at project site are depreciated up to 95% of their cost on straight-line method over 7 years i.e. the term of Power Purchase Agreement.

In case of GPCPL and VPGL, depreciation is provided on straight-line method at the rates and in the manner specified in Government of India notification S.O 266 (E) dated March 29, 1994 issued under the provisions of the Electricity (Supply) Act, 1948 (repealed), as applicable to electricity generating companies or as per the rates specified under Schedule XIV to the Companies Act, 1956, whichever is higher.

In case of GTTEPL and GTAEPL, depreciation on Fixed Assets other than Carriage Ways is provided on straight line method at the rates prescribed in Schedule XIV of the Companies Act, 1956. The cost of carriage ways which is in the nature of an intangible asset, is amortised over the period of the Concessionaire agreement with NHAI i.e 15.09 years and 14.88 years respectively.

(v) INVESTMENTS

Long term investments are carried at cost less provision made to recognise any decline, other than temporary, in the value of such investments. Current investments are valued at cost or market value whichever is lower. Cost of acquisition is inclusive of expenditure incidental to acquisition. Income from investments is recognised in the year in which it is accrued and stated at gross.

Gains/losses, on investment in futures, both equity and index, being the difference between the contracted rate and the rate on the settlement or sale date, whichever is earlier, are recognised in the Profit and Loss Account on settlement/sale. The open contracts as at the year end are marked-to-market and the resultant loss, if any, is charged to the Profit and Loss Account.

(vi) INVENTORIES

Inventories are valued at lower of cost or net realisable value. Cost is determined on a weighted average basis and includes all applicable costs incurred in bringing goods to their present location and condition.

(vii) RETIREMENT BENEFITS

Retirement benefits are accounted for on accrual basis with contributions to recognise funds such as Provident Fund charged against revenue each year. Liability for gratuity and superannuation is funded through a scheme administered by an insurer. Provision for gratuity is made at the year end based on the actuarial valuation. Liability on account of accumulated leave is provided on accrual basis.

Schedule 20 (Contd.)

(viii) FOREIGN CURRENCY TRANSACTIONS

All foreign currency transactions are accounted for at the exchange rates prevailing on the date of such transactions. Current assets and current liabilities are translated at the exchange rate prevailing on the balance sheet date and the resultant gain /loss is recognized in the financial statements. The original cost of fixed assets acquired prior to April 1, 2004 and imported fixed assets acquired on or after April 1, 2004, through foreign currency loans at the end of each financial year is adjusted for any change in liability arising out of expressing the outstanding foreign currency loan at the rate of exchange prevailing at the date of the Balance Sheet. The amounts so adjusted are depreciated over the remaining useful lives of the respective assets.

(ix) EARNINGS PER SHARE

The earnings considered in ascertaining the Company's Earning Per Share (EPS) comprise of the net profit after tax less dividend (including dividend distribution tax) on preference shares. The number of shares used for computing the basic EPS is the weighted average number of shares outstanding during the year. The number of shares used in computing Diluted EPS comprises of weighted average shares considered for deriving basic EPS, and also the weighted average number of equity shares which could have been issued on the conversion of all dilutive potential equity shares. Dilutive potential equity shares are deemed converted as of the beginning of the year, unless they have been issued at a later date. The number of shares and potentially dilutive shares are adjusted for bonus shares issued.

(x) TAXES ON INCOME

Current tax is determined based on the amount of tax payable in respect of taxable income for the year. Deferred tax is recognised on timing differences; being the difference between the taxable income and the accounting income that originate in one year and are capable of reversal in one or more subsequent years. Deferred tax assets and liabilities are computed on the timing differences applying the enacted tax rate. Deferred tax assets arising on account of unabsorbed depreciation or carry forward of tax losses are recognised only to the extent that there is virtual certainty supported by convincing evidence that sufficient future taxable income will be available against which such deferred tax assets can be realized.

4. Notes to the Consolidated Financial Statements of the Company and its subsidiaries and associate:

(i) Contingent Liabilities

(Rs. in millions)

Particulars	As at March 31, 2006	As at March 31, 2005
Bank guarantees outstanding	6,070.67	512.50
Corporate guarantees	2,759.58	1,229.10
Performance Guarantees	-	150.80
Stamp Duty Payable for registration	2.99	2.99
Letters of Credit Outstanding	-	-
Income tax matters	-	5.35
Claims against the company not acknowledged as debts	-	0.20
Arrears of dividend on cumulative preference shares of GTAEPL and GTTEPL	240.43	66.90

* A corporate guarantee has been given by the Company to the consortium lenders of the road projects undertaken by GTTEPL and GTAEPL for any cost overrun beyond the estimated project cost (up to the date of commercial operations of GTTEPL and GTAEPL), any increase in operations and maintenance cost beyond the budgeted base cost and to cover any shortfall in the amount payable to NHAI in respect of the facility in the event of termination due to borrowers default as per the terms of the concession agreement.

(ii) The Department of Mines and Geology, Government of Andhra Pradesh (DOM&G) has raised demand notices on GTAEPL levying seigniorage fee amounting to Rs. 157.83 millions (including penalty). An appeal has been filed by GTAEPL and the Engineering Procurement and Construction (EPC) contractor, jointly, with the DOM&G against such demand notices. Pending settlement/finalisation of this matter, no effect has been considered in these financial statements. In terms of the EPC contract, any liability arising on crystallization of such matter will be borne by the EPC contractor.

Schedule 20 (Contd.)

(iii) Capital Commitments

(Rs. in millions)

Particulars	As at March 31, 2006	As at March 31, 2005
Estimated value of contracts remaining to be executed on capital account, not provided for	8,982.09	3,656.49
Investment in equity shares of subsidiary company	2,077.15	1,109.85

(iv) Equity Shares

During the year ended March 31, 2006, the Company has issued 105,774,723 bonus shares to the shareholders in the ratio of two shares for every three shares held by them. Accordingly, the Company has utilised the balances lying in Share Premium, Capital Redemption Reserve, General Reserve and the Profit and Loss Account (to the extent required) for the purpose of the bonus issue.

(v) Preference Shares

a) During the year 2004-05, GIL has redeemed 1,850,000 fully paid up 13% Optionally Convertible Cumulative Preference Shares of Rs. 100/- each at par aggregating to Rs. 185 millions.

(vi) Reserves and Surplus

a) Consequent to the exemption obtained from compliance with regulations applicable to Non Banking Financial Companies, the company has transferred the balance in Special Reserve created under section 45IC of the Reserve Bank of India Act, 1934 amounting to Rs.220,441,300 to General Reserve.

GHIAL has received an amount of Rs. 353.10 millions during the year ended March 31, 2006 from Government of Andhra Pradesh towards Advance Development Fund Grant, out of a total grant of Rs. 1,070.00 millions, as per the State Support Agreement. This being in the nature of financial support for the project, the grant has been considered as Capital Reserve.

(vii) Secured Loans

In case of GTTEPL and GTAEPL, the Secured Loans as at March 31, 2006 are in the nature of advances received towards the assignment of future Annuity/Receivables under the Concession Agreement with National Highway Authority of India and are further secured by way of mortgage of all the present and future immovable fixed assets of the company and by way of hypothecation over the movable fixed assets.

(viii) Fixed Assets

a) In pursuance of the State Support Agreement, HIAL has entered into a Land Lease Agreement with Government of Andhra Pradesh, for obtaining the Land on Lease for the development of Airport Project. As per the agreement, the lease term is in line with the term of the Concession Agreement entered into with the Ministry of Civil Aviation. The lease rentals are payable from the eight anniversary of the COD. HIAL has taken the possession of the said land during the year 2004-05. Capital Work-in-progress as on March 31, 2006 includes Rs.4,776.92 million representing Boundary Wall, Site Preparation Works and progress on passenger terminal building and airside landside works on such Leasehold Land.

b) During 2003-04, GEL has exercised its option to purchase 33.41 acres of land from Karnataka Industrial Area Development Board (KIADB) covered under the Lease cum Sale Agreement during the year. Consequently, the advances paid to KIADB for acquisition of land and the deferred revenue expenditure (including amounts amortised in the earlier years) pertaining to land development have been capitalised.

(ix) Investments

a) GIL, GEL and GPCPL, holding equity and preference shares in their respective subsidiaries, have pledged certain of such shares as security towards borrowings of the investee companies as at March 31, 2006, and March 31, 2005. As such investments do not form part of these consolidated financial statements (on account of elimination during consolidation), details of the shares pledged have not been presented.

(x) Sundry Debtors

a) In case of GPCPL, the amounts due from Tamil Nadu Electricity Board are subject to confirmation.

Schedule 20 (Contd.)

(xi) Loans and Advances

a) Loans and advances include share application money given to group companies, pending allotment.

(xii) Foreign Currency Transactions

a) GIL had entered into dollar denominated currency swap contracts during the year 2004-05 for the part of amounts borrowed and interest thereon. These swap contracts involve exchange of principal amounts aggregating to Rs. 650 millions as at March 31, 2005 respectively.

(xiii) Operating Income

a) Income from dividends and profit on sale of investments are treated as operating incomes as the main activities of GIL involve investments.

b) In case of GEL, the Government of Karnataka has vide its order dated 10th May, 2005 directed that the Electricity Supply Companies (ESCOM's) will purchase power from the various electricity generating companies and Karnataka Power Transmission Corporation Limited (KPTCL) will not trade in power.

(xiv) Operations and Maintenance Expenses

a) Expenses incurred by GEL and GPCPL as per the terms of the Operations and Maintenance contract which mainly represent repairs and maintenance, due to the composite nature of the contract have been grouped and disclosed under operations and maintenance expenses.

b) In case of GPCPL, Tamil Nadu Government vide a letter dated April 29, 2003, requested Tamil Nadu Electricity Board ('TNEB') to revise the land lease agreement entered into by TNEB with the Company, at the rates specified. GPCPL is awaiting necessary intimation from TNEB in this regard and accordingly, adjustments if any, that may arise on this account will be dealt with in the financial statements on receipt of such intimation.

(xv) Others

a) GHIAL, GACEPL, GJEPL and GPEPL are in construction stage and VPGL has started trial run generation/testing of equipments. Consequently, no Profit and Loss Account has been drawn up for these Companies. All expenditure incurred (net of income earned) during the construction stage are grouped and disclosed under expenditure during construction period, pending allocation (net).

b) VPGL has not commenced commercial operations. Claims/counterclaims, if any, arising out of the project related contracts including Power Purchase Agreement and Engineering, Procurement and Construction contracts, on account of delays or any other reasons, have not been reflected in the financial statements, pending settlements/negotiations with the concerned parties.

c) GTTEPL and GTAEPL have declared commercial operations on October 11, 2004 and December 24, 2004. Accordingly, the profit and loss account for these companies for the year ended March 31, 2005 have been drawn up from that date.

d) GFIAPL, an associate of GIL, has been incorporated to build, own and operate Airports & Airport Infrastructure, Airlines and other Infrastructure facilities. GIL, GVL Investments Private Limited, Fraport AG Frankfurt Airport Services Worldwide and India Development Fund are the shareholders of the Company. The company has incurred a total expenditure of Rs. 295.75 millions towards bids for restructuring and modernization of the Mumbai and Delhi Airports and pre takeover expenditure as per the financial statements as at March 31, 2006. Out of the above, expenses incurred subsequent to the results of the bid would be reimbursed by the Special Purpose Vehicle formed for taking up the project and those expenses incurred prior to that date would be reimbursed to GFIAPL by certain shareholders of the Company and the holding company of GIL. Consequently, no Profit and Loss Account has been drawn up for GFIAPL.

(xvi) Operating Leases

The consolidated entities have entered into certain lease agreements. An amount of Rs.52.32 millions (2005 - Rs.49.75 millions) paid under such agreements has been disclosed as 'Rent' under Administration and Other Expenses in the Consolidated Profit and Loss Account. These agreements are cancelable in nature.

Schedule 20 (Contd.)

(xvii) Earnings Per Share (EPS)

(Rs. in millions)

Particulars	As at March 31, 2006	As at March 31, 2005
Net Profit after Tax (Rs. in millions)	705.49	690.47
Preference Dividend (including tax thereon)	-	17.51
Net Profit after tax - for Basic EPS	705.49	672.96
Effect of Dilutive instruments	-	-
Net Profit after tax - for Diluted EPS	705.49	672.96
Weighted Average number of shares for Basic EPS	264,436,814	264,436,814
Weighted Average number of shares for Diluted EPS	264,436,814	264,436,814
Earning Per Share - Basic (Rs.)	2.67	2.54
Earning Per Share - Diluted - (Rs.)	2.67	2.54

Calculation of weighted average no of shares outstanding during the year

(Rs. in millions)

Particulars	As at March 31, 2006	As at March 31, 2005
Nominal value of equity shares - (Rs.)	10	10
Total number of equity shares at the beginning of the year		
- Rs. 10 per share paid up	158,662,091	158,662,091
Equity shares issued during the year:	105,774,723	–
Total equity shares at the end of the year	264,436,814	158,662,091
Bonus Equity Shares issued (Refer Note 1 below)	–	105,774,723
Weighted Average number of Equity shares for Basic EPS	264,436,814	264,436,814
Potential Equity Shares - Convertible Preference Shares issued on (Note 2)	–	–
Weighted Average number of Equity shares outstanding during the year		
- Considered for Diluted EPS	264,436,814	264,436,814

Notes

1. On September 30, 2005, the company has issued 105,774,709 bonus shares to the shareholders in the ratio of two shares for every three shares held by them. Since the bonus issue is an issue without consideration, the issue is treated as if it had occurred prior to the beginning of the year 2005, the earliest period reported.
2. Share application money as on March 31, 2005, which has been refunded subsequently have not been considered for calculation of diluted Earning Per Share.

(xviii) Deferred Tax

Deferred tax liability comprises mainly of the following as at March 31

(Rs. in millions)

Particulars	As at 2006	As at 2005
Miscellaneous expenditure (to the extent not written off)	(0.21)	(0.28)
Depreciation	2.22	2.89
Leave Encashment	(0.21)	–

In case of GIL, in view of the management's assessment that the future income mainly in the form of dividends is tax free, deferred tax asset on carry/brought forward losses have not been recognised by the Company, on the grounds of prudence. In case of GPCPL, as a result of change in depreciation rates under the Income Tax Act, 1961, during the year 2004-2005, all the timing differences as at March 31, 2005 are reversing during the tax holiday period of the Company under the provisions of Section 80-IA of the Income Tax Act, 1961. Accordingly, the opening accumulated deferred tax liability of Rs. 67.77 millions has been reversed during the year. In case of GEL, GTAEPL and GTTEPL, the timing differences are originating and reversing within the tax holiday period of the Company under the provisions of section 80-IA of the Income Tax Act, 1961. Consequently, deferred tax has not been recognised in these financial statements.

Schedule 20 (Contd.)

(xix) Provisions (Rs. in millions)

Sl. No.	Particulars	As at April 1, 2005	Provision made during the year	Amount used during the year	As at March 31, 2006
a)	Provision against claims recoverable	64.92 (57.26)	– (7.66)	– (-)	64.92 (64.92)
b)	Provision for operations and maintenance (Note 1 below)	483.68 (335.78)	178.89 (240.76)	20.57 (92.86)	642.00 (483.68)

Notes:

1. Amounts provided during the year include transfers from sundry creditors on account of change in terms of the agreement.
2. Previous year figures are mentioned in brackets.

(xx) Segment Reporting:

a) The segment report of GIL and its consolidated subsidiaries and associates (the Group) has been prepared in accordance with Accounting Standard 17 "Segment Reporting" issued by the Institute of Chartered Accountants of India.

b) The corporate strategy of the Group aims at creating multiple drivers of growth anchored on its core competencies. The Group is currently focused on four business groups: Power, Roads, Airport Infrastructure and Others. The Group's organisational structure and governance processes are designed to support effective management of multiple businesses while retaining focus on each one of them.

c) The Group's activities are restricted within India. The conditions prevailing within India being predominantly uniform, no separate geographical segment disclosure is considered necessary.

d) For the purpose of reporting, business segments are primary segments and the geographic segment is a secondary segment.

e) The various business segments comprise of the following companies:

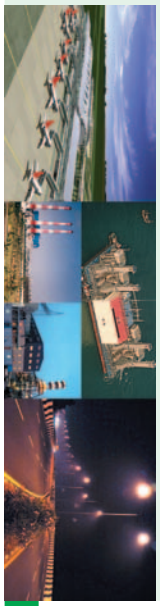
S.No.	Segment	Name of the Company
1.	Power	1. GMR Energy Limited 2. GMR Power Corporation Private Limited 3. Vemagiri Power Generation Limited 4. GMR Mining and Energy Limited
2.	Roads	1. GMR Tuni Anakapalli Expressways Private Limited and 2. GMR Tambaram Tindivanam Expressways Private Limited 3. GMR Ambala Chandigarh Expressways Private Limited 4. GMR Jadcherla Expressways Private Limited 5. GMR Pochanpalli Expressways Private Limited
3.	Airport Infrastructure	1. GMR Hyderabad International Airport Limited (formerly Hyderabad International Airport Limited)
4.	Others	1. GMR Infrastructure Limited

Schedule 20 Contd.

5. The details of Segment information are given below:

(Rs. in millions)

Business Segments	Power		Roads		Aviation		Others		Inter Segment		Total	
	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005
Revenue												
Revenue from Customers	9,032.55	9,057.22	1,504.30	869.57	-	-	52.73	4.48		-	10,589.58	9,931.27
Inter Segment Revenue	-	-	-	-	-	-	521.70	477.54	(521.70)	(477.54)	-	-
Total Revenues	9,032.55	9,057.22	1,504.30	869.57	-	-	574.43	482.02	(521.70)	(477.54)	10,589.58	9,931.27
Operating Expenses	4,779.25	4,849.75	228.59	284.47	-	-	-	-	(50)	-	5,057.84	5,134.22
Depreciation	1,758.54	1,742.62	439.00	166.48	-	-	2.17	2.55	-	-	2,199.71	1,911.65
Segmental Operating Profit/(Loss)	**2,494.76**	**2,464.85**	**836.71**	**418.62**	**-**	**-**	**572.26**	**479.47**	**(471.70)**	**(477.54)**	**3,332.03**	**2,885.40**
Interest Income/(expense), net	(367.93)	(430.62)	(447.28)	(201.17)	-	-	(180.11)	(219.59)	-	-	(995.32)	(851.38)
Other income/(expense), net	(849.71)	(782.97)	(319.59)	(36.69)	-	-	(37.09)	(7.14)	(69.17)	(33.80)	(1,275.56)	(860.61)
Profit/(Loss) before tax	**1,277.12**	**1,251.26**	**69.84**	**180.75**	**-**	**-**	**355.06**	**252.74**	**(540.87)**	**(511.34)**	**1,061.15**	**1,173.41**
Taxation -												
Current tax	105.56	107.81	6.71	14.18	-	-	0.02	(0.14)	-	-	112.29	121.85
Fringe benefit tax	12.15		1.04				0.40		-		13.59	
Deferred tax		(67.77)		-	-	-	(0.80)	(1.38)	-	-	(0.80)	(69.15)
Net Profit/(Loss) for the year	**1,159.41**	**1,211.22**	**62.09**	**166.57**	**-**	**-**	**355.44**	**254.26**	**(540.87)**	**(511.34)**	**936.07**	**1,120.71**
Other Information												
Segment Assets	29,599.72	22,163.35	10,984.56	7,190.83	7,511.50	1,211.89	6,510.83	6,434.28	(10,874.57)	(4,690.75)	43,822.04	32,100.03
Capital Expenditure	3,677.01	6,126.26	77.53	1,883.23	5,000.66	587.75	(1.12)	(0.76)	(100.00)	(68.42)	8,654.08	8,528.06
Depreciation / Amortisation	1,758.54	1,742.62	439.00	166.85	-	-	2.17	12.24	-	-	2,199.71	1,921.71
Segment Liabilities	18,224.13	15,780.62	8,823.62	5,166.05	4,538.04	154.16	2,850.59	3,106.84	(563.85)	-	33,872.53	24,207.67



GMR Creating tomorrow today

Schedule 20 (Contd.)

(xxi) Related Party Transactions

a) Names of related parties and description of relationship:

Sl. No.	Relationship	Name of the Parties
(i)	Holding Company	GMR Holdings Private Limited
(ii)	Shareholders' having substantial interest/ Enterprises in respect of which the reporting enterprise is an associate/ Joint Venture	Airports Authority of India, Government of Andhra Pradesh Malaysia Airports Holdings Berhad, Odeon Limited, U E Development India Private Limited
(iii)	Enterprises where significant influence exists	GMR Varalakshmi Foundation
(iv)	Key Management Personnel	Mr. G.M.Rao, Mr. G.B.S.Raju, Mr. Kiran Kumar Grandhi, Mr. B.V.N.Rao, Mr. Srinivas Bommidala, Mr. O. B. Raju and Mr. K. Balasubramanian

b) Details of transactions: (Rs. in millions)

Nature of transactions	Holding Company	Shareholders' having substantial interest/ Enterprises in respect of which the reporting enterprise is an associate/ Joint Venture	Enterprises where significant influence exists	Key Management Personnel	Balance Payable (Receivable)
Sale of Equity Shares	190.69 (-)	– (-)	– (-)	– (-)	– (-)
Share Application Money Received	2,912.55 (-)	2,640.00 (-)	– (-)	– (-)	– (-)
Share Application Money Refunded	3,312.55 (-)	2,640.00 (-)	2,525.36 (-)	– (-)	– (-)
Purchase of Equity shares	– (-)	– (-)	– (-)	0.10 (-)	– (-)
Share Application Money Invested	– (-)	– (-)	2,698.00 (-)	– (-)	– (-)
Redemption of Preference Shares	– (-)	– (-)	205.10 (-)	– (-)	– (-)
Loans Received and Repaid	1,205.50 (-)	– (-)	– (-)	– (-)	– (-)
Issue of Bonus Shares	1,057.74	–	0.04	–	–
Pre-closing Date Development Cost	–	11.62 (13.38)	–	–	–
Manpower Deputation Charges	– (0.36)	– (-)	– (-)	– (-)	– (-)
Payment under Engineering, Procurement and Construction Contract	– (-)	– (1285.54)	– (-)	– (-)	– (167.14)
Directors Remuneration				152.49 (151.99)	67.80 (61.14)
Share Application Money	- (-)	534.98 (-)	– (-)	– (-)	– (-)

Schedule 20 (Contd.)

(Rs. in millions)

Nature of transactions	Holding Company	Shareholders having substantial interest/ Enterprises in respect of which the reporting enterprise is an associate/ Joint Venture	Enterprises where significant influence exists	Key Management Personnel	Balance Payable (Receivable)
Operation and Maintenance Services	– (-)	52.32 (-)	36.61 (54.79)	– (-)	52.32 (0.47)
Technical Service Fee	– (-)	– (-)	102.30 (102.09)	– (-)	– (31.91)
Unsecured Loans Taken and Repaid (-)	– (-)	– (-)	2.67 (-)	– (-)	–
Unsecured Loans given	– (-)	– (-)	– (61.90)	– (-)	– (71.10)
Unsecured Loans including interest accrued and due thereon	–	–	–	–	62.01
Interest on Unsecured Loan	– (-)	– (-)	5.15 (2.82)	– (-)	– (-)
Donations	– (-)	– (-)	62.50 (57.50)	– (-)	– (0.01)
Services Rendered	– (-)	– (-)	0.13 (-)	– (-)	– (-)
Creditors/Payables	– (-)	– (-)	– (-)	– (-)	30.23 (-)
Remuneration	– (-)	– (-)	– (-)	140.41 (-)	67.80 (-)

Notes

1. Certain Key Management Personnel have extended personnel guarantees as security towards borrowings of the Company. Similarly the holding company has pledged certain shares held in the Company as security towards the borrowings of the Company.
2. Previous year figures are mentioned in brackets.

For and on behalf of the Board of Directors

Sd/-
G.M.Rao
Chairman &
Managing Director

Sd/-
G B S Raju
Group Director &
Group CFO

Sd/-
A.S.Cherukupalli
Company Secretary

Place : Bangalore
Date : May 13, 2006

Consolidated Cash Flow Statement

(Rupees in Millions)

Particulars	March 31, 2006	March 31, 2005
A. CASH FLOW FROM OPERATING ACTIVITIES		
Profit before taxation	**1,061.15**	**1,171.24**
Adjustments for:		
Depreciation	2,199.71	1,911.65
Provision for diminution in value of investments	–	(11.35)
Provisions no longer required, written back	(1.06)	(25.88)
(Profit)/Loss from sale of investments (net)	17.69	(2.42)
(Profit)/Loss from sale/write off of fixed assets (net)	4.54	27.53
Provision for doubtful advances/claims/debts etc.	127.81	160.03
Dividend income	(57.92)	(0.63)
Income from investments	(36.36)	(7.27)
Interest income	(264.18)	(179.05)
Interest expenses	1,286.69	1,030.42
Amortisation of Miscellaneous expenditure	–	10.06
Operating Profit Before Working Capital Changes	**4,338.07**	**4,084.34**
Adjustments for:		
Inventories	(52.34)	5.16
Trade and other receivables/other assets	(1,381.27)	58.67
Current Liabilities and Provisions	(375.70)	1,920.95
Cash generated from operations	(1,809.31)	1,984.78
Direct taxes paid	(148.39)	(79.15)
Net Cash from Operating Activities	**2,380.37**	**5,989.97**
B. Cash Flow from / (Used In) Investing Activities		
(Purchase)/Sale of fixed assets (net)	(8,663.66)	(8,554.14)
(Purchase) / Sale of investments (net)	(819.90)	(1,373.33)
Income from investments	36.36	7.27
Interest received	265.75	195.01
Dividend received	57.92	0.63
Net Cash used in Investing Activities	**(9,123.53)**	**(9,724.56)**
C. Cash Flow from/(Used in) Financing Activities		
Proceeds from issue of equity shares (including Share Application Money)	–	(185.00)
Issue of common stock in consolidated entities	303.48	(50.51)
Proceeds/(Repayments) from/of Borrowings (Net)	10,062.09	4,770.34
Interest paid	(1,304.46)	(1,026.32)
Dividend paid (including dividend distribution tax)	(73.17)	(75.39)
Net Cash used in Financing Activities	**8,987.94**	**3,433.12**
Net increase/(decrease) in Cash and Cash Equivalents	**2,244.78**	**(301.45)**
Cash and Cash Equivalents as at April 1,	**4,509.43**	**4,810.88**
Cash and Cash Equivalents as at March 31,	**6,754.21**	**4,509.43**

Note: 1. The above Cash Flow Statement has been prepared under the 'Indirect Method' as set out in the Accounting Standard - 3 on 'Cash Flow Statements'issued by the Institute of Chartered Accountants of India.

2. The cash flow statement has been prepared from the consolidated financial statements which have been consolidated on proportionate basis andhence, the change in capital reserve includes change in working capital of the subsidiary companies.

This is the Consolidated Cash flow referred to in our report of even date.

For and on behalf of the Board of Directors

Sd/-
P. Rama Krishna
Partner
For and on behalf of
Price Waterhouse
Chartered Accountants

Sd/-
G.M.Rao
Chairman &
Managing Director

Sd/-
G B S Raju
Group Director &
Group CFO

Sd/-
A.S.Cherukupalli
Company Secretary

Place : Hyderabad
Date : May 13, 2006

Place : Bangalore
Date : May 13, 2006

GMR Infrastructure Limited

Directors' Report

Dear Shareholders,

Your Directors have pleasure in presenting the Tenth Annual Report together with the audited Balance Sheet and Profit and Loss Account of GMR Infrastructure Limited for the year ended 31st March, 2006.

Financial Results

(Rs. in Millions)

Particular	March 31, 2006	March 31, 2005
Gross Income	612.87	563.18
Expenditure	255.62	318.34
Profit before depreciation and tax	357.25	244.84
Depreciation	2.18	2.55
Profit before Tax	355.07	242.29
Provisions for taxation	0.02	(0.14)
Current YearProvision for Deferred Tax (Net)	(0.81)	(1.38)
Fringe Benefit Tax	0.41	–
Profit after Tax	355.45	243.81
Surplus brought forward from previous year	384.26	712.96
Amount available for appropriation	739.71	956.77
Appropriations:		
Debenture Redemption Reserve	37.50	370.00
Capital Redemption Reserve	–	185.00
Preference Dividend	–	15.48
Dividend Distribution Tax	–	2.02
Issue of Bonus Shares	99.31	–
Surplus carried to Balance Sheet	602.90	384.26

The gross income of the company has increased from Rs. 563.18 Million in the last year to Rs. 612.87 Million for the current year, an increase of 8.82%. The net profit after tax also increased from Rs. 243.81 Million to Rs. 355.45 Million, an increase of 45.79 %.

The increase in profit after tax is mainly due to substantial savings in finance charges achieved during the year and also due to increase in dividend income.

Review of Operations of Subsidiary Companies

Review of Operations of Subsidiary Companies in Road, Power and Airport Sectors is presented below.

Roads Sector

(A) New Road Projects

During the year the GMR Group Consortium led by your Company has won concessions to develop, operate and maintain the following projects:

Sl. No.	Name of Project	Length of stretch	Expected commercial operation date	Expected Project cost Rs. Million
1.	Ambala - Chandigarh Road Project on New Delhi - Chandigarh highway (NH-22/ NH-21)	35 Kilometer	End of 2008	3911.36
2.	Adloor Yellareddy - Kalkallu Road Project	86 kilometer		
	Additional stretch on the Hyderabad-Nagpur (NH7) highway	17 kilometer	End of 2008	6900.00
3.	Faruknagar-Jadcherla road project.	46 kilometer		
	Additional stretch on the Bangalore- Hyderabad- (NH7)	12 kilometer	Middle of 2008	4713.00
4.	Tindivanam-Ulunderpet road project on the Chennai-Dindigul (NH-45) highway	73 kilometer	End of 2008	7892.15

The following special purpose companies have been formed to implement the above Road Projects:

1) GMR Ambala Chandigarh Expressways Private Limited

2) GMR Pochanpalli Expressways Private Limited

3) GMR Jadcherla Expressways Private Limited

4) GMR Ulunderpet Expressways Private Limited

(B) Existing Road Projects

The operational snapshot of the operating road projects is presented hereunder:

GMR Tambaram-Tindivanam Expressways Private Limited (GTTEPL)

Total revenue and profit after tax for the Financial Year ended 31st March, 2006 of GTTEPL were Rs. 975.85 million and Rs. 48.38 million respectively.
GTTEPL has successfully completed the first full year of commercial operations and started receiving regular annuities from NHAI, interms of concession agreement. The first and second installment of annuities were received during the period under review.

During the year GTTEPL has raised a structured debt of Rs. 4901million at lower rate of interest and repaid the entire hire cost project debt of Rs. 2536 million.

GMR Tuni-Anakapalli Expressways Private Limited (GTAEPL)

Total revenue and profit after tax for the Financial Year ended 31st March, 2006 of GTAEPL were Rs. 655.60 million and Rs. 13.68 million respectively.
GTAEPL has successfully completed the first full year of commercial operations and started receiving regular annuities from NHAI, interms of concession agreement. The first and second installment of annuities were received during the period under review.

During the year GTAEPL has raised a structured debt of Rs. 3810 million at lower rate of interest and repaid the entire hire cost project debt of Rs. 2118 million.

Power Sector

GMR Energy Limited (GEL)

Total Revenue and Profit after tax for the Financial Year ended 31st March, 2006 of the GEL were Rs. 4551.45 Million and Rs. 882.13 Million respectively.

GEL recorded revenue from sale of power of Rs. 4386.80 Million after rebate of Rs. 51.25 Million for the year compared to Rs. 5235.68 Million of the previous year. The revenue is lower due to lower dispatch. The expenditure on fuel was correspondingly lower at Rs.1233.78 Million. Finance Charges were higher at Rs 344.04 Million as compared to Rs.323.96 Million in the previous year on account of raising of additional loan from IDFC and increase in LIBOR rate compared to previous year.

GEL Mangalore plant has won Suraksha Puraskar Award - 2005 given by Nationl Safety Council of India in National level competition in recognition of Safety, Environment and Health performance from 2002 to 2005. As on date the plant is ISO 14001, ISO 9001 and OHSAS certified.

GMR Power Corporation Private Limited (GPCPL)

Total Revenue and Profit after tax for the Financial Year ended 31st March, 2006 of the GPCPL were Rs. 4740.64 Million and Rs. 277.27 Million respectively.

The Plant has completed its 7th year of operation. During the year, the revenue from operations increased by 21.63% to Rs. 4645.74 Millions from Rs 3819.37 Million in the previous year. Operating profits were lower by 13.63% at Rs. 1143.06 Millions as compared to Rs. 1323.52 Million in the previous year mainly due to increase in operation, repairs & maintenance expenses and certain provisions.

Also the plant has taken up activities for Quality Management System an ISO-9001 Certification.

Vemagiri Power Generation Limited (VPGL)

Vemagiri Power Project construction was started in January 2004 and as at end March 2006, the project has achieved an overall progress of 98.82%. The project commissioning is delayed mainly due to the problems related to GT and steam blowing of the pipeline. The project is likely to achieve commercial operation by July - August 2006. The completed project cost estimated at Rs. 11250 millions.

GMR Mining & Energy Private Limited (GMR Mining)

GMR Mining has been established during the year as a subsidiary of GMR Energy Limited which in turn is a subsidiary of your Company. The GMR Mining was incorporated on 23rd September, 2005 having its registered office at Bangalore in the State of Karnataka for carrying on the business of coal mining and power generation business. The operations of GMR Mining are yet to start.

GMR (Badrinath) Hydro Power Generation Private Limited (GBHPL)

A consortium consisting of the Company and its Subsidiary Company GMR Energy Limited won bid for development of 140 MW hydroelectric power plant on the river Alaknanda in the Chamoli district of the state of Uttaranchal. GBHPL is a special purpose vehicle set up for the above project. The project is under implementation.

Your Company is also seeking to enter the power trading, transmission and distribution business in India, and holds a trading license issued by the Central Electricity Regulatory Commission to undertake power trading activities.

Airport Sector

Delhi International Airport Private Limited (DIAL)

In January 2006, GMR Group consortium led by your Company was awarded a long-term agreement to operate, manage and develop the Delhi Airport following a competitive bidding process. Other members of the consortium consist of Fraport AG of Germany, Malaysia Airports Holdings Berhad and The India Development Fund. Your Company , its Subsidiaries GMR Energy Limited and GVL Investments private Limited hold 30.1%, 10% and 9% Equity Shares respectively of DIAL. Subsequently, Delhi International Airport Private Limited (DIAL), entered into an Operation, Management and Development Agreement (OMDA), on April 4, 2006 with the Airport Authority of India (AAI) and received control of the operation and development on May 3, 2006. The initial term of the agreement is for 30 years and is renewable for an additional term of 30 years subject to fulfillment of certain conditions.

Reliance Airport Developer (Reliance), one of the unsuccessful bidders for the modernization of Delhi Airport has filed a writ petition in the Hon'ble Delhi High Court against the order of the Government awarding the contract of modernization of Delhi Airport to the Consortium led by the GMR Group. The said Writ Petition was dismissed by the Hon'ble Delhi High Court on April 21, 2006. Reliance has filed a Special Leave Petition in the Hon'ble Supreme Court of India, against the above order of the Hon'ble High Court of Delhi and the same is pending for hearing.

GMR Hyderabad International Airport Limited

During the year, the name of the company has been changed from Hyderabad International Airport Limited to GMR Hyderabad International Airport Limited.

The year saw the company taking significant steps in implementing the project with the commencement of many major activities. The project received clearance from the Bureau of Civil Aviation Security (BCAS) in the month of June 2005. The company achieved Financial Closure in August 2005. The Communication Navigation Services - Air Traffic Management (CNS-ATM) Agreement was signed with the Airports Authority of India on 11th August 2005. Airside Landside and Passenger Terminal Building contracts were awarded to Larsen & Toubro (L&T) and China State Construction Engineering (Hong Kong) Limited respectively.

The company's website was also launched under the domain name of www.newhyderabadairport.com

Others

GVL Investments Private Limited (GVL)

GVL Investments private Limited is a non banking finance company engaged in the investment activities having its registered office at Bangalore in the state of Karnataka. Your Company acquired 100% Equity Shares of GVL in April 2006 making it a wholly owned subsidiary.

Gateways For India Airports Private Limited (Gateways)

The Gateways is a Company promoted by GMR group for business development of airports and airport infrastructure. Your Company and its subsidiary Company GVL Investments Private Limited hold 37.84% and 36.94 % respectively of the Equity Shares of Gateways.

Bonus Issue

Your company issued and allotted in the form of bonus shares on 30th September 2005, 105,774,723 equity shares of Rs. 10 each in the ratio of 2:3 by capitalization of free reserves to the extent of Rs.1057.7 Million. With this bonus issue of shares the paid up capital of the company stands increased to Rs 2644.37 Million.

Private Placement of Equity shares of the Company

The members in the Extra ordinary General Meeting of the Company held on 19th April, 2006 and 25th April, 2006 had approved the issue of 33538168 Equity Shares of Rs. 10 each of the Company by way of preferential allotment to private investors. Of these shares your Company has privately placed 28510206 equity shares of Rs. 10 each, of the Company with the following investors by way of preferential allotment

1. India Development Fund - 11737404 Equity Shares at Rs. 85.20 per Share including Premium of Rs.75.20 per Share.
2. ICICI Trusteeship Services Limited - 9578544 Equity Shares at Rs. 261 per Share including Premium of Rs.251 per Share.
3. Quantum (M) Limited 2490555 Equity Shares at Rs. 270 per Share including Premium of Rs.260 per Share
4. Punjab National Bank -1000000 Equity Shares at Rs. 270 per Share including Premium of Rs.260 per Share.
5. Citigroup Venture Capital International Mauritius Limited - 3703703 Equity Shares at Rs. 270 per Share including Premium of Rs.260 per Share.

IPO of Equity Shares of the Company

The members in their Extra ordinary General Meeting held on 28th February, 2006, had approved the issuance of up to 13,50,00,000 Equity Shares of the Company by Initial Public Offer and / or Private placement basis. Of these shares, the company has already privately placed 2,85,10,206 shares as detailed above and proposes to issue 3,81,36,980 Equity shares of Rs. 10 of the Company each through the 100% book building process. The issue will constitute 11.52.% of the fully diluted post issue Paid-up capital of the Company. The draft Red herring Prospectus of the Company was filed with Securities and Exchange Board of India (SEBI) and the Bombay Stock Exchange Limited (BSE) and National Stock Exchanges for their observations on 2nd May, 2006 and the company has received observations of SEBI thereon on 5th June, 2006. The Equity Shares are proposed to be listed on the Bombay Stock Exchange Limited, Mumbai ("BSE") and the National Stock Exchange of India Limited ("NSE") and the Company has received in-principle approvals from these Stock Exchanges for the listing of its Equity Shares.

Subsidiary Companies

With a veiw to achieve consolidation of all infrastructure business of the Group under the control of the company and also to achieve operational synergy, the shareholding of certain group companies has been restructured. Consequently, a few more companies have become subsidiaries of the company during the year and also after the closure of the Financial Year. The company has also increased shareholding in its subsidiaries, GMR Energy Limited from 84.89% to 99.99% following the acquisition of 15.10% holding from India Development Fund. The List of all the subsidiaries of your company is presented below:

The Subsidiaries as on 31st March 2006:

1. GMR Energy Limited
2. GMR Power Corporation Private Limited
3. Vemagiri Power Generation Limited
4. GMR Mining & Energy Private Limited
5. GMR Tambaram - Tindivanam Expressways Private Limited
6. GMR Tuni - Anakapalli Expressways Private Limited.
7. GMR Ambala - Chandigarh Expressways Private Limited
8. GMR Jadcherla Expressways Private Limited
9. GMR Pochanpalli Expressways Private Limited
10. GMR Hyderabad International Airport Limited

New subsidiaries after 31st March 2006:

11. Delhi International Airport Private Limited
12. Gateways for India Airports Private Limited
13. GVL Investments Private Limited.
14. GMR Ulundurpet Expressways Private Limited
15. GMR (Badrinath) Hydro Power Generation Private Limited

The statement pursuant to section 212 of the Companies Act, 1956 containing details of subsidiaries of your Company as on 31st March 2006 is provided in the Annexure.

Consolidated Financial Statements

The audited consolidated Financial Statements of the company and its subsidiaries prepared in accordance with Accounting Standard - AS 21 issued by the Institute of Chartered Accountants of India are attached.

Directors

Mr. G B S Raju and Mr. K. Balasubramanian, Directors retires by rotation and being eligible offers themselves for re- appointment.

Mr. G. M. Rao, Chairman, was appointed as Chairman and Managing Director by the Board of Directors with effect from 2nd September, 2005 for a period of five years subject to approval of the members. The Board recommends his appointment for approval.

Mr. Arun K Thiagarajan, Mr. K R Ramamoorthy, Dr. Prakash G. Apte, Mr. R S S L N Bhaskarudu, Mr. Udaya Holla and Mr. Uday M Chitale were appointed as additional Directors of the Company on 2nd September 2005. Mr. Luis Miranda and Mr. T R Prasad were appointed as additional Directors on 14th April 2006 and Mr. P B Vanchi was appointed as additional Director on 13th May 2006. All these Directors hold office till the date of the Annual General Meeting of the Company. The Company has received notices under Section 257 of the Companies Act, 1956 from shareholders proposing their appointments as Directors of the Company at the ensuing Annual General Meeting. The Board recommend the appointment of above Directors.

Mr. G.B.S. Raju, Group Director was appointed as Group Chief Financial Officer by the Board of Directors with effect from 25th April, 2006. The Board recommends his appointment for approval.

The professional background of the above directors is given in the notice of the Annual General Meeting.

Mr. K.V.K. Seshavatharam, resigned as a Director from the Board with effect from 2nd September, 2005. Mr. I.V. Srinivas Rao, resigned as a Manager cum Company Secretary with effect from 2nd September, 2005. Board placed on record, its appreciation for the services rendered by them during their tenure.

Directors' Responsibility Statement

Pursuant to the requirement under Section 217 (2AA) of the Companies Act, 1956 with respect to Directors' responsibility Statement, it is hereby confirmed:

1. That in the preparation of the annual accounts for the year ended March 31, 2006 the applicable accounting standards have been followed and proper explanations were provided for material departures if any.
2. that the Directors have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as at the end of the financial year and of the profit of the company for the year.
3. That the Directors had taken proper and sufficient care for maintenance of adequate accounting records in accordance with the provisions of Companies Act, 1956 for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities.
4. That the Directors had prepared the accounts for the financial year ended 31st March, 2006 on a going concern basis.

Corporate Governance

As on date, the Shares of the Company are not listed on any Stock Exchanges, even then the Company has voluntarily implemented the Code of Corporate Governance suggested by SEBI / Stock Exchanges for Listed Companies, in pursuit of the best practices in this regard. A separate section on the Corporate Governance practices followed by your Company is set out in the annexure forming part of this report.

Management Discussion and Analysis Report (MDA)

The MDA on the operations of the Company is annexed to this report.

Auditors

M/s Price Waterhouse, Chartered Accountants retire at the conclusion of the ensuing Annual General Meeting of the Company. They have offered themselves for reappointment as statutory auditors and have confirmed that their appointment, if made, would be within the prescribed limits under section 224 (1-B) of the Companies Act, 1956.

The Notes to Accounts forming part of the financial statements are self-explanatory and need no further elaboration. There are no qualifications or adverse remarks in the Auditors' Report which require any clarification / explanation.

Conservation of Energy, Technical Absorption and Foreign Exchange Earnings, and outgo:

The Particulars as required under sub-section (1) (e) of section 217 of the Companies Act, 1956, read with the Companies (Disclosure of particulars in the report of Board of Directors) Rules, 1988, are set out in the annexure "A" included in this report.

Particulars of Employees

The Particulars as required under Section 217 (2A) of the Companies Act, 1956 read with Companies (Particulars of Employees) Rules, 1975, are set out in the annexure "B" included in this report.

Fixed Deposits

During the year under review, the Company had not accepted any deposits from public.

Acknowledgements

The Directors express their appreciation of the valuable support and co-operation received from the Bankers of the Company, Life Insurance Corporation of India, General Insurance Corporation of India, Infrastructure Leasing & Financial Services and Industrial Development Finance Company Limited and UTI Bank Limited.

Your Directors place on record their sincere appreciation of the contributions made by the employees of the Company and its Subsidiaries at all levels through their hard work, dedication, solidarity and support.

For and on behalf of the Board

G. M. Rao
Chairman

Place : Bangalore
Date : July 12, 2006

Annexure "A" To The Directors' Report

Information pursuant to Section 217(1) (e) of the Companies Act, 1956 read with the Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules 1988 as amended and forming part of the Directors' Report for the year ended March 31, 2006.

1. ***Conservation of energy and technology absorption:***

   Since the company is not engaged in any manufacturing activity the particulars are not applicable.

2. ***Foreign Exchange earnings or outgo in Foreign Exchange during the period:***

   The particulars relating to Foreign Exchange Earnings or outgo in foreign exchange incurred during the period are:

   i) There was no foreign exchange earning during the year.

   ii) The details of foreign exchange outgo are as shown below:

(a) Towards Expenses:

	As at 31st March 2006 (Rs. In Million)	As at 31st March 2005 (Rs. In Million)
Traveling Expenses	2.19	0.32
Professional Charges	7.29	6.47
Others	2.91	Nil

(b) Other Remittances: Nil

For and on behalf of the Board

G. M. Rao
Chairman

Place : Bangalore
Date : July 12, 2006

Annexure "B" To The Directors' Report

Name and Age	Designation and Nature	Remuneration received (Rs.)	Qualification and Experience (in years)	Date of joining	Particulars of last employment

(A) Employed through out the year and were in receipt of remuneration aggregating not less than Rs. 24 lacs per annum.

NIL

For and on behalf of the Board

Place : Bangalore
Date : July 12, 2006

G. M. Rao
Chairman

Statement Pursuant to Section 212 of the Companies Act, 1956 relating to Subsidiary Companies as at 31st March, 2006

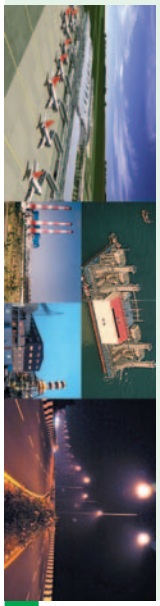
(Rs. in Millions)

	Name of Company	GMR Energy Ltd (GEL)	GMR Power Corporation (P) Ltd (GPCPL)	Vemagiri Power Generation Ltd (VPGL)	GMR Mining & Energy Private Ltd (GMEPL)	GMR Tambaram-Tindivanam Expressways Private Ltd * (GTTEPL)	GMR Tuni-Anakapalli Expressways Private Ltd * (GTAEPL)	GMR Ambala-Chandigarh Expressways Private Ltd (GACEPL)
1	Financial Year of Subsidiary	1st April 2005 to 31st March 2006	1st April 2005 to 31st March 2006	1st April 2005 to 31st March 2006	1st April 2005 to 31st March 2006	1st April 2005 to 31st March 2006	1st April 2005 to 31st March 2006	14th July 2005 to 31st March 2006
2	Date from which they became subsidiary Companies.	10.01.2000	30.3.2004	17.12.2003	25-10-2005	30-09-2005	30-09-2005	09/09/2005
3	Shares of the Subsidiary held by GMR Infrastructure Limited on the above date							
	a) Number and Face Value	276,826,898 Equity shares held by GIL & Rs. 2768,268,980	126,225,000 Equity shares held by GEL & Rs. 1262,250,000	195,115,010 Equity shares held by GEL & Rs.1951,150,100	17,800 Equity shares held by GEL & Rs.1,78,000	5,10,000 Equity shares held by GPCPL & Rs.51,00,000 ; 130,000 Equity shares held by GEL & Rs.13,00,000 ; 100,000 Equity shares held by GIL & 10,00,000	5,10,000 Equity shares held by GPCPL & Rs.51,00,000 ; 130,000 Equity shares held by GEL & Rs.13,00,000 ; 100,000 Equity shares held by GIL & 10,00,000	5,100 Equity shares held by GEL & Rs.51,000 ; 4,800 Equity shares held by GIL & Rs.48,000
	b) Extent of Holding	84.89%	51.00%	100.00%	89.00%	74.00%	74.00%	99.00%
4	Net Aggregate amount of profit of the Subsidiary for the above Financial Year so far as it concerns members of GMR Infrastructure Limted for the year ended 31st March 2006							
	Dealt with in the accounts of GMR Infrastructure Limted for the year ended 31st March 2006	521.70	Nil	Nil	Nil	Nil	Nil	Nil
	Not dealt with in the accounts of GMR Infrastructure Limted for the year ended 31st March 2006	227.23	120.06	Nil	Nil	20.86	5.90	Nil
5	Net Aggregate amount of profit for the previous Financial Year of the Subsidiary since it became subsidiary so far as it concerns members of GMR Infrastructure Limted							
	a) Dealt with in the accounts of GMR Infrastructure Limted	442.92	Nil	Nil	NA	NA	NA	NA
	b) Not dealt with in the accounts of GMR Infrastructure Limited	358.60	157.43	Nil	NA	NA	NA	Nil

Statement Pursuant to Section 212 of the Companies Act, 1956 relating to Subsidiary Companies as at 31st March, 2006

(Rs. in Millions)

	Name of Company	GMR Jadcherla Expressways Private Limited (GJEPL)	GMR Pochanpalli Expressways Private Limited (GPEPL)	GMR Hyderabad International Airport Limited (GHIAL)
1	Financial Year of Subsidiary	18th October 2005 to 31st March 2006	18th October 2005 to 31st March 2006	1st April 2005 to 31 st March 2006
2	Date from which they became subsidiary Companies.	18 th November 2005	18 th November 2005	26 th September 2003
3	Shares of the Subsidiary held by GMR Infrastructure Limited on the above date a) Number and Face Value	5,100 Equity shares held by GIL & Rs. 51,000 ; 1,000 Equity shares held by GEL & Rs.10,000	5,100 Equity shares held by GIL & Rs. 51,000 ; 1,000 Equity shares held by GEL & Rs.10,000	36,995 Equity shares held by GIL & Rs. 3,69,950
	b) Extent of Holding	61.00%	61.00%	63.00%
4	Net Aggregate amount of profit of the Subsidiary for the above Financial Year so far as it concerns members of GMR Infrastructure Limted for the year ended 31st March 2006			
	Dealt with in the accounts of GMR Infrastructure Limted for the year ended 31st March 2006	Nil	Nil	Nil
	Not dealt with in the accounts of GMR Infrastructure Limted for the year ended 31st March 2006	Nil	Nil	Nil
5	Net Aggregate amount of profit for the previous Financial Year of the Subsidiary since it became subsidiary so far as it concerns members of GMR Infrastructure Limted			
	a) Dealt with in the accounts of GMR Infrastructure Limted	NA	NA	Nil
	b) Not dealt with in the accounts of GMR Infrastructure Limited	NA	NA	Nil



Creating tomorrow today

Report on Corporate Governance

1. COMPANY'S PHILOSOPHY ON CODE OF GOVERNANCE:

We at GMR believe that good Corporate Governance is a key driver of sustainable corporate growth and long-term value creation for our stakeholders. For us, Corporate Governance does not only mean ensuring compliance with regulatory requirements, it involves being responsive to aspirations of our customers and expectations of the society. In the process of achieving corporate goals, the Company has always been taking the spirit of various legislations as guiding principles and proposed to go well beyond statutory compliance by establishing such systems and procedures as are required to make the management completely transparent and institutionally sound. We are committed to upgrade our systems, processes and disclosure norms to achieve high standards of Corporate Governance. We recognize that this is a conscious and continuous process across the Organization, which enables the company to adopt best practices as we incorporate improvements based on the past experience.

2. BOARD OF DIRECTORS:

A. Composition of the Board:

As on 31st March, 2006, the Board consisted of twelve Directors. There is one Executive Director and the remaining eleven are non-executive Directors, of whom six (6) are Independent Directors. All important strategic policy matters are deliberated at the Board meetings where the role of Independent Directors is crucial. The Independent Directors are all expert professionals with high credentials who actively contribute in the deliberations of the Board. Their details are as under:

Sl.No.	Name of Director	Category	Number of other Director-ships held in other Public Limited Companies	Number of other committee Chairmanships / memberships held in other companies as on 31.03.2006	
				Chairman	Member
1.	Mr. G. M. Rao	C & M.D. Promoter	9		
2.	Mr. Srinivas Bommidala	NEPD	7		3
3.	Mr. G. B. S. Raju	NEPD	6		1
4.	Mr. G. Kiran Kumar	NEPD	5		
5.	Mr. B. V. Nageswara Rao	NEPD	9		5
6.	Mr. K. Balasubramanian	NEPD	6	1	3
7.	Mr. Arun K. Thiagarajan	NEID	9	1	5
8.	Mr. K. R. Ramamoorthy	NEID	8		1
9.	Dr. Prakash G. Apte	NEID	2		
10.	Mr. R.S.S.L.N. Bhaskarudu	NEID	5		
11.	Mr. Udaya Holla	NEID	3		
12.	Mr. Uday M. Chitale	NEID	4		1

C&MD - Chairman & Managing Director
NEPD - Non Executive Promoter Director
NEID - Non Executive Independent Director

On 14th April, 2006, Mr. T.R. Prasad (NEID) and Mr. Luis Miranda (NEID) and on 13th May, 2006, Mr. P.B. Vanchi (NEPD) were appointed as additional directors of the Company.

B. Board Meetings:

Four Board Meetings were held during the financial year ended on 31st March, 2006. These were held on 29th June, 2005, 2nd September, 2005, 9th December, 2005 and 2nd February, 2006.

C. Directors' attendance record:

The attendance of Directors at the Board Meetings held during the financial year ended 31st March, 2006 and at the previous Annual General Meeting held on 31st August, 2005 was as under.

Sl. No.	Name of the Directors	Board Meetings held during the Period of Directorship	Number of Board Meetings attended during the period 1st April, 2005 to 31st March, 2006	Whether present at the previous AGM
1.	Mr. G. M. Rao	4	3	Yes
2.	Mr. Srinivas Bommidala	4	2	Yes
3.	Mr. G. B. S. Raju	4	3	Yes
4.	Mr. G. Kiran Kumar	4	2	Yes
5.	Mr. B. V. Nageswara Rao	4	2	Yes
6.	Mr. K. Balasubramanian	4	4	No
7.	Mr. K.V.K. Seshavataram*	1	1	No
8.	Mr. Arun K. Thiagarajan**	2	2	N A
9.	Mr. K. R. Ramamoorthy**	2	2	N A
10.	Dr. Prakash G Apte**	2	2	N A
11.	Mr. R.S.S.L.N. Bhaskarudu**	2	1	N A
12.	Mr. Udaya Holla**	2	1	N A
13.	Mr. Uday M. Chitale**	2	2	N A

* Mr. K.V.K. Seshavataram Resigned from the Board with effect from 2nd September, 2005

** Appointed with effect from 2nd September, 2005

D) Code of Conduct:

As per requirement of Clause 49 of the Listing Agreement with the Stock Exchanges, the Board has voluntarily laid down a code of conduct for all Board members and senior management of the company. All Board members and senior management personnel affirm compliance with the code on an annual basis.

3. AUDIT COMMITTEE:

a) Constitution of Audit Committee:

The Board has constituted an Audit Committee in pursuance of section 292A of the Companies Act, 1956 and in order to meet the requirements of revised Clause 49 of the Listing Agreement with Stock Exchanges, the Board in its meeting held on 2nd September, 2005 has re-constituted the Audit Committee. The committee comprises of following members:

Sl. No.	Names	Capacity
1.	Mr. K.R.Ramamoorthy	Chairman
2.	Mr. Arun K. Thiagarajan	Member
3.	Mr. Udaya Holla	Member
4.	Mr. Uday M. Chitale	Member

Mr. A.S. Cherukupalli, Company Secretary & Compliance Officer of the company acts as a Secretary to the Committee.

b) Meetings and attendance during the year:

During the financial year ended on March 31, 2006, two Audit Committee Meetings were held on 29th June, 2005 and 9th December, 2005. Attendance of the Audit Committee members was as under:

Sl. No.	Name	No. of the Meetings attended
1.	Mr. B.V.Nageswara Rao*	0
2.	Mr. K. Balasubramanian*	1
3.	Mr. K.V.K. Seshavataram*	1
4.	Mr. K.R. Ramamoorthy**	1
5.	Mr. Arun Thiagarajan**	1
6.	Mr. Uday Holla**	1
7.	Mr. Uday M. Chitale**	1

* member of Audit Committee before re-constitution,.

** member of Audit Committee after reconstitution w.e.f. from 2nd September, 2005

c) The terms of reference of the Audit Committee are as under:

a. Oversight of the company's financial reporting process and the disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible.
b. Recommending the appointment and removal of external auditor, fixation of audit fee and also approval for payment for any other services.
c. Reviewing with management the annual financial statements before submission to the board, focusing primarily on;
   - Any changes in accounting policies and practices.
   - Major accounting entries based on exercise of judgment by management.
   - Qualifications in draft audit report.
   - Significant adjustments arising out of audit.
   - The going concern assumption.
   - Compliance with accounting standards.
   - Compliance with stock exchange (if listed) and legal requirements concerning financial statements
   - Any related party transactions i.e. transactions of the company of material nature, with promoters or the management, their subsidiaries or relatives etc. that may have potential conflict with the interests of company at large.
d. Reviewing with the management, external and internal auditors, the adequacy of internal control systems.
e. Reviewing the adequacy of internal audit function, including the structure of the internal audit department, staffing and seniority of the official heading the department, reporting structure coverage and frequency of internal audit.
f. Discussion with internal auditors any significant findings and follow up there on.
g. Reviewing the findings of any internal investigations by the internal auditors into matters where there is suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to the board.
h. Discussion with external auditors before the audit commences nature and scope of audit as well as have post-audit discussion to ascertain any area of concern.
i. Reviewing the company's financial and risk management policies.
j. To look into the reasons for substantial defaults in the payment to the depositors, debenture holders, shareholders (in case of non payment of declared dividends) and creditors.

4. REMUNERATION COMMITTEE:

a) Constitution of Remuneration Committee:

The Board of Directors of the company on 2nd September, 2005 has constituted the Remuneration Committee.

Remuneration Committee consisted of the following five members:

Sl. No.	Names	Capacity
1.	Mr. K.R.Ramamoorthy	Chairman
2.	Mr. G.M. Rao	Member
3.	Mr. K. Balasubramanian	Member
4.	Dr. Prakash G. Apte	Member
5.	Mr. Udaya Holla	Member

b) The terms of reference of the Remuneration Committee are as under

a. Meetings of the committee shall be held whenever matters pertaining to the remuneration payable including any revision in remuneration payable to executive /non executive Directors is to be made.
b. Payment of remuneration shall be approved by a resolution passed by Remuneration Committee.
c. All information about the Directors /Managing Directors /Whole time Directors i.e, background details, past remuneration, recognition or awards, job profile shall be considered and disclosed to shareholders
d. The committee shall take into consideration and ensure the compliance of provisions under Schedule XIII of the Companies Act, 1956, for appointing and fixing remuneration of managing directors /whole time directors .
e. While approving the remuneration, the committee shall take into account financial position of the Company, trend in the industry, qualification, experience and past performance of the appointee
f. The committee shall be in position to bring about objectivity in determining the remuneration package while striking the balance between the interest of the company and the shareholders.
g. Following disclosures on the remuneration of directors shall be made in the section on the corporate governance of the annual report.
   - All elements of remuneration package of all the directors i.e. salary, benefits, bonuses, stock options, pension etc.
   - Details of fixed component and performance linked incentives, along with the performance criteria.
   - Service contracts, notice period, severance fees.
   - Stock option details, if any - and whether issued at a discount as well as the period over which accrued and over which exercisable.

c) Attendance during the year:

No Meeting of Remuneration Committee was held during the financial year 2005-06.

d) Remuneration Policy

Remuneration of Executive Director(s) will be determined periodically by the Remuneration Committee within the permissible limits under the applicable provisions of law and is approved by shareholders. Non-Executive Directors are paid sitting fees within the limits prescribed under law.

e) Details of remuneration paid during the year ended 31st March, 2006 to the directors are furnished hereunder.

Sl. No.	Name	Salary & Commission (Rs.)	Perquisites (Rs.)	Sitting Fees (Rs.)	Total (Rs.)
1.	Mr. G. M. Rao	Nil	Nil	Nil	Nil
2.	Mr. Srinivas Bommidala	Nil	Nil	Nil	Nil
3.	Mr. G. B. S. Raju	Nil	Nil	Nil	Nil
4.	Mr. G. Kiran Kumar	Nil	Nil	Nil	Nil
5.	Mr. B. V. Nageswara Rao	Nil	Nil	Nil	Nil
6.	Mr. K. Balasubramanian	Nil	Nil	Nil	Nil
7.	Mr. K.V.K. Seshavataram	Nil	Nil	Nil	Nil
8.	Mr. Arun K. Thiagarajan	Nil	Nil	50000	50000
9.	Mr. K. R. Ramamoorthy	Nil	Nil	50000	50000
10.	Dr. Prakash G Apte	Nil	Nil	40000	40000
11.	Mr. R.S.S.L.N. Bhaskarudu	Nil	Nil	20000	20000
12.	Mr. Udaya Holla	Nil	Nil	30000	30000
13.	Mr. Uday M. Chitale	Nil	Nil	50000	50000

The Company does not have any stock option plan or performance linked incentive for the Executive Director.

5. SHAREHOLDERS / INVESTORS GRIEVANCE COMMITTEE:

a) Constitution of the Committee:

The Board of Directors in its meeting held on 14th September, 2004 had constituted a committee called 'Securities Allotment & Transfer Committee' to allot all types of securities other than debentures issued by the Company and Transfer and Transmission of securities etc. in accordance with the provisions of the Companies Act, 1956.

Composition, Name of Members of Securities Allotment & Transfer Committee were as under:

Sl. No.	Names	Capacity
1.	Mr. B. V. NageswaraRao	Chairman
2.	Mr. Srinivas Bommidala	Member
3.	Mr. G. B. S. Raju	Member
4.	Mr. K. Balasubramanian	Member

The Committee met twice during the year on 25th September 2005 and 30th September 2005 and both meetings were attended by all members.

Further the Board in its meeting held on 2nd September, 2005 had constituted the Shareholders Grievance Committee of the Board to look into the matters related to services to Shareholders of the Company.

In order to meet the requirements of clause 49 of the Listing Agreement with Stock Exchanges, the Board in its meeting held on 2nd February, 2006 has changed the name of "Shareholders Grievance Committee" to "Shareholders Transfer & Grievance Committee" and the "Securities Allotment & Transfer Committee was merged with new committee.

Composition, Name of Members of "Shareholders Transfer & Grievance Committee" is as under:

Sl. No.	Names	Capacity
1.	Mr. Udaya Holla	Chairman
2.	Mr. K. R. Ramamoorthy	Member
3.	Mr. G. B. S. Raju	Member
4.	Mr. B. V. NageswaraRao	Member

b) No Meeting of Shareholders Transfer & Grievance Committee was held during the financial year 2005-06.

c) The terms of reference of the Shareholders Transfer & Grievance Committee are as under:

a) Allotment of all types of securities to be issued by the Company.

b) Transfer, transposition and transmission of securities.

c) Issuance of duplicate shares or other securities.

d) Dealing with complaints about non-receipt of declared dividend, non-receipt of Annual Repots etc.

e) Investigate into other investors' complaints and take necessary steps for redressal thereof.

f) To perform all functions relating to the interests of Shareholders/ Investors of the Company as may be required by the provisions of the Companies Act, 1956, Listing Agreements with Stock Exchanges and Guidelines issued by SEBI or any other Regulatory Authority.

g) Authorize Company Secretary or other persons to take necessary action on the above matters.

h) Appointment and fixation of remuneration to Registrar and Share transfer Agent and Depositories and to review their performance.

No complaints were received by the company during the financial year 2005-06 from the investors.

6. MANAGEMENT COMMITTEE:

a) Constitution of Management Committee

The Board of Directors in its meeting held on 29th June 2005 has constituted a Committee named "Group Executive Council" (GEC) for taking major decisions relating to operational matters like Investments in New Projects, Financial matters, Capital Expenditures, Purchases & Contracts - Non Capital (including services), Sales and Marketing, Long Term Contracts, Stores, HR Related matters, Establishment & Administration, writing off assets etc.

Composition of Group Executive Council (GEC) was as under:

Sl. No.	Names	Capacity
1.	Mr. G.M.Rao	Chairman
2.	Mr. Srinivas Bommidala	Member
3.	Mr. G. B. S. Raju	Member
4.	Mr. G. Kiran Kumar	Member

Further, in order to achieve the operational convenience, the Board of Directors at their meeting was held on 2nd February, 2006 has changed the name of GEC as Management Committee and reconstituted committee comprises of following members as on 31st March, 2006:

Sl. No.	Names	Capacity
1.	Mr. G.M.Rao	Chairman
2.	Mr. Srinivas Bommidala	Member
3.	Mr. G. B. S. Raju	Member
4.	Mr. G. Kiran Kumar	Member
5.	Mr. B.V.Nageswara Rao	Member
6.	Mr. K. Balasubramanian	Member
7.	Mr. P.B.Vanchi*	Member

* appointed as member in the Board meeting held 13th May, 2006

b) The terms of reference of the Management Committee are as under:

Decision making relating to operational matters like Investments in New Projects, Financial matter, Capital Expenditure, Purchases & Contracts - Non Capital(including services), sales and marketing, Long Term Contracts, Stores, HR Related, Establishment & Administration, writing off assets ect.

Decisions making relating to IPO matters like quantum of issue, issue price, appointment of lead managers and other intermediaries, Registrars to the issue, Bankers to the issue, listing of shares, execution of all the document pertaining to IPO etc.

c) Attendance of members of Management Committee during the year:

During the financial year ended on March 31, 2006, one Management Committee meeting was held on 10th February, 2006 the attendance of members were as under:

Sl. No.	Name	No. of the Meetings attended
1.	Mr. G.M.Rao	1
2.	Mr. Srinivas Bommidala	1
3.	Mr. G.B.S. Raju	1
4.	Mr. G. Kiran Kumar	0
5.	Mr. B.V.Nageswara Rao	1
6.	Mr. K. Balasubramanian	1
7.	Mr. P.B.Vanchi	N.A.

7. DEBENTURES ALLOTMENT COMMITTEE:

The Board of Directors in its meeting held on 14th September, 2004 had constituted a committee called 'Debentures Allotment Committee' for the purpose of issuance and allotment of Debentures on such terms and conditions as may be prescribed from time to time in this regard.

b) Composition, Name of Members of Debentures Allotment Committee is as under:

Sl. No.	Names	Capacity
1.	Mr. Srinivas Bommidala	Member
2.	Mr. G.B.S. Raju	Member
3.	Mr. B.V.Nageswara Rao	Member
4.	Mr. K. Balasubramanian	Member

c) Attendance of members of Debentures Allotment Committee during the year:

No Meeting of Debentures Allotment Committee was held during the financial year 2005-06.

8. GENERAL BODY MEETINGS:

a) The last three Annual General Meetings of the Company were held as under.

Financial Year	Date	Venue	Time
2004-2005	31.08.2005	25/1, Skip House, Meseum Road, Bangalore	11.00 A.M.
2003-2004	25.06.2004	6-3-866/1/G2, Greenlands, Begumpet, Hyderabad	11.00 A.M.
2002-2003	30.09.2003	6-3-866/1/G2, Greenlands, Begumpet, Hyderabad	11.00 A.M.

b) The company has passed the Special Resolution at its Annual General Meeting held on 31.8.2005 for alteration of Objects Clause of the Memorandum of Association of the company.

9. DISCLOSURES:

a) Disclosures on materially significant related party transactions i.e., transactions of the company of material nature, with its promoters, the directors or the management, their subsidiaries or relatives, etc., that may have potential conflict with the interests of Company at large.

The transactions with related parties are mentioned at page Nos 105-107 in the Annual Report. None of the transactions with related parties are in conflict with interest of company.

b) Details of non-compliance by the Company, penalties, strictures imposed on the Company by Stock Exchange or SEBI or any statutory authority, on any matter related to capital markets, during the last three years. **NIL**

10. MEANS OF COMMUNICATION.

The company has been sending Annual Reports, Notices and other communications to each household of shareholders through post and courier modes.

11. GENERAL SHAREHOLDER INFORMATION:

a) Financial Calendar

Financial Year : 1st April to 31st March

b) Dividend Date

Board has not recommended any dividend.

c) Listing on Stock Exchanges

The Company's Shares are not listed on any Stock Exchange as on date, however after the proposed IPO of the equity shares of the company, the shares will be listed on the following Stock Exchanges.

Name of the Stock Exchange	Address
The National Stock Exchange	Exchange Plaza,Plot no. C/1, G Block, Bandra-Kurla ComplexBandra (E)Mumbai - 400 051.
The Bombay Stock Exchange	Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai - 400 001

The Debentures issued by the company are listed at the Bombay Stock Exchange.

d) Stock Data:

Since the shares are not listed as on the date on any stock exchange. Hence, stock data is not applicable.

e) Registrar & Share Transfer Agents (RTA)

With effect from 7th June 2006 , M/s Karvy Computershare Private Limited has been appointed as RTA of the Company for handling the work related to both Physical and Demat Shares of the Company. Their contact address is as under

Karvy Computershare Private Limited,
8-2-612/A, Road No. 1, Banjara Hills, Hyderabad - 500 034.
Telephone No. 040-23420832

f) Share Transfer Procedure

Presently, the share transfers which are received in physical form are processed and the share certificates are returned within a period of 7 days from the date of receipt, subject to the documents being valid and complete in all respects. The Board of Directors of the company has delegated powers of approving transfers of securities to the Shareholders Transfer & Grievance Committee. The Committee has authorized each member of the Committee to approve the transfer of shares up to 20000 shares per transfer deed and Company Secretary and other Specified Executives of the company to approve the transfer of shares upto 10000 shares per transfer deed.

g) Distribution of shareholding as on 31st March, 2006

Number of Shares	Total No. of shareholders	Total % of Col (2)	Total No. of Shares	Total % of Col (4)
(1)	(2)	(3)	(4)	(5)
1 - 500	6	85.71	1163	0.0001
501 - 1000	NIL	N A	NIL	N A
1001 - 2000	NIL	N A	NIL	N A
2001 - 3000	NIL	N A	NIL	N A
3001 - 4000	NIL	N A	NIL	N A
4001 -5000	NIL	N A	NIL	N A
5001 - 10000	NIL	N A	NIL	N A
10001 and above	1	14.29	264435651	99.999
TOTAL	**7**	**100.00**	**264436814**	**100.00**

h) Dematerialisation of shares and liquidity

The Company's shares are available for dematerialization in both the Depositories i.e, National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL). 99.99% of shares have been dematerialized as on 31.03.2006.

ISIN: INE 776C01013

i) Outstanding GDRs/ADRs/Warrants or any Convertible instruments, conversion date and likely impact on equity.

Not Applicable

j) Investor Correspondence:

Registered Office Address:

25/1, Skip House, Museum Road, Bangalore
Tel Phone No. +91 80 22070100
Tel Fax No. +91 80 22998118
Web site : www.gmrgroup.co.in

Company Secretary & Compliance Officer

Mr. Adiseshavataram Cherukupalli
25/1, Skip House, Museum Road, Bangalore.
Tel Phone No. +91 80 22070100
Tel Fax No. +91 80 22998118
E-mail: Adiseshavataram.Cherukupalli@gmrgroup.co.in

CEO / CFO CERTIFICATION

To the Board of Directors,

GMR Infrastructure Limited

We hereby certify that:

a) We have reviewed financial statements and the Cash Flow Statement of the company for the year 2005-06 and to the best of our knowledge and belief:

   i) these statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading;

   ii) these statements together present a true and fair view of the company's affairs and are in compliance with existing accounting standards, applicable laws and regulations.

b) There are, to the best of our knowledge and belief, no transactions entered into by the company during the year which are fraudulent, illegal or violative of the company's code of conduct.

c) We accept responsibility for establishing and maintaining internal controls and that we have evaluated the effectiveness of the internal control systems of the company and we have disclosed to the auditors and the Audit Committee, deficiencies in the design or operation of internal controls, if any, of which we are aware and the steps we have taken or propose to take to rectify these deficiencies.

d) We have indicated to the auditors and the Audit Committee:

   i) Significant changes in internal control during the year; and

   ii) Significant changes in accounting policies during the year and that the same have been disclosed in the notes to the financial statements;

For GMR Infrastructure Limited
G.M. Rao
Chairman & Managing Director

For GMR Infrastructure Limited
G.B.S. Raju
Group Director &
Group Chief Financial Officer

Place : Bangalore
Date : July 12, 2006

Management's Discussion and Analysis Report

ABOUT US

We are a major power and infrastructure group in India having substantial experience in the development and operation of power plants and road projects. As of the date, we generate revenues through power business, road business and airport business. Our power business currently derives revenues from two power projects, 220MW naphtha-fired power plant in Mangalore in the State of Karnataka and 200MW diesel-fired power plant in Chennai in the state of Tamil Nadu. Our road business currently derives revenues from two annuity road projects, which consist of 59 km. stretch on the Chennai-Kolkatta (NH-5) highway, and 93 km. stretch on the Chennai-Dindigul (NH-45) highway. Our airport business currently derives revenues from an international airport in New Delhi.

GMR Infrastructure Ltd. is a holding company which conducts all of its business operations through its subsidiaries. Consequently, the revenues of the company on a non-consolidated basis will principally comprise of dividends and other distributions received from its subsidiaries and associates. The Company intends to pursue a policy of distributing a portion of our profits through dividends, subject to, among other things, our financial performance and financial position.

INDUSTRY STRUCTURE AND DEVELOPMENTS

In 1991, the Government of India initiated a series of comprehensive macroeconomic and structural reforms to promote economic stability and growth. The key policy reforms initiated by the Government were focused on implementing fundamental economic reforms, deregulation of industries, accelerating foreign investment and pushing forward a privatization program for disinvestment in public sector units. Consequent to the reform's program, India's economy registered robust growth with an average real GDP of 6.0% during the period fiscal 2000 to fiscal 2006.

Recent Developments in Power Sector

The Government has announced the National Electricity Policy which aims at accelerated development of the power sector providing supply of electricity to all areas. The Government has also issued guidelines for Competitive Bidding for determination of tariff for procurement of power by distribution licensees as provided under the Electricity Act 2003. Additionally, the Government has notified the National Tariff Policy (NTP) in January 6, 2006. NTP has given a fillip to power reforms by outlining guidelines for multi-year tariffs, rate of return for generation and transmission projects, tariff modalities for utilities, subsidy to consumers and cross subsidy calculations. The objectives of the tariff policy are :

- Ensure availability of electricity to consumers at reasonable and competitive rates
- Ensure financial viability of the sector and attract investments
- Promote transparency, consistency and predictability in regulatory approaches across jurisdictions and minimise perceptions of regulatory risks
- Promote competition, efficiency in operations and improvement in quality of supply.

Organisation and regulation of the electricity industry

The Electricity Act, 2003 provides statutory framework for regulation of electricity in India. There is also state-level legislation in the power sector in a number of states, including Andhra Pradesh, Haryana, Karnataka, Orissa, Rajasthan and Uttar Pradesh.

In India, control over the development of the power industry is shared between the Central and the State Governments. The Ministry of Power and Environment is the highest authority governing the power industry in India. The Central Electricity Authority (CEA), a statutory organisation constituted under the Supply Act, is the technical branch of the Ministry of Power and Environment assisting in technical, financial, economic and planning matters relating to the electricity industry.

The Central Electricity Regulatory Commission (CERC) constituted under the ERC Act is an independent statutory body with quasi-judicial powers. Its main functions include the formulation of policy and the framing of guidelines with regard to electricity tariffs. Subsequently, 24 states have constituted SERCs and 18 have issued tariff orders in the direction of rationalizing the tariffs. The SERCs are engaged in regulating the purchase, distribution, supply and utilisation of electricity, tariff and charges payable, as well as the quality of service.

Future Capacity Additions

The Government adopts a system of successive Five Year Plans that set out targets for economic development in various sectors, including the power sector. Each successive Five Year Plan has increased power generation capacity by enhancing targets. The Ninth Plan targeted a capacity addition of 40,245 MW, of which 24.4% was to come from hydro capacity, 73.4% was to come from thermal capacity, and 2.2% was to come from nuclear capacity. The Ministry of Power estimates indicate that only 19,015 MW, or 47% of the planned capacity addition, were made in the aggregate during the Ninth Plan. The target for capacity addition has been set at 41,110 MW under the Tenth Plan, as described below:

Xth Plan Status* (As on April 3, 2006) (in MW)

Agency	Target	Commissioned	Under Execution	Overall Capacity Addition now Anticipated
Central	22,832	8,325	8,900	17,225
State	11,157	4,481	7,410	11,901
Private	7,121	1,379	3,520	4,899
	41,110	14,185	19,830	34,025

* *Including 2,520 MW nuclear projects under construction. (Source: Ministry of Power website)*

* *Source: CEA, Annual review of Power Sector 2005.*

The likely achievement in capacity addition for the Xth plan (2002-2007) is estimated at 34000 MW. That means the capacity addition for the Xth plan to exceed the capacity addition during the VIIIth (16,400 MW) and the IXth plan (19,015 MW). Additionally, the Government has set an ambitious target of providing "Power for All" during the Tenth and Eleventh Plans by adding around 100,000 MW of generation capacity by 2012.

Private power players in India

The private sector in India for generation is dominated by Tata Power and Reliance Energy. Tata Power, with generation capacity of 2,278MW, has thermal assets in Trombay, Maharashtra; Belgaum and Wadi, Karnataka; and Jojobera, Jharkhand. It also has three hydropower plants in Maharashtra at Khopoli, Bhivpuri and Bhira.

Reliance Energy has 500 MW coal-based power plant at Dahanu, Maharashtra, and 220MW naptha-based plant at Samalkhot in Andhra Pradesh, 165 MW plant in Kerala and 48MW plant in Goa.

GMR Group with a combined generation capacity of 420MW and an additional 389 MW plant to be commissioned soon is another private-sector player with substantial capacity.

In Transmission & Distribution, Tata Power and Reliance Energy, again, dominate with almost 60% of the sales by the private sector players, as shown by the following table. The remaining is split between CESC and Torrent Power.

Player	Power Sales (2003-04) Million kWh	(%)
Tata Power	9,358	33%
Reliance Energy	7,691	27%
CESC	5,718	21%
Torrent Power (SEC and AEC)	5,459	19%

Source: CRISINFAC

The Road Sector in India

India has one of the largest road networks in the world comprising about 3.3 million kilometers. For the purpose of management and administration, roads in India are divided into the following categories: (1) National Highways (NH) which are intended to facilitate medium and long distance inter-city/state passenger and freight traffic across the country (2) State Highways (SH) which are supposed to carry the traffic along major centres within the State (3) Major District Roads (MDR) having the secondary function of linkage between main roads and rural roads and (4) Other District Roads and Village Roads provide villages accessibility to meet their social needs as also the means to transport agriculture produce from village to nearby markets.

Indian Road Network	Kms
National Highways	65,569
State Highways	131,899
Major District Highways	467,763
Rural and Other Roads	2,650,000
Total Length (approximate)	**3,300,000**

Source: NHAI Website: www.nhai.org

Roads form the most common mode of transportation and accounted for about 85% of passenger traffic and 70% of freight, making it the main artery for commuting across the country. The shares have improved significantly from 32% of passenger traffic and 12% of freight as of 1950-51. The National Highways, which account for 65,569 kms of network (i.e. less than 2 % of the total road network), carry nearly 40% of the total road traffic. The growth has been both in quantitative and qualitative terms. Road length of National Highways has increased from 22,255 km in 1951 to 65,569 km in December 2004. The traffic on the Indian roads, more specifically the National Highways traffic, has been growing at a very rapid pace at 7% to 10% per annum and is expected to continue to grow in the future.

Out of 65,569 kms of NH network, only 9% of the total length was four-lanes, 56% two-lanes and 35% being single-lane only. The need for expansion and improvement of roads in India is widely recognized due to the usage cost for vehicles (including fuel and maintenance) which is 20% higher due to poor road conditions. Also, the average distance covered on highways per day in India is significantly lower than developed countries. In addition, a large number of traffic deaths each year are attributable to poor and choked road conditions.

Development and Management of Roads

Responsibility for the development and maintenance of National Highways rests with the Central Government authorities, while the mainteance of all other roads are the responsibility of the concerned State Governments and the local state bodies. To give a boost to the development of National Highways, a National Highways Authority of India (NHAI) has been setup to implement important projects.

National Highways Authority of India (NHAI)

The National Highways Authority of India was constituted by, the National Highways Authority of India Act 1988. Its primary mandates are time and cost bound implementation of National Highways Development Project (NHDP) through host of funding options including tax revenues, fuel cess, government borrowings, private participation, external multilateral agencies like World Bank, Asian Development Bank and others. Some of its other key functions include improvement, maintenance and augmentation of the existing National Highways network and implementation of road safety measures and environmental management. It is also actively involving the private sector in financing the construction, maintenance & operation of National Highways and wayside amenities.

Funding for Road Projects

Private participation for National Highway Development Projects

NHAI has offered projects on 'build, operate and transfer' basis (BOT) to concessioner to promote private investments in roads and highways. Under such concessioner aggrement, the concessioner invests in building the road and maintaining it for up to 30 years, and then transfers it back to the NHAI at zero cost. A BOT project may be of one of these three kinds:

Toll-based: The concessioner recovers its costs and earns its revenues by collecting toll on the route. Hence, the concessioner takes the risk of traffic volume and toll rates and his returns are linked to the collections. The developer can either opt for a positive grant from NHAI (which is currently capped up to 40% of project cost as estimated by NHAI) or bid for a negative grant The bidding variable for such projects is the grant amount (either positive or negative)

Annuity: The contractor receives periodic payments on a yearly or six-monthly basis from the government, for a period of up to 15 years. The contractor has to maintain the road for this period, and then transfer it to the government at zero cost. In this system, the government/NHAI collects toll and the contractor's returns are independent of traffic volumes or toll rates. The bidding variable for such projects is the amount of annuity quoted.

Grant: This variant is a hybrid of the toll-based and annuity systems: the government pays a capital grant to make up for the difference between the BOT operator's return expectation, and toll revenue. The grant is capped at 25% to 40% of the required funds, and may be either a one-time payment, or spread over up to ten years, depending on the project. The bidding variable for such projects is the amount of the capital grant.

Levies on Petrol and Diesel and the Central Road Fund

To meet the challenges of accelerated funding requirements for all categories of roads in India, the Union Budget for the year 1998-1999 provided for a levy of cess on petrol and diesel to the tune of Rupee 1 per litre. Further the cess on petrol and diesel has been increased by Rupee. 0.50 in the year 2003 and further Rupee 0.50 in the year 2004.The revenue generated was decreed by the Indian Parliament to be put aside in a Central Road Fund exclusively to finance the development of all categories of roads. This fund was given statutory status by the Central Road Fund Act, enacted in December 2000.

Loan assistance from international funding agencies

Loan assistance is available from multilateral development agencies like Asian Development Bank (ADB) and World Bank (WB) or other overseas lending agencies like Japanese Bank of International Co (JBIC).

Market borrowing

NHAI proposes to tap the market by issuing bonds and loans from LIC.

Policy Initiatives for Attracting Private Investment

Government has taken several initiatives to encourage private investment in roads. Some of the key initiatives are as follows:

- Government to carry out initial preparatory work including land acquisition and utility removal. Right of way to be made available to concessionaires free from all encumbrances.
- NHAI / GOI may provide capital grant up to 40% (maximum) of project cost to enhance viability on a case to case basis
- Tax benefits under Sec 80(IA)
- Concession period is generally allowed up to a maximum 20 years
- Duty free import of specified modern high capacity equipment for highway construction
- Government of India has approved 100% foreign direct investments for road and highway construction through the automatic route
- Planning Commission, NHAI and MORTH have initiated steps to modify the concession agreement to mitigate the traffic risks of toll based projects - concession agreement will be extended or reduced based on actual traffic

Civil Aviation Sector

India now has the fourth largest economy in the world but for an economy of this size, use of air travel is extremely low. With increasing evidence of air transport liberalization in India, there is great interest on the part of airlines and airport operators and also a widespread consensus that the potential for growth in the Indian air transport market - both domestically and internationally - is enormous.

One of the major reasons, which could explain the sluggish growth realized in the Indian market, is the poor infrastructure. This includes unreliable power sources, lack of hotels, severe congestion on roads and inadequate airport facilities. Although, there is a vast railway network and more than 5 billion journeys are taken by rail in India each year, the railway network requires significant investment. Although there have been plans to improve the rail links for the "Golden Quadrilateral", these are yet to be implemented. Perversely, the poor rail / road infrastructure also offers opportunities for domestic airline operators. Given the difficulty of traveling around the country, airlines able to offer low fares across a network of air services between regional cities and the largest conurbations would have a potentially large market.

There are 449 airports and airstrips in India of which Airport Authority of India (AAI) owns and manages 126 airports, including 12 international airports (including civil enclaves at Bangalore, Goa and Srinagar), 88 domestic airports and 26 civil enclaves at defence airfields (excluding Bangalore, Goa and Srinagar).

Airport Businesses and Activities

The principal activities undertaken at an airport are as follows:

- Airport operations - revenue under this category comprises landing, parking and housing charges and passenger service fees

- Commercial operations - this largely relates to trading concessions at the airport
- Cargo operations - revenue under this category is earned from the processing of international cargo
- Property development and management operations - revenue under this category is primarily rent for land/area leased out, and, services rendered, to airlines and various 3rd parties.

Economic Growth will boost Aviation

There are indications that the Indian economy is in the early stages of a significant structural change with the following key trends evident:

- higher private consumption driven by the growth of greater value-added services and the creation of a sizeable middle class;
- low interest rates and change in demographics;
- higher investment driven by public investment in roads and railways and private investment spurred by policy changes in the ports and power sector; and
- higher net exports driven by exports / outsourcing of information technology, pharmaceuticals, automobiles, auto parts and textiles.

Given the good economic prospects and the direct positive influence between economic growth and growth in air transport demand, it is assessed that the economy will play a major role in the development of air transport in India.

Recent Developments in the Aviation Industry

Naresh Chandra Committee Report - Road map for the civil aviation sector:

In July 2003, the Ministry of Civil Aviation set up a five-member committee under the chairmanship of Mr. Naresh Chandra, an eminent former bureaucrat, to prepare a comprehensive roadmap for the promotion of Indian civil aviation sector that will provide the basis for a new National Civil Aviation Policy. The Committee held detailed consultations with airlines, chambers of commerce, the travel and tourism industries and the public, and studied representations received from them. The Committee submitted the first part of its report in December 2003, which recommended certain structural changes to strengthen the aviation sector and make air travel more affordable.

The Committee's recommendations included the following:

Allow domestic private airlines to provide international air transport services to and from India.

- Reduce excise duty and sales tax on ATF.
- Rationalize IATT (Indian Air Travel Tax), FTT (Foreign Travel Tax) and PSF (Passenger Service Fee).
- Enable private sector oil companies to sell ATF at airports.
- Removal of minimum fleet size (five aircraft) and capital requirements (Rs.100 million) for setting up operations.
- Privatization of Indian Airlines and Air India.
- Increase the limit of foreign investment in an airline from 40% to 49% and permitting foreign airlines to invest in Indian air carriers.
- Allow foreign investment up to 100% in non-scheduled services such as chartered aircraft and helicopter services.
- Airport charges to be reduced in line with international levels and reduction in route navigation and landing charges.
- Corporatization of Air Traffic Control.
- Setting up of an Aviation Economic Regulatory Authority ("AERA").

The second part of the Naresh Chandra Committee Report which deals with the implementation of the proposed roadmap has been presented to the Government in October 2004. This part deals with training, aviation security, safety regulations and steps required to be taken with respect to airport management and infrastructure.

The following developments have taken place in the Indian aviation sector subsequent to the Committee's findings and recommendations:

- Private domestic airlines permitted to fly certain international destinations in the SAARC region with effect from December 2003.
- IATT and FTT abolished from January 9, 2004.
- Excise duty on ATF reduced from 16% to 8% from January 9, 2004.
- Landing charges for aircraft with less than 80 seats have been abolished and reduced by 15% for larger aircraft with effect from February 11, 2004.
- Navigation charges for aircraft weighing less than 20 tonnes have been substantially reduced with effect from February 11, 2004. For other aircraft, the method of calculating the charges had already been rationalized to reflect both the weight of the aircraft and the distance flown.
- Increased the foreign investment limit from 40% to 49% vide a notification dated November 10, 2004, while maintaining its earlier position of not allowing foreign airlines to invest in domestic airlines.
- Domestic airlines permitted to fly to certain additional international destinations.
- A greenfield airport operator is entitled to levy a user development fee at such rate as the Central Government may specify.

- Private sector participation will be a major thrust area in the civil aviation sector for promoting investment, improving quality and efficiency and increasing competition.
- Private sector investment in the construction/ up gradations/ operation of new as well as existing airports including cargo related infrastructure is being encouraged.
- Private sector investment in non-aeronautical activities like shopping complex, golf course, entertainment park, aero-sports etc. near airports will be encouraged to increase revenue, improve viability of airports and to promote tourism.

Business Review

One of the key strategies in the company is to reduce risks through diversification. We aim to achieve this through entry into new businesses, increasing the mix of fixed-revenue assets and assets in which our revenue is not limited, expanding the geographical coverage of our assets, as well as reducing the reliance of such assets on any one type of commodity. As of the date, all of our revenues are derived from two power projects and two annuity road projects, and substantially all of such revenues are fixed by the terms of our agreements. Under these agreements, if our assets are available to our customers for their utilization, our customers have to pay us fixed amounts irrespective of whether they in fact utilize such assets. Through this arrangement, we are able to derive stable and predictable revenues. However, in the case of annuity road projects, it does not allow us to benefit from any increase in road traffic volume even though Indian economy continues to grow. Consequently, we have taken, and are continuing to take, steps to diversify at various levels. These steps include the following:

- the development of a 388.5 MW gas fired power plant in Vemagiri in the state of Andhra Pradesh, for which we expect the gas to be available by July-August, 2006 and the plant will begin commercial operation within one month of such date of availability of gas;
- the development of a toll road on a 35 kilometers stretch covering Ambala-Chandigarh on the New Delhi-Chandigarh highway, which we expect to be operational by mid-2008;
- the development of a toll road on a 46 kilometers stretch covering Faruknagar-Jadcherla and the operation of an additional 12 kilometers stretch on the Bangalore-Hyderabad highway, or the Faruknagar-Jadcherla road project, which we expect to be operational by mid-2008;
- the development of an annuity road on a 86 kilometers stretch covering Adloor Yellareddy-Kalkallu and the operation of an additional 17 kilometers stretch on the Hyderabad Nagpur highway, which we expect to be operational by the end of 2008;
- the development of a toll road on a 73 kilometers stretch covering Tindivanam-Ulunderpet on the Chennai-Dindigul (NH-45) highway, which we expect to be operational by the end of 2008;
- the development of a 140MW hydroelectric power plant on the river Alaknanda in the Chamoli district in Uttaranchal, pursuant to a concession, we won in May 2005;
- the development of an international airport near the city of Hyderabad, which we expect to be operational by the first quarter of 2008;
- the development of the New Delhi international airport, the management and operation of which were transferred to us in May 2006 for an initial lease term of 30 years;
- the development of a power trading business, which we have received a license to operate, as well as our plans to develop a power transmission and distribution business, as and when suitable opportunities arise;
- the development of a coal fired power project, for which we have been qualified to submit a bid; and
- the development of a gas based combined cycle power projects, for which we have submitted materials relating to our eligibility and experience to the relevant government authorities.

We expect that once these new projects enter into commercial operation, they will help to reduce our risks and improve our business prospects. Specifically, these projects are expected to do the following:

- *Diversify our asset mix*. We generate the bulk of our revenues from three segments: power, road and airport. We have obtained the requisite approval to operate and manage the New Delhi airport in May 2006 and have since commenced operations of our airport business. This new business allows us to reduce the risks associated with any downturn in the power and road sectors. Similarly, the development of a power trading business (should suitable opportunities arise), as well as a power transmission and distribution business, the captive mining business, will allow us to generate revenues from alternate sources, thereby reducing our reliance on our other businesses.
- *Opportunity to capture the benefit of increased demand/usage*. Unlike our two existing road projects, the Ambala-Chandigarh road project, the Faruknagar-Jadcherla road project and the Tindivanam-Ulunderpet road project are all toll road projects and

our revenues from such projects will be dependent on the volume of traffic and the toll levied on each user of the road. Similarly, our revenues from airport business will depend on several factors, including the state of the Indian economy, the cost and popularity of air travel, as well as the competitiveness of such airports. The revenues from these new projects are not fixed and, more importantly, are proportional to the demand of the services offered by such projects. We expect demand for infrastructure-related services (including road and airport services) to increase as the Indian economy continues to grow, and we believe that these three projects, together with other projects that we may develop in future and for which revenues are not fixed, will help us to capture the benefits associated with such growth.

- *Diversify our customer base*. All of our existing customers are government-owned entities. We sell the electricity generated by our power plants to state electricity boards and distribution companies, in each case owned by the Government. In addition, as of the date, our only customer for the road business is NHAI. With the Hyderabad airport project, the Ambala-Chandigarh road project, the Faruknagar-Jadcherla road project and the Tindivanam-Ulunderpet road project we will be able to sell our services directly to end-users and, accordingly, will be able to diversify our customer base.
- *Reduce our reliance on any one type of fuel*. Our two existing power projects rely on naphtha and low sulphur heavy stock, or LSHS, for the generation of electricity. As the price for naphtha and LSHS is high compared to coal, electricity generated by our two existing power projects is generally more expensive than electricity generated by coal-fired power plants. Through, the development of the Vemagiri power plant, which is gas-fired, and the Alaknanda power project, which is a hydroelectric power plant, we aim to reduce our reliance on naphtha and LSHS through the use of low-cost alternate fuel. In addition, the group has recently, been qualified to submit a bid for development of Ultra Mega Power Project (with net exportable capacity of 3500 MW-3800 MW) at Sasan in the state of Madhya Pradesh on a BOO basis and have submitted requests for qualification for development of a 450 MW +/-10% Gas based combined cycle power project at Sirajganj (near Dhaka) in Bangladesh on a BOOT basis. The group is also evaluating the feasibility of two coal-fired power projects that are situated near the coal mines in any two of the states of Orissa, Jharkhand and Madhya Pradesh, with the targeted market largely being the power deficient states in southern and western India. The group has applied to the relevant government authorities to engage in captive coal mining, as well as to grant us the necessary approval so that we can enter into long term coal supply agreements with state-owned coal mining companies for fuel supply to our coal-fired power projects. The group is also evaluating two power transmission projects (each on a "Build, Own, Operate and Transfer" basis), tenders for which have been issued in November 2005. We also seek to explore opportunities for the development of additional hydroelectric power plants so that they can reduce their reliance on high-cost fuel. We also obtained a power trading license with a term of 25 years and are planning to bid for the development of power trading business, which would involve the purchase and sale of power from surplus pockets to deficit areas.
- *Diversify the geographical location of our assets*. Historically, we have focused our operations principally in the Southern part of India, with particular focus in the states of Karnataka, Andhra Pradesh and Tamil Nadu. We are currently developing a power project, an annuity road project, a toll road project and an airport project in the state of Andhra Pradesh, together with two toll road projects in each of the union territory of Chandigarh and the state of Tamil Nadu. We have also won a concession to develop a hydroelectric power plant in the state of Uttaranchal and are the lead member to the consortium that has won the bid for the project relating to the operation, management, and development of the Delhi Airport for which we tookover operations on May 3, 2006. We have submitted materials relating to our eligibility and experience to the relevant government authorities, for development of a gas based combined cycle power project at Sirajganj, Bangladesh and qualified to submit a bid for development of Ultra Mega Power Project at Sasan in the state of Madhya Pradesh. The group is also evaluating the feasibility of two coal-fired power projects that are situated near the coal mines in any two of the states of Orissa, Jharkhand and Madhya Pradesh. We believe the diversification of the location of our assets will help us to reduce the risk associated with political events and natural disasters that are specific to certain states and regions, as well as to increase the geographical scope of our business network.

SEGMENT-WISE PERFORMANCE AND OUTLOOK

Our strategy is to build upon our competitive strengths and business opportunities to become a leading power and infrastructure group in India. We intend to pursue suitable opportunities in India, as well as other parts of Asia. Historically, we have been most active in Southern India, in the states of Tamil Nadu, Andhra Pradesh and Karnataka. We have, however, in recent years pursued opportunities in other parts of India, including Alaknanda, in the state of Uttaranchal (where we are developing a hydroelectric power plant), in the states of Haryana and Punjab (where we are developing the Ambala-Chandigarh toll road project), and in the state of Delhi (where we recently won a bid for an airport project). Our business strategy consists of the following principal elements:

- *Capture the high growth opportunities in the India power and infrastructure sectors*. We believe that spending on the power and infrastructure sectors by the government will be a key component of India's goal of sustained annual GDP growth. This belief is based in part on several public statements made, and acts carried out, by the Government of India, including the speech given by the Prime Minister to the nation on August 15, 2004, in which he set a target to provide "Power for All" by the year 2012, and the initiation of a seven-phase National Highway Development Program by NHAI for the upgrading of 45,000 kilometers of national highways at an approximate cost of US$38 billion. We believe that our demonstrated expertise and experience in the development, operation and management of power and infrastructure projects, as well as our established reputation in the power and infrastructure sectors, will provide us with a significant advantage in pursuing opportunities in these fast-growing sectors.
- *Identify new investment opportunities*. We have recently entered into the airport infrastructure business and are in the process of developing the Hyderabad and Delhi Airports. We have also won concessions to develop a hydroelectric power plant, three toll roads and an annuity road, all of which are businesses that are complementary to our current businesses. In addition, the group has recently, been qualified to submit a bid for development of Ultra Mega Power Project (with net exportable capacity of 3500 MW-3800 MW) at Sasan in the state of Madhya Pradesh on a BOO basis and have submitted requests for qualification for development of a 450 MW +/-10% Gas based combined cycle power project at Sirajganj (near Dhaka) in Bangladesh on a BOOT basis. The group is also evaluating the feasibility of two coal-fired power projects that are situated near the coal mines in any two of the states of Orissa, Jharkhand and Madhya Pradesh, with the targeted market largely being the power deficient states in southern and western India. The group has applied to the relevant government authorities to engage in captive coal mining, as well as to grant us the necessary approval so that we can enter into long term coal supply agreements with state-owned coal mining companies for fuel supply to our coal-fired power projects. The group is also evaluating two power transmission projects (each on a "Build, Own, Operate and Transfer" basis), tenders for which have been issued in November 2005. We also seek to explore opportunities for the development of additional hydroelectric power plants so that they can reduce their reliance on high-cost fuel. We also obtained a power trading license with a term of 25 years and are planning to bid for the development of power trading business, which would involve the purchase and sale of power from surplus pockets to deficit areas. We also seek to enter into the power trading, transmission and distribution business, and we hold a trading license issued by the Central Electricity Regulatory Commission for power trading. We intend to make further investments in the infrastructure sector as and when attractive opportunities become available. We seek to distinguish ourselves from other companies operating in our sectors through active participation in each of the development, operation and maintenance phases of our projects. In making investment decisions, we will continue to pursue the following investment objectives: (i) to focus on businesses that are located in, or are designed to serve, growth regions; (ii) to seek to exercise control or significant influence over management; and (iii) to invest in opportunities that are strategically aligned or complement our existing businesses and can benefit from our expertise. By pursuing these objectives, we intend to maintain a balance between the generation of stable cash flow and strong growth opportunities to maximize long-term profitability.
- *Build upon existing relationships*. We believe that one of our strengths stems from the knowledge and experience gained from the long operating history of the GMR group of companies in India, as well as the good working relationships such companies have established with government entities and international corporations. In the power sector, we have worked, or are currently working, with PSEG Global, CMS Energy Limited, Hyundai Heavy Industries Limited, General Electric Company and the Korea Plants Services & Engineering Company Limited. For our road projects, we have a strategic partnership with United Engineers (Malaysia) Berhad, a diversified infrastructure company listed on Bursa Malaysia that has substantial experience operating road projects. For the Hyderabad airport project, we have a strategic partnership with Malaysia Airports Holdings Berhad, a company listed on Bursa Malaysia that is operating and managing 39 airports in Malaysia, including five international airports. In March 2004, we established a relationship with India Development Fund, one of the largest infrastructure-focused private equity funds in India, through its purchase of a 15.1% interest in our core power subsidiary, GMR Energy, IDF recently sold its interest in GEL and acquired 4.25% interest in our Company. Most recently, we have, in partnership with Malaysia Airports (Mauritius) Private Limited, Fraport AG and The India Development Fund, submitted and won a bid for the operation, management and development of the Delhi Airport. In developing our power and road projects, we have acquired skills and experience, as well as developed business relationships, many of which we believe can be applied to the development of projects in the same and other sectors. For instance, we have acquired substantial experience in construction risk allocation and mitigation, as well as raising debt financing for our projects from financial institutions and commercial banks on competitive terms. We intend to apply these skills and

experience to the development of projects in the same and other sectors, including the Hyderabad Airport project, the four road projects that we are currently developing.

- *Improve performance and competitiveness of existing core businesses*. In addition to committing to grow through expansion, we seek to improve the performance and competitiveness of our existing businesses. For the power business, we are exploring options for alternative fuel and conducting feasibility studies for the development of hydroelectric power projects so as to allow us to generate electricity at a lower cost and reduce our reliance on any one type of fuel. For the road business, we are focusing on improving our profit margin by reducing costs through efficient project management, as well as increasing our cash flows through the development of new toll road projects, which, unlike annuity fee-based projects, allow us to benefit from any increase in road traffic volume, though with greater volatility of earnings. With respect to the Hyderabad and Delhi Airport projects, we intend to concentrate on maximizing capacity and utilization of our passenger and cargo terminals through the use of technologically-advanced equipment such as automatic self-check-in kiosks, Common user terminal equipment, flight information display system etc.
- *Continue to enhance training and development*. Qualified management personnel and employees are key to our future success. We seek to attract and retain the most talented individuals in the industry and improve their skills, productivity and career development opportunities through advanced human resources management. In addition to on-the-job training, we will continue to send selected employees to leading educational institutions both in India and abroad for advanced training.

Our Power Business

Our power business currently involves the operation of the Mangalore power plant (owned by GEL) and the Chennai power plant, (owned by GPCPL) which commenced commercial operation in fiscal 2002 and 1999, respectively. We currently own 100% and 51.0% ownership of the Mangalore power plant and the Chennai power plant, respectively. We began to recognize revenues from our subsidiaries GEL and GPCPL in October 2002, following the acquisition of our shareholding interests in these subsidiaries. We expect revenues under this business to increase in the next few years following the commercial operation of the Vemagiri power plant. We expect the gas to be available for the pant by July-August, 2006 and the plant will begin commercial operation within one month of such date of availability of gas. We own 100.0% ownership of the Vemagiri power plant.

Our customers for the power business consist of state utility companies and electricity boards. We sell all of the electricity generated by the Chennai power plant to Tamil Nadu Electricity Board (TNEB) and all of the electricity generated by the Mangalore power plant to two utility companies in the state of Karnataka. In addition, we will sell all of our electricity generated by the Vemagiri power plant to four distribution companies, namely, Andhra Pradesh Central Power Distribution Company Limited (APCPDCL), Andhra Pradesh Eastern Power Distribution Company Limited (APEPDCL), Andhra Pradesh Northern Power Distribution Company Limited (APNPDCL) and Andhra Pradesh Southern Power Distribution Company Limited (APSPDCL). The following table sets forth the tariff payable with respect to each of our three power plants, the minimum "take-or-pay" quantity and the average amount we received per month from such customers in the last 12 months:

	Mangalore Power Plant	Chennai Power Plant	Vemagiri Power Plant
Name of Customers	(i) Bangalore Electricity Supply Company (ii) Mangalore Electricity Supply Company	TNEB	(i) APCPDCL (ii) APSPDCL (iii) APEPDCL (iv) APNPDCL
Minimum "take-or-pay" quantity	85.0% of plant load factor	68.5% of plant load factor	80.0% of plant load factor (based on a capacity of 370MW)
Average amount invoiced per month between April 2005 and March 2006 (Rs. million)	369.8	396.5	Not applicable

Our Road Business

We currently generate revenues under our road business through the Tuni-Anakapalli road project and the Tambaram-Tindivanam road project. We commenced this business in October 2004, when the Tambaram-Tindivanam road project entered into commercial operation. We own 74.0% owership in each of the Tuni-Anakapalli road project and the Tambaram-Tindivanam road project.

We own 100.0% share capital of GMR Ambala-Chandigarh Limited, which is developing the Ambala-Chandigarh road project. We expect this project to enter into commercial operation by mid-2008. The estimated cost of developing this project is approximately Rs. 3,911.36 million. We expect to fund approximately 28% of the cost through equity and the remaining 72% through non-recourse commercial loans. Our total investments in this project as of March 31, 2006 were Rs.48.0 million, approximately 4.4% of our projected total equity contribution.

We own 100% share capital of each of GMR Jadcherla Expressways Limited and GMR Pochanpalli Expressways Limited, which are developing the Faruknagar-Jadcherla road project and the Adloor Yellareddy-Kalkallu road project, respectively. We expect these two projects to enter into commercial operation by mid-2008 and the end of 2008, respectively. The estimated costs of developing these two projects are approximately Rs. 4,713 million and Rs. 6,900 million, respectively, of which 20% is expected to be through equity contribution and the remaining 80% through non-recourse commercial loans. Our total investments in these projects as of March 31, 2006 were Rs. 15 million and Rs. 12 million, respectively, or approximately 2% and 1% of our projected total equity contribution, respectively.

We own 100.0% share capital of GMR Ulundurpet Expressways Private Limited, which is developing the Tindivanam-Ulundurpet road project. We were granted a concession to this project in February 2006 and entered into a concession agreement on April 19, 2006. We expect the project to enter into commercial operation by the end of 2008. The estimated cost of developing the project is approximately Rs. 7,892.15 million. We expect to fund approximately 20% of the cost through equity and the remaining 80% through loans.

We expect revenues under the road business to increase once the Ambala-Chandigarh road project, the Faruknagar-Jadcherla road project, the Tindivanam-Ulundurpet road project and the Adloor Yellareddy-Kalkallu road project enter into commercial operation.

We rely exclusively on NHAI for revenues under our two existing road projects. Pursuant to the relevant concession agreements, NHAI is required to make semi-annual payments amounting to Rs. 294.8 million and Rs. 418.6 million for the Tuni-Anakapalli road project and the Tambaram-Tindivanam road project, respectively.

Our Airport Business

We own 50.1% share capital of Delhi International Airport Private Limited, or DIAL, which recently signed a long-term agreement to operate, manage and develop the Delhi Airport, pursuant to a 30-year concession granted by the Government of India acting through the Ministry of Civil Aviation. Not less than three years prior to the end of such 30-year period, DIAL may, at its option, either extend the concession for another 30 years or exercise its right to require the Government of India to purchase the airport in accordance with the terms of the concession agreement.

We own 63.0% Share Capital of GMR Hyderabad International Airport Limited, or GHIAL, which is developing the Hyderabad airport project. This project is being developed in two phases. We expect Phase I to enter into commercial operation by the first quarter of 2008. The estimated cost of Phase I is Rs. 17,600.0 million, of which approximately 45% is expected to come from equity contributions, including grants and long term interest-free loans extended by the Government of Andhra Pradesh, and the remaining 55% from loans. Our total investment in this project as of March 31, 2006 was Rs. 1,356.6 million, approximately 57% of our total projected equity contribution.

Other New Projects and Businesses

In addition to the Vemagiri power project, the four new road projects and the two airport projects discussed above we are evaluating opportunities in the power trading, transmission and distribution sectors, as well as the captive coal mining power business. We are still evaluating the merits of some of these new projects and businesses and, accordingly, have not specifically budgeted any amounts for their development.

Segment wise Financial Performance

The following table sets forth, for the periods indicated, our total revenues by business segment as a percentage of our total operating income:

Particulars	2005		2006	
	Amount in Rs. million	% of Total Income	Amount in Rs. Million	% of Total Income
Revenues:				
Power Business	9,057.22	88.7%	9032.55	82.83%
Road Business	869.57	8.5%	1504.30	13.79%
Other[1]	4.48	0.0%	52.73	0.48%
Total Revenues	9,931.27	97.2%	10589.58	97.1%
Other Income	285.43	2.8%	315.13	2.9%
Total Income	10,216.70	100.0%	10,904.71	100.0%
Total Expenditure	9,043.29	88.5%	9,843.56	90.3%
Profit Before Tax and Minority Interest	1,173.41	11.5%	1,061.15	9.7%

1: "Other revenues" represents the income of GMR Infrastructure Limited, less inter-company revenues.

Competitive Strengths

We believe that our operations and financial condition will benefit from the following strengths:

We have extensive experience in developing projects in the power and infrastructure sectors, and have established a reputation for reliability and completing projects on schedule. We believe our strong reputation in the power and infrastructure sectors, as well as our industry knowledge, allow us to value new projects effectively, properly assess risks and benchmark conclusions against experiences in other markets. We have traditionally been successful in reducing our risks, including commodity, interest rate, foreign exchange rate risk and documentation risks, through, among others, the use of back-to-back contracts and the engagement of technical, legal and other professional firms. We believe that we have earned a reputation for reliability and completing projects on schedule within the sectors in which we operate and among our customers. For example, we received an early completion bonus from NHAI as we were able to achieve early commercial operation of the Tambaram-Tindivanam road project. Except in the case of the Vemagiri power plant, whose commercial operation is expected to be delayed due to the non-availability of natural gas to fuel such plant, all of our projects have so far achieved project completion on or before the scheduled dates of completion.

We are one of the few dedicated infrastructure developers in India and are well positioned to benefit from the robust growth of India's economy. As India's economy grows, we expect that demand for electricity will also increase, particularly in the fast-growing states and regions, and that a greater percentage of the disposable income of the domestic population will be spent on traveling. This in turn would lead to a stronger demand for services offered by the power, road and airport sectors. We are well positioned to benefit from the expected growth in the Indian economy primarily through the development of three toll road projects and two airport projects, as our revenues under these projects are directly linked to the demand for the services offered under such projects. In connection with the concession to develop the Hyderabad Airport, we have been granted a lease for a site covering approximately 5,500 acres of land at Shamshabad, near Hyderabad. We believe the large area of this site will provide us with sufficient room to expand our airport and related facilities over the longer term, including hotels, commercial venues and business parks, while many other airports in India face significant restraints on expansion due to limited land availability in the areas surrounding them. Additionally, the location of the Hyderabad airport in central India makes it well positioned to act as a potential "hub" for routes throughout not only India but cities in Southeast Asia and the Middle East.

We have stable and predictable revenues that either are guaranteed by, or are direct obligations of, the state governments or government-owned entities. As of the date, all of our revenues either are guaranteed by state governments in which the projects are located, or are direct obligations of entities that are controlled by the Government of India. The payment obligations of the electricity offtakers for our two operating power plants are guaranteed by the state governments of Tamil Nadu and Karnataka, whereas the payment obligations under our two operating road projects are owed by NHAI, an autonomous entity that has been established by the Ministry of Shipping, Road Transport and Highways. In the power sector, our customers have to pay us a tariff that is comprised of a fixed component and a variable component. In addition, we are protected to a considerable extent from any adverse movements in the Indian economy, as well as demand for our power and road businesses, as each of our current customers is required to pay us a fixed fee linked to the availability of the power plants, irrespective of the demand for or utilization of our services. This arrangement is known as a "take-or-pay" obligation. Similarly, the revenues that we receive each year from NHAI for our two operating road projects are fixed under their respective concession agreements, irrespective of any change in traffic demand or the amount of toll levied on the end-user.

We benefit from the use of the GMR brand. We are the flagship infrastructure company of the group of companies held by GMR

Holdings Private Limited. Our affiliates have been operating in India for over 28 years in a wide variety of businesses, including manufacturing, transportation and power. Our affiliates have also made substantial investments and have played significant roles in setting up banking and insurance businesses in the past. Due to the long-standing history of the GMR group of companies in India, we believe the GMR brand enjoys strong brand recognition. We believe our customers, as well as Indian financial institutions, associate the GMR brand with reliability, trust and value. We currently use the GMR brand in each of our power, road and airport businesses.

We either wholly-own or have a majority interest in all of our material assets, and through these ownership interests, we have management control over such assets. We either wholly-own or have a majority interest in each of our power, road and airport projects. Through such ownership interests, we have management control over such assets and can control all important business decisions relating to such assets, subject to any contractual agreement between us and other shareholders in the relevant subsidiaries. Furthermore, we are able to closely monitor the management and operation of our businesses, as well as to apply a uniform management philosophy, including standardized processes for accounting, business and management review, to such businesses. As a result, we believe we are better able to optimize revenues and minimize capital and operational costs.

The relevant government or government entities granting the concessions to develop our road and airport projects have undertaken not to permit other companies to operate competing businesses in the areas where our projects are located. Under the concession agreement for the Hyderabad airport, the Government of India has agreed not to grant, for a period of 25 years from the date the Hyderabad airport begins operation, any licenses for the development and operation of another airport within a 150 kilometers radius of the Hyderabad airport. In addition, the Government of India will, upon the start of the commercial operation of the Hyderabad airport project, close the existing airport at Hyderabad for civil aviation operations and direct the existing traffic to the new Hyderabad airport. As such, once the Hyderabad airport is built, it will be the only civil airport serving Hyderabad, the fifth largest city in India with a population of approximately 7.3 million, and its neighboring cities. Similarly, under the state support agreement for the Delhi Airport, the Government has agreed that for so long as our concession remains in place, in the event it initiates a bid for the development and operation of another airport within a radius of 150 kilometers of the Delhi Airport, we would, to the extent we participated in such bidding process, have the right to match the most competitive bid, provided that our initial bid is within a 10% range of the most competitive bid. Furthermore, under each of the concession agreement for the Ambala-Chandigarh road project, the Faruknagar-Jadcherla road project, the Adloor Yellareddy-Kalkallu road project and the Tindivanam-Ulunderpet road project, NHAI has undertaken not to grant, for a period of eight years from the commencement date of our concession, any concession for the development, operation or maintenance of roads that serve the same region as such project, though state roads may still compete with our roads. This commitment by NHAI will give us exclusive operational rights for national highways covering the relevant stretch. State roads may compete with the Ambala-Chandigarh road project, the Faruknagar-Jadcherla road project, and the Tindivanam-Ulunderpet road project that we are currently developing.

We have extensive experience working with international corporations and leading Indian financial institutions. We have entered into joint ventures and enjoy good working relationships with many international corporations and investors, including Malaysia Airports Holding Berhad, United Engineers (Malaysia) Berhad, Fraport AG and the India Development Fund. In addition, we have contractual relationships with subsidiaries of General Electric Company, Hyundai Heavy Industries Limited and the Korea Electric Power Corporation, and in the past had contractual relationships with CMS Energy and PSEG Global, among others. Given that our affiliates have operated in various industries in India for over two decades, most of the leading Indian financial institutions would have dealt with, or would otherwise be familiar with, the GMR group of companies. We believe our good working relationships with international corporations and Indian financial institutions, as well as our extensive experience in working with them, will enhance our ability to find strategic partners and source additional funding.

RISKS AND CONCERNS

The Company's business, results of operations and financial condition are affected by a number of factors, including:

- *Macroeconomic factors in India.* As of the date, all of our assets are located in India. As the revenues from our existing projects are all fixed (except Delhi Airport), we believe that macroeconomic factors, including the growth of the Indian economy, interest rates, as well as the political and economic environment, do not currently have a direct significant impact on our business, results of operations and financial condition. We believe that the Indian economy will grow in the next few years and, consequently, we are currently developing, and expect to continue to develop, projects whose revenues are dependent on the Indian economy and their utilization rates. Accordingly, we believe that macroeconomic factors in India will, in the long run, have a significant impact on our operating results.
- *Asset Mix.* We currently own two types of operating assets: power plants and annuity road projects. We are increasing our

asset mix through the development of an international airport, the operation, management and development of an existing airport, three toll roads, one annuity road and a hydroelectric power plant. We are also evaluating opportunities in, among other things, the power trading business, the power transmission and distribution business, the captive mining business and the development or modernization of other roads. We believe this increase in our asset mix will enable us to benefit from the expected growth in different sectors within the power and infrastructure sectors.

- *Customer mix*. As of the date, we generate revenues largely from customers in the public sector. With the commencement of our commercial operation of the Delhi Airport project, our customer base has expanded into the private sector. We expect that, once the Ambala-Chandigarh road project, the Faruknagar-Jadcherla road project, the Tindivanam-Ulundurpet road project and the Hyderabad airport project enter into commercial operation, our customer base will further expand and we will be able to sell more services to customers in the private sector. This in turn would help to reduce the level of market risk to which we are exposed.
- *Effect of price volatility and availability of fuel*. Under the power purchase agreements relating to the Mangalore power plant and the Chennai power plant, we are entitled to be reimbursed for our fuel costs based on certain agreed parameters. If prices for naphtha or LSHS continue to be high in comparison to other types of fuel, we may experience difficulty in securing new long-term purchase commitments, or renewing our existing purchase commitments, in each case once our existing power purchase agreements expire and, accordingly, our earnings could be adversely impacted. We are currently evaluating our fuel options, including the use of alternate fuel as well as the relocation of the Mangalore power plant to a site that is close to a natural gas source. The Vemagiri power project will rely on the combustion of natural gas for the generation of electricity. While we have procured the supply of natural gas to the Vemagiri power plant, we expect that the plant will not have sufficient fuel to operate at its contracted capacity for the first 20 to 24 months of operation. This shortage of natural gas will likely remain until 2008, when we expect the Krishna-Godavari basin gas fields to enter into commercial operation.
- *Income tax*. Except for DIAL, each of our subsidiaries that has developed, or is developing, an infrastructure project has been granted a 10-year tax concession by the Government, during which time such subsidiary is only subject to Indian income tax at the minimum alternate tax rate (currently 10% with applicable surcharges), instead of the normal income tax rate (currently 30%with applicable surcharges). The relevant subsidiary may at its option decide on the commencement date of the 10-year tax concession. The amount of current income tax payable does not currently affect the financial performance of GMR Energy and GMR Power as under the power purchase agreements for the Mangalore power plant and the Chennai power plant, the power purchasers are required to reimburse us for any current income tax paid (excluding tax on other income, if any). However, if the rates of income tax for our road and airport businesses change, our results of operations would be impacted.
- *Investment in our new projects*. We plan to make significant investments in a number of new projects over the next several years: two airports, three toll roads, an annuity road project, a hydroelectric power plant and other projects that we may win following competitive bids. If the development of these projects costs substantially less than what we have budgeted, or if we are able to complete these projects ahead of schedule, our financial condition and earnings could improve. Conversely, if we are unable to complete these projects in accordance with our budgets, or if these projects, once built, do not operate profitably, our financial condition and earnings could be adversely affected.
- *Ability to borrow funds at competitive rates*. Power and infrastructure projects, by their nature, are typically capital intensive and may require high levels of debt financing. We have in the past been able to raise debt financing on terms acceptable to us. We believe that, with the continued growth of our businesses and reputation in the power and infrastructure sectors, we may be able to obtain debt financing on competitive terms. However, if for any reason we are unable to obtain adequate finances in a timely manner and on acceptable terms or at all, our financial condition and earnings could be adversely affected.

Quantitative and Qualitative Disclosure about Market Risk

Market risk is the risk of loss related to adverse changes in market prices, including interest rate and foreign exchange rates of financial instruments. We are exposed to various types of market risks, in the normal course of business. For instance, we are exposed to market interest rates and exchange rate movements on foreign currency denominated borrowings and operating expenses. We have from time to time entered into derivative transactions for the purpose of minimizing our exposure to interest rate and foreign exchange risks.

Credit Risk

We currently generate all of our operating revenues from customers in the public sector. The payment obligations of these customers are secured by collateral and, in the case of our two operating power plants, are supported by guarantees issued by the relevant state governments.

Interest Rate Risk

Except in the case of the Chennai power plant, we are subject to market risks due to fluctuations in interest rates and refinancing of short-term debt. Pursuant to our power purchase agreement for the Chennai power plant, all interest payments made by us under our loan agreements relating to this project are to be reimbursed by Tamil Nadu Electricity Board (TNEB). As such, we are not exposed to interest rate risk for the Chennai power plant.

Our net profit is affected by changes in interest rates due to the impact such changes have on interest income and interest expense from short-term deposits and other interest-bearing financial assets and liabilities. In addition, an increase in interest rate may adversely affect our ability to service long-term debt and to finance development of new projects, all of which in turn may adversely affect our results of operations.

Foreign Currency Exchange Rate Risk

We conduct our business primarily in Indian Rupees and have minimal direct exposure to foreign exchange fluctuations. A depreciation of the Indian Rupees would, however, result in an increase in the price of imported goods and professional services that we purchase from our suppliers and foreign companies.

We are not exposed to foreign currency exchange rate risk in our road and airport businesses as both our business and our expenses, including interest expense, are denominated in Indian Rupees. Our exposure to foreign currency exchange rate risk is minimal in our power business as our customers are required to reimburse us for any foreign exchange fluctuations. We are exposed to foreign currency exchange rate risk between the time we incur the foreign currency expense and the time we invoice our customers, which period can last up to five months. In addition, we are exposed to foreign currency exchange rate risk under our operation and maintenance agreement with General Electric, Hyundai Heavy Industries Company Limited and Korea Plant Service and Engineering Company Limited as pursuant to such agreement, we are required to pay a portion of these companies' compensation in US dollars. Such amount is equal to approximately US$9 million per year.

Commodities Risk

We are not exposed to fuel price fluctuations under our power business as our customers are required to reimburse us for such fluctuations. Similarly, we typically enter into fixed or guaranteed maximum price construction contracts with independent construction companies. These contracts usually cover both the supply of the building materials and the construction of the project, for a construction period of one to three years. If the price of the building materials were to increase significantly prior to our entering into a fixed or guaranteed maximum price construction contract, we may be required to pay more to prospective contractors.

INTERNAL CONTROL SYSTEMS AND THEIR ADEQUACY

The Company has proper and adequate internal control system to ensure that all assets are safeguarded and protected against loss from unauthorized use or disposition and that transactions are authorized, recorded and reported correctly. The internal control system provides for well documented policies, guidelines, authorizations and approvals procedures. The observations arising out of audit are subject to periodic review, compliance and monitoring. The significant observations made in internal audit reports, along with the status of action thereon, are reviewed by the Audit Committee of the Board of Directors on a regular basis for future appropriate action, if and as deemed necessary.

INITIATIVES IN HUMAN RESOURCES

GMR Infrastructure Limited (GIL) firmly believes that Human Assets are more critical than physical and financial assets as they are the ones who manage and sustain the growth of physical and financial assets of a company. GIL is well on its way in establishing an integrated system of workforce practices to develop the capability of its employees that clearly aligns with the business objectives and performance. In this direction, it has already institutionalized a well defined Values and Beliefs, employee involvement programs, incentive programs, performance management and feedback processes, training and development for developing the employees' potential, whistle blower and sexual harassment policies amongst others.

One key initiative is The People Capability Maturity Model® (PCMM) that is under implementation. The integrated system of workforce practices matures through increasing alignment with its business objectives, performance and the changing business needs. The well-defined evolutionary maturity levels institutionalize capabilities for developing the company's workforce. The company has already been certified at Level 2 by an external auditor and is completely geared up to obtain the Level 5 by 2008. The PCMM road shows are held regularly for the employees and the policies are available on the company's Intranet for easy access.

Key quality and process initiatives like ISO 9000, Six Sigma, 5S etc., are already enabling the employees to understand and practice fine tuning the business and work processes to provide value propositions to our business partners and clients. Employees use these quality initiatives to eliminate causes of errors and defects in the work and business processes that are critical to our business partners and clients. 19 Six Sigma projects are under implementation across GIL's businesses to further strengthen the work and business processes. Various individual, team and spot awards and other competitions are in place to sustain and institutionalize the workforce practices, quality and process initiatives and also to energize the employees. In addition, the employees go through training and development programs

conducted in-house and well-known national and international conferences periodically to hone their managerial skills and the domain knowledge of GIL's businesses.

Regular Town Hall Meeting is yet another important initiative that facilitates interaction between the Senior Management and employees at levels for building a transparent organization in each of our businesses. This face - to - face interaction between our employees and top management enable sharing of business information and discuss general queries and address the concerns of employees.

GIL is alive to its responsibility towards the environment and goes beyond the statutory regulations. The two power plants have received ISO 14001 and OHSAS 18001 certifications from Det Norske Veritas and in fact our Chennai power plant has received the M.S. Swaminathan Award for Environmental Protection as it has deployed the most advanced processes to ensure that harmful pollutants do not escape into the atmosphere.

For GIL, the journey towards integrating contemporary workforce practices, quality and process initiatives to its employees that are alive to current business needs never ends, as GIL firmly believes the business and the competitive scenarios are dynamic

SOCIAL RESPONSIBILITY

GMR Varalakshmi Foundation is the corporate social responsibility arm of the GMR group. GMR Varalakshmi Foundation aims to contribute to this objective by focusing on health care, sanitation, drinking water supply, poverty alleviation primary education and livelihood programs to enhance employment and incomes among rural people.

FORWARD - LOOKING STATEMENT

This report contains forward-looking statements, which may be identified by their use of words like 'plans', 'expects', 'will', 'anticipates', 'believes', 'intends', 'projects', 'estimates', or other words of similar meaning. All statements that address expectations or projections about the future, including but not limited to statements about the company's strategy for growth, market position, expenditures and financial results, are forward-looking statements. Forward-looking statements are based on certain assumptions and expectations of future events. The company cannot guarantee that these assumptions and expectations are accurate or will be realized.

The Company's actual results, performance or achievements could thus differ materially from those projected in any such forward-looking statements. The company assumes no responsibility to publicly amend, modify or revise any forward looking statements, on the basis of any subsequent developments, information or events.

AUDITORS' REPORT

To
The Members
GMR Infrastructure Limited

1. We have audited the attached Balance Sheet of **GMR Infrastructure Limited** ("the Company"), as at March 31, 2006, and the related Profit and Loss Account and the Cash Flow Statement for the year ended on that date annexed thereto, which we have signed under reference to this report. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

2. We conducted our audit in accordance with the auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

3. As required by the Companies (Auditor's Report) Order, 2003, as amended by the Companies (Auditor's Report) (Amendment) Order, 2004, issued by the Central Government of India in terms of sub-section (4A) of Section 227 of 'The Companies Act, 1956' of India (the 'Act') and on the basis of such checks of the books and records of the company as we considered appropriate and according to the information and explanations given to us, we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.

4. Further to our comments in the Annexure referred to in paragraph 3 above, we report that:

   (a) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit;

   (b) In our opinion, proper books of account as required by law have been kept by the company so far as appears from our examination of those books;

   (c) The Balance Sheet, the Profit and Loss Account and the Cash Flow Statement dealt with by this report are in agreement with the books of account;

   (d) In our opinion, the Balance Sheet, the Profit and Loss Account and the Cash Flow Statement dealt with by this report comply with the accounting standards referred to in sub-section (3C) of Section 211 of the Act;

   (e) On the basis of written representations received from the directors, as on March 31, 2006 and taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2006 from being appointed as a director in terms of clause (g) of sub-section (1) of Section 274 of the Act;

   (f) In our opinion and to the best of our information and according to the explanations given to us, the said financial statements together with the notes thereon and attached thereto give in the prescribed manner the information required by the Act and give a true and fair view in conformity with the accounting principles generally accepted in India:

      (i) in the case of the Balance Sheet, of the state of affairs of the company as at March 31, 2006;

      (ii) in the case of the Profit and Loss Account, of the profit for the year ended on that date; and

      (iii) in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

Sd/-
P.Rama Krishna
Partner
Membership No. 22795
For and on behalf of
Price Waterhouse
Chartered Accountants

Place : Hyderabad
Date : May 13, 2006

Annexure To Auditors' Report

[Referred to in paragraph 3 of the Auditors' Report of even date to the members of GMR Infrastructure Limited on the financial statements as at and for the year ended March 31, 2006]

1. (a) The Company is maintaining proper records showing full particulars including quantitative details and situation of fixed assets.

   (b) The fixed assets are physically verified by the management according to a phased programme designed to cover all the items over a period of three years, which in our opinion, is reasonable having regard to the size of the company and the nature of its assets. Pursuant to the programme, a portion of the fixed assets has been physically verified by the management during the year and no material discrepancies between the book records and the physical inventory have been noticed.

   (c) In our opinion and according to the information and explanations given to us, a substantial part of fixed assets has not been disposed of by the company during the year.

2. The company has not granted any loans, secured or unsecured, to companies, firms or other parties covered in the register maintained under Section 301 of the Act.

   (b) The company has taken and repaid unsecured loans, from a company covered in the register maintained under Section 301 of the Act. The maximum amount involved during the year and the year-end balance of such loans amounts to Rs.9,085.00 lacs and Rs. Nil respectively.

   (c) These unsecured loans taken were without any interest and in our opinion, the other terms and conditions of such loans were not prima facie prejudicial to the interest of the company.

   (d) The aforesaid loans have been repaid by the company.

3. In our opinion and according to the information and explanations given to us, having regard to the explanation that certain items purchased are of special nature for which suitable alternative sources do not exist for obtaining comparative quotations, there is an adequate internal control system commensurate with the size of the company and the nature of its business for the purchase of fixed assets and for the sale of shares and services. The activities of the Company did not involve purchase of inventory. Further, on the basis of our examination of the books and records of the company, and according to the information and explanations given to us, we have neither come across nor have been informed of any continuing failure to correct major weaknesses in the aforesaid internal control system.

4. (a) In our opinion and according to the information and explanations given to us, the particulars of contracts or arrangements referred to in Section 301 of the Act have been entered in the register required to be maintained under that section.

   (b) In our opinion and according to the information and explanations given to us, there are no transactions made in pursuance of such contracts or arrangements and exceeding the value of Rupees five lacs in respect of any party during the year, which have been made at prices which are not reasonable having regard to the prevailing market prices at the relevant time.

5. The company has not accepted any deposits from the public within the meaning of Sections 58A and 58AA of the Act and the rules framed there under.

6. In our opinion, the company has an internal audit system commensurate with its size and nature of its business.

7. (a) According to the information and explanations given to us and the records of the company examined by us, in our opinion, the company is generally regular in depositing the undisputed statutory dues including provident fund, income tax, service tax and other material statutory dues as applicable with the appropriate authorities. According to the information and explanations given to us and the records of the company examined by us, investor education and protection fund, employees' state insurance, sales tax, wealth tax, customs duty, excise duty and cess are not applicable to the Company for the current year.

   (b) According to the information and explanations given to us and the records of the company examined by us, there are no dues of income tax and service tax which have not been deposited on account of any dispute. According to the information and explanations given to us and the records of the company examined by us, sales tax, wealth tax, customs duty, excise duty and cess are not applicable to the Company for the current year.

Annexure To Auditors' Report

8. The company has no accumulated losses as at March 31, 2006 and it has not incurred any cash losses in the financial year ended on that date or in the immediately preceding financial year.
9. According to the records of the company examined by us and the information and explanation given to us, the company has not defaulted in repayment of dues to any financial institution or bank or debenture holders as at the balance sheet date.
10. The company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
11. The provisions of any special statute applicable to chit fund / nidhi / mutual benefit fund/societies are not applicable to the company.
12. In our opinion, the company is not a dealer or trader in shares, securities, debentures and other investments.
13. In our opinion and according to the information and explanations given to us, the terms and conditions of the guarantees given by the company, for loans taken by others from banks during the year, are not prejudicial to the interest of the company.
14. In our opinion, and according to the information and explanations given to us, on an overall basis, pending utilisation of certain term loans for the stated purpose, these loans have been invested in equity shares of upcoming projects.
15. On the basis of an overall examination of the balance sheet of the company, in our opinion and according to the information and explanations given to us, funds amounting of Rs. 6,439.42 lacs raised on a short-term basis have been used for long-term investment.
16. The company has not made any preferential allotment of shares to parties and companies covered in the register maintained under Section 301 of the Act during the year.
17. The company has created security or charge in respect of debentures issued and outstanding at the year-end.
18. The company has not raised any money by public issues during the year.
19. During the course of our examination of the books and records of the company, carried out in accordance with the generally accepted auditing practices in India, and according to the information and explanations given to us, we have neither come across any instance of fraud on or by the company, noticed or reported during the year, nor have we been informed of such case by the management.
20. The other clauses (ii), (iii) (b), (iii) (c), (iii)(d), (viii), of paragraph 4 of the Companies (Auditor's Report) Order 2003, as amended by the Companies (Auditor's Report) (Amendment) Order, 2004, are not applicable in the case of the company for the current year, since in our opinion there is no matter which arises to be reported in the aforesaid order.

Sd/-
P.Rama Krishna
Partner
Membership No. 22795
For and on behalf of
Price Waterhouse
Chartered Accountants

Place : Hyderabad
Date : May 13, 2006

Balance Sheet as at March 31, 2006

(Amount in Rupees)

Particulars	Schedule Reference	March 31, 2006		March 31, 2005	
I. Sources of Funds					
1. Shareholders' Funds					
a) Capital	1	2,644,368,140		1,586,620,910	
b) Reserves and Surplus	2	1,040,403,573		1,742,695,993	
c) Share Application Money		–		400,000,000	
			3,684,771,713		3,729,316,903
2. Loan Funds					
a) Secured Loans	3	1,758,859,836		2,142,329,508	
b) Unsecured Loans	4	1,067,631,309		537,241,270	
			2,826,491,145		2,679,570,778
3. Deferred Tax Liability			1,798,942		2,614,318
Total			**6,513,061,800**		**6,411,501,999**
II. Application of Funds					
1. Fixed Assets					
a) Gross Block	5	22,169,852		23,294,148	
b) Less : Depreciation		11,081,415		9,614,250	
c) Net Block			11,088,437		13,679,898
2. Investments	6		4,382,439,829		4,423,560,780
3. Current Assets, Loans and Advances					
a) Sundry Debtors	7	287,894		10,408,948	
b) Cash and Bank Balances	8	22,851,625		1,134,777,163	
c) Other Current Assets	9	521,754,309		1,091,409	
d) Loans and Advances	10	1,598,707,070		852,672,857	
		2,143,600,898		1,998,950,377	
Less: Current Liabilities and Provisions	11				
a) Liabilities		23,431,364		24,689,056	
b) Provisions		636,000		-	
		24,067,364		24,689,056	
Net Current Assets			2,119,533,534		1,974,261,321
Total			**6,513,061,800**		**6,411,501,999**
Statement on Significant Accounting Policies and Notes to the Accounts	16				

The Schedules referred to above form an integral part of the Balance Sheet

This is the Balance Sheet referred to in our report of even date

For and on behalf of the Board of Directors

Sd/-
P. Rama Krishna
Partner
For and on behalf of
Price Waterhouse
Chartered Accountants

Sd/-
G.M.Rao
Chairman &
Managing Director

Sd/-
G B S Raju
Group Director &
Group CFO

Sd/-
A.S.Cherukupalli
Company Secretary

Place : Hyderabad
Date : May 13, 2006

Place : Bangalore
Date : May 13, 2006

Profit and Loss Account for the year ended March 31, 2006

(Amount in Rupees)

Particulars	Schedule Reference	March 31, 2006	March 31, 2005
I. Income			
Operating Income	12	574,386,510	445,977,969
Other Income	13	38,484,637	117,206,725
		612,871,147	**563,184,694**
II. Expenditure			
Administration and Other Expenditure	14	73,611,869	54,263,109
Finance Charges	15	182,012,334	254,393,586
Depreciation		2,176,197	2,545,998
Amortisation of Miscellaneous Expenditure (net)		-	9,691,666
		257,800,400	**320,894,359**
III. Profit Before Taxation		**355,070,747**	**242,290,335**
Provision for Taxation			
- Current (relating to earlier years)		20,535	(134,700)
- Deferred		(815,376)	(1,382,892)
- Fringe Benefit Tax		410,778	–
IV. Profit After Taxation		**355,454,810**	**243,807,927**
Surplus brought forward from previous year		384,261,309	712,960,722
V. Profit available for Appropriation		**739,716,119**	**956,768,649**
Preference Dividend		–	15,483,801
Tax on Dividend		–	2,023,539
Debenture Redemption Reserve		37,500,000	370,000,000
Capital Redemption Reserve		–	185,000,000
Issue of Bonus Shares		99,312,546	–
VI. Available Surplus carried to Balance Sheet		**602,903,573**	**384,261,309**
Earnings per Share (Rs.) - Basic and Diluted		1.34	0.86
Statement on Significant Accounting Policies and Notes to the Accounts	16		

The Schedules referred to above form an integral part of the Profit and Loss Account.

This is the Profit and Loss Account referred to in our report of even date.

For and on behalf of the Board of Directors

Sd/-
P. Rama Krishna
Partner
For and on behalf of
Price Waterhouse
Chartered Accountants

Sd/-
G.M.Rao
Chairman &
Managing Director

Sd/-
G B S Raju
Group Director &
Group CFO

Sd/-
A.S.Cherukupalli
Company Secretary

Place : Hyderabad
Date : May 13, 2006

Place : Bangalore
Date : May 13, 2006

Schedules forming part of Balance Sheet as at March 31, 2006

(Amount in Rupees)

Schedule 1	March 31, 2006	March 31, 2005
CAPITAL		
Authorised		
400,000,000 (2005 : 175,000,000) Equity shares of Rs.10/- each	4,000,000,000	1,750,000,000
Nil (2005: 3,000,000) Preference Shares of Rs.100/- each	–	300,000,000
	4,000,000,000	**2,050,000,000**
Issued , Subscribed & Paid up		
264,436,814 (2005 - 158,662,091) Equity Shares of Rs.10 each fully paid up	2,644,368,140	1,586,620,910
(Out of the above, 264,435,651 (2005 : 158,661,391) Equity Shares fully paid up are held by the holding company, GMR Holdings Private Limited)		
(Out of the above, 105,774,723 (2005 : Nil) Equity Shares of Rs.10 each were alloted as fully paid up by way of bonus shares by capitalising free reserves of the company.)		
Total	**2,644,368,140**	**1,586,620,910**

(Amount in Rupees)

Schedule 2		March 31, 2006	March 31, 2005
RESERVES AND SURPLUS			
Share Premium			
At the commencement of the year		552,993,384	552,993,384
Less : Utilised for issue of bonus shares		552,993,384	–
	(i)	–	**552,993,384**
Debenture Redemption Reserve			
At the commencement of the year		400,000,000	30,000,000
Add: Transfer from Profit and Loss Account		37,500,000	370,000,000
	(ii)	**437,500,000**	**400,000,000**
Capital Redemption Reserve			
At the commencement of the year		185,000,000	–
Add: Transfer from Profit and Loss Account		–	185,000,000
Less : Utilised for issue of bonus shares		185,000,000	–
	(iii)	–	**185,000,000**
General Reserve			
At the commencement of the year		–	–
Add: Transfer from Special Reserve		220,441,300	–
Less : Utilised for issue of bonus shares		220,441,300	–
	(iv)	–	–
Special Reserve (under Section 45 IC of the RBI Act, 1934)			
At the commencement of the year		220,441,300	220,441,300
Less : Transfer to General Reserve		220,441,300	–
	(v)	–	**220,441,300**
Balance in Profit and Loss Account	(vi)	**602,903,573**	**384,261,309**
Total (i)+(ii)+(iii)+(iv)+(v)+(vi)		**1,040,403,573**	**1,742,695,993**

Schedules forming part of Balance Sheet as at March 31, 2006

(Amount in Rupees)

Schedule 3	March 31, 2006	March 31, 2005
SECURED LOANS		
Debentures		
Secured Redeemable Non-Convertible Debentures of Rs.100 each (Out of the above, debentures amounting to Rs.16,250,000 bear interest at the rate of 10% per annum (14% upto March 31, 2004) and debentures amounting to Rs.30,000,000 bear interest at the rate of 10% per annum (14% upto December 31, 2004). These debentures are redeemable in 20 equal quarterly installments from October 1, 2002)	46,250,000	83,250,000
Secured Redeemable Non-Convertible Debentures of Rs.100 each (These debentures bear interest at the rate of 10% per annum and are redeemable in 4 equal annual installments from January 8, 2005)	60,000,000	90,000,000
Secured Redeemable Non Convertible Debentures of Rs.100 each (These debentures bear interest at the rate of 10% per annum and are redeemable in 4 equal annual installments from February 4, 2005)	32,500,000	48,750,000
[The above debentures are secured, on pari passu basis, by the first charge through hypothecation of all movable and immovable properties of the Company, both present and future, pledge of equity shares of the Company held by promoter shareholders and their associates		
Secured Redeemable Non Convertible Debentures of Rs.100,000 each	300,000,000	420,000,000
(These debentures bear interest at the rate of 9% per annum (12% upto June 30, 2004). These debentures are redeemable in 10 equal semi annual installments from December 1, 2003)		
(Secured, by the hypothecation of immovable property of the Company, pledge and by the exclusive first charge on dividends to be declared / received by the company on 48,000,000 (2005 : 69,209,325) equity shares in GMR Energy Limited)		
Secured Redeemable Non-Convertible Debentures of Rs.1,000,000 each	1,100,000,000	1,250,000,000
(These debentures bear interest at the rate of 8.9% per annum (7.9% upto September 30, 2005)		
Secured Redeemable Non-Convertible Debentures of Rs.1,000,000 each (These debentures bear interest at the rate of 8.71% per annum (7.9% upto September 30, 2005)	220,000,000	250,000,000
(The above debentures are secured by immovable property of the Company, pledge of 41,253,000 Shares of the Company held by the promoter shareholders and other third party securities. These debentures are redeemable in 10 annual instalments from September 30, 2005.		
Others (Secured by hypothecation of the vehicle)	109,836	329,508
Total	**1,758,859,836**	**2,142,329,508**

(Amount in Rupees)

Schedule 4	March 31, 2006	March 31, 2005
UNSECURED LOANS		
From Banks - Short Term	549,491,266	537,241,270
Interest Accrued and due	74,000	–
From Other Bodies Corporate	518,000,000	–
Interest Accrued and due	66,043	–
Total	**1,067,631,309**	**537,241,270**

Schedules forming part of Balance Sheet as at March 31, 2006

Schedule 5

FIXED ASSETS

(Amount in Rupees)

Description	Gross Block				Depreciation				Net Block	
	As At March 31, 2005	Additions	Deletions	As At March 31, 2006	As At March 31, 2005	For the year	On Deletions	As At March 31, 2006	As At March 31, 2006	As At March 31, 2005
Freehold Land	835,700	-	-	835,700	-	-	-	-	835,700	835,700
Office Equipment	14,787,965	321,460	1,104,438	14,004,987	6,216,913	1,772,411	558,711	7,430,613	6,574,374	8,571,052
Furniture and Fixtures	6,738,408	-	341,318	6,397,090	3,057,560	315,388	150,321	3,222,627	3,174,463	3,680,848
Vehicles	932,075	-	-	932,075	339,777	88,398	-	428,175	503,900	592,298
Total	**23,294,148**	**321,460**	**1,445,756**	**22,169,852**	**9,614,250**	**2,176,197**	**709,032**	**11,081,415**	**11,088,437**	**13,679,898**
Previous Year	24,054,286	21,632	781,770	23,294,148	7,588,934	2,545,998	520,682	9,614,250	13,679,898	–

Schedules forming part of Balance Sheet as at March 31, 2006

(Amount in Rupees)

Schedule 6		March 31, 2006	March 31, 2005
INVESTMENTS - LONG TERM			
Other than Trade - Quoted			
Mega Corporation Limited [Nil (2005 : 2,088,500) Equity Shares of Re. 1 each fully paid up]		–	9,189,400
N E Electronics Limited [Nil (2005 : 780,000) Equity Shares of Rs. 10 each fully paid up]		–	33,150,000
Sangam India Limited [Nil (2005 : 1,500) Equity Shares of Rs. 10 each fully paid up]		–	45,075
	(i)	–	**42,384,475**
Other than Trade - Unqouted			
A. In Equity Shares of Subsidiary Companies			
GMR Energy Limited (276,826,898 Equity Shares of Rs.10 each fully paid up)		2,962,707,179	2,962,707,179
GMR Hyderabad International Airport Limited (36,995 Equity Shares of Rs.10 each fully paid up)		369,950	369,950
GMR Pochanpalli Expressways Private Limited (5,100 (2005 : Nil) Equity Shares of Rs.10 each fully paid up)		51,000	–
GMR Jadcherla Expressways Private Limited (5,100 (2005 : Nil) Equity Shares of Rs.10 each fully paid up)		51,000	–
GMR Tuni-Anakapalli Expressways Private Limited (100,000 Equity Shares of Rs.10 each fully paid up)		1,000,000	1,000,000
GMR Tambaram-Tindivanam Expressways Private Limited (1,00,000 Equity Shares of Rs.10 each fully paid up)		1,000,000	1,000,000
GMR Ambala Chandigarh Expressways Private Limited (4,800 (2005 : Nil) Equity Shares of Rs.10 each fully paid up)		48,000	–
B. In Preference Shares of Subsidiary Companies			
GMR Tuni-Anakapalli Expressways Private Limited 1,100,000 9% Preference Shares of Rs 100 each fully paid up		128,073,282	–
4,655,720 (2005 : 4,155,720) 9.5% Preference Shares of Rs.100 each fully paid up		472,492,806	415,572,000
GMR Tambaram-Tindivanam Expressways Private Limited 1,100,000 9% Preference Shares of Rs 100 each fully paid up		128,071,161	–
6,746,960 (2005 : 57,46,960) 9.5% Preference Shares of Rs 100 each fully paid up		688,537,611	574,696,000
C. In Other Companies			
Gateways for India Airports Private Limited (3,784 Equity Shares of Rs.10 each fully paid up)		37,840	37,840
Sri Varalakshmi Jute Twine Mills Private Limited (Nil (2005 : 4,000,000) Equity Shares of Rs.10 each fully paid up)		–	30,000,000
GMR Operations Private Limited (Nil (2005 : 2,450) Equity Shares of Rs100/-each fully paid up)		–	294,000
GVL Investments Private Limited (Nil (2005 : 5,127,500) Preference Shares of Rs.10 each fully paid up		–	205,100,000
GMR Industries Limited (Nil (2005 : 20,695,580) Preference Shares of Rs.11 each		–	190,399,336
	(ii)	4,382,439,829	4,381,176,305
	Total (i) + (ii)	4,382,439,829	4,423,560,780

* Market Value of Quoted Investments - Nil (2005 - Rs. 91,994,000)

Schedules forming part of Balance Sheet as at March 31, 2006

(Amount in Rupees)

Schedule 7	March 31, 2006	March 31, 2005
SUNDRY DEBTORS		
(Unsecured, Considered good)		
a) Over six months old	–	–
b) Other Debts	287,894	10,408,948
Total	**287,894**	**10,408,948**

(Amount in Rupees)

Schedule 8	March 31, 2006	March 31, 2005
CASH AND BANK BALANCES		
Balances with Scheduled Banks		
- On Current accounts	18,802,361	432,730,219
- On Deposit accounts	–	674,586,944
- On Margin Money accounts	4,049,264	27,460,000
Total	**22,851,625**	**1,134,777,163**

(Amount in Rupees)

Schedule 9	March 31, 2006	March 31, 2005
OTHER CURRENT ASSETS		
(Unsecured, Considered good)		
Interest accrued but not due	52,346	1,091,409
Dividend receivable from subsidiary company	521,701,963	–
Total	**521,754,309**	**1,091,409**

Schedules forming part of Balance Sheet as at March 31, 2006

(Amount in Rupees)

Schedule 10	March 31, 2006	March 31, 2005
LOANS & ADVANCES		
Advances recoverable in cash or in kind or for value to be received:		
Considered good	60,257,019	31,600,460
Considered doubtful	28,676,000	–
Advance towards investments in subsidiary companies and other bodies corporate	1,530,042,000	753,167,000
Advance Income tax (net of provisions)	8,375,356	67,905,397
Advance Fringe Benefit Tax (net of provisions)	32,695	–
	1,627,383,070	**852,672,857**
Less: Provision for doubtful advance	28,676,000	–
Total	**1,598,707,070**	**852,672,857**

(Amount in Rupees)

Schedule 11	March 31, 2006	March 31, 2005
CURRENT LIABILITIES		
A) Liabilities		
Sundry Creditors		
Dues to small scale industrial undertakings	–	–
Dues to other than small scale industrial undertakings	11,851,988	2,897,466
Interest accrued but not due	10,446,722	14,904,023
Other Liabilities	1,132,654	6,887,567
	23,431,364	**24,689,056**
B) Provisions		
Provision for employee benefits	636,000	–
	636,000	**–**
Total	**24,067,364**	**24,689,056**

Schedules forming part of Profit and Loss Accont for the year ended March 31, 2006

(Amount in Rupees)

Schedule 12	March 31, 2006	March 31, 2005
OPERATING INCOME		
Dividend Income	521,741,420	443,549,096
Profit/(Loss) on sale of investments (net)	52,645,090	2,428,873
Total	**574,386,510**	**445,977,969**

(Amount in Rupees)

Schedule 13	March 31, 2006	March 31, 2005
OTHER INCOME		
Interest received - Gross	9,130,735	18,077,105
[Tax Deducted at Source Rs.504,751 (2005 : Rs 2,763,000)]		
Gain on foreign exchange transactions	4,601,063	17,775,969
Service Income	12,500,000	22,958,802
Provisions/Liabilities no longer required, written back	12,384	36,673,585
Miscellaneous Income	12,240,455	21,721,264
Total	**38,484,637**	**117,206,725**

(Amount in Rupees)

Schedule 14	March 31, 2006	March 31, 2005
ADMINISTRATION AND OTHER EXPENSES		
Salaries, Allowances and Benefits to Employees	11,733,748	3,475,537
Contribution to Provident and other funds	551,591	262,327
Staff welfare expenses	4,400	5,013
Rent	986,377	975,775
Rates and Taxes	14,522,953	28,216,362
Repairs and Maintenance	50,015	448,197
Insurance	66,751	55,871
Directors' sitting fees	240,000	-
Consultancy and Professional Charges	10,746,513	17,368,763
Provision for Doubtful Advance	28,676,000	-
Remuneration to Auditors		
- Audit Fees	561,200	55,100
- Other Certifications	70,000	32,250
- Out of Pocket Expenses	83,499	36,663
Traveling and Conveyance	3,442,636	1,546,975
Fixed Assets Written off	736,724	219,622
Miscellaneous Expenses	1,139,462	1,564,654
Total	**73,611,869**	**54,263,109**

(Amount in Rupees)

Schedule 15	March 31, 2006	March 31, 2005
FINANCE CHARGES		
Interest on debentures	169,218,105	123,552,062
Interest on other fixed loans	24,524	108,145,005
Interest - Others	10,810,739	3,847,597
Bank/Other Finance Charges/Prepayment Premium	1,958,966	18,848,922
Total	**182,012,334**	**254,393,586**

Schedule 16

I. SIGNIFICANT ACCOUNTING POLICIES:

1. Accounting Assumptions

These accounts have been prepared under the historical cost convention on the basis of a going concern, with revenues recognised and expenses accounted on their accrual and amounts determined as payable or receivable during the year except those with significant uncertainties and in accordance with the applicable Accounting Standards issued by the Institute of Chartered Accountants of India.

2. Revenue Recognition

The Company recognizes significant items of income and expenditure on accrual basis except in case of those with significant uncertainties. Dividends declared by subsidiary companies after the Balance Sheet date, are recognised as income in the year to which they relate if they are declared before the approval of the financial statements by the Board of Directors.

Income from management/technical services is recognised as per the terms of the agreement and on the basis of services rendered.

3. Investments

Long term investments are valued at cost unless there is a permanent diminution in their value. Current investments are valued at cost or market value whichever is lower. Cost of acquisition is inclusive of expenditure incidental to acquisition. Income from investments is recognised in the year in which it is accrued and stated at gross.

4. Fixed Assets

Fixed Assets are stated at cost of acquisition less depreciation. Cost of acquisition is inclusive of freight, duties, levies and all incidentals attributable to bringing the asset to its working condition.

All the fixed assets are assessed for any indication of impairment at the end of each financial year. On such indication, the impairment (being the excess of carrying value over the recoverable value of the asset) is charged to the profit and loss account in the respective financial year. The impairment loss recognised in the prior years is reversed where the recoverable value exceeds the carrying value of the asset upon re-assessment in the subsequent years.

5. Depreciation

Depreciation is provided on straight line method at the rates specified under Schedule XIV to the Companies Act, 1956 except for assets of less than Rs. 5,000, which are fully depreciated in the year of acquisition.

Leasehold improvements are amortised over the period of the lease or estimated useful life whichever is shorter.

6. Retirement Benefits

Retirement benefits are accounted for on accrual basis with contributions to recognised funds such as Provident Fund charged against revenue each year. Liability for gratuity is funded through a scheme administered by an insurer. Provision for leave encashment is made based on accrual basis.

7. Foreign Currency Transactions

All foreign currency transactions are accounted for at the exchange rates prevailing on the date of such transactions. Current assets and current liabilities are translated at the exchange rate prevailing on the balance sheet date and the resultant gain / loss is recognised in the financial statements.

8. Taxes on Income

Current tax is determined based on the amount of tax payable in respect of taxable income for the year. Deferred tax is recognised on timing differences, being the difference between the taxable income and accounting income that originate in one year and are capable of reversal in one or more subsequent years. Deferred tax assets and liabilities are computed on the timing differences applying the enacted tax rate. Deferred tax assets arising on account of unabsorbed depreciation or carry forward of tax losses are recognised only to the extent that there is virtual certainty supported by convincing evidence that sufficient future taxable income will be available against which such deferred tax assets can be realised.

9. Earnings Per Share

The earnings considered in ascertaining the Company's Earning Per Share (EPS) comprise of the net profit after tax less dividend (including dividend distribution tax) on preference shares. The number of shares used for computing the basic EPS is the weighted average number of shares outstanding during the year.

Schedule 16 Contd.

II. NOTES TO ACCOUNTS:

1. **Contingent Liabilities:**
   a) Bank Guarantees outstanding in respect of upcoming projects Rs.5,615,600,000 (2005 : Rs. 95,000,000).
   b) Corporate Guarantees outstanding in respect of cost over-run for upcoming projects Rs.1,578,200,000 (2005: Rs.1,229,100,000).

2. **Capital Commitments**
   Investment in equity shares of subsidiary company Rs.1,023,357,000 (2005: Rs. Nil)

3. During the year, the Company has issued 105,774,723 bonus shares to the shareholders in the ratio of two shares for every three shares held by them. Accordingly, the Company has utilised the balances lying in Share Premium, Capital Redemption Reserve, General Reserve and the Profit and Loss Account (to the extent required) for the purpose of the bonus issue.

4. Consequent to the exemption obtained from compliance with regulations applicable to Non Banking Financial Companies, the company has transferred the balance in Special Reserve created under section 45IC of the Reserve Bank of India Act, 1934 amounting to Rs.220,441,300 to General Reserve.

5. The following long term unquoted investments included in Schedule 6 have been pledged/subjected to negative lien by the Company towards borrowings of the Company or the investee companies:

   a) 4,005,000 Preference Shares of Rs 100/- each and 100,000 Equity Shares of Rs 10/- each of GMR Tambaram Tindivanam Expressways Private Limited having a carrying value of Rs.408,716,389 and Rs. 1,000,000 respectively;

   b) 2,930,000 Preference Shares of Rs 100/- each and 100,000 Equity Shares of Rs 10/- each of GMR Tuni Anakapalli Expressways Private Limited having a carrying value of Rs.297,355,494 and Rs. 1,000,000 respectively;

   c) 233,862,254 Equity Shares of Rs 10/- each of GMR Energy Limited having a carrying value of Rs.2,572,484,794.

   d) 25,501 Equity Shares of Rs.10/- each of GMR Hyderabad International Airport Limited having a carrying value of Rs.255,010.

Schedule 16 Contd.

6. Related Party Transactions:

a) Name of Related Parties and description of relationship:

Holding Company	GMR Holdings Pvt. Ltd. (GHPL)
Subsidiary Companies	GMR Energy Ltd. (GEL) GMR Power Corporation Pvt. Ltd. (GPCPL) GMR Hyderabad International Airport Ltd. (GHIAL) Vemagiri Power Generation Ltd. (VPGL) GMR Tuni Anakapalli Expressways Pvt. Ltd. (GTAEPL) GMR Tambaram Tindivanam Expressways Pvt. Ltd. (GTTEPL) GMR Jadcherla Expressways Pvt. Ltd. (GJEPL) GMR Pochanpalli Expressways Pvt. Ltd. (GPEPL) GMR Ambala Chandigarh Expressways Pvt. Ltd. (GACEPL) GMR Mining & Energy Private Limited (GMEPL)
Enterprises where significant influence exists/ Fellow Subsidiaries	GVL Investments Pvt. Ltd.(GVPL) GMR Varalakshmi Foundation (GVF) GMR Industries Ltd. (GIDL) Ideaspace Solutions Ltd. (ISL) GMR Estates & Properties Pvt. Ltd. (GEPPL) Gateways for India Airports Pvt. Ltd. (GFIAPL) SACI Sports Pvt. Ltd. (SPL) GMR Highways Pvt. Ltd. (GHWPL) GMR Operations Private Limited (GOPL) Raxa Security Services Private Limited (RSSPL) Bharat Sugar Mills Limited (BSL)
Key Management Personnel and their Relatives	Mr. G.M.Rao Mr. G.B.S.Raju Mr. G. Kiran Kumar Mr. B. V. Nageswara Rao Mr. Srinivas Bommidala Mrs. G. Varalakshmi Mrs. B. Ramadevi

Schedule 16 Contd.

b) Summary of transactions with the above related parties is as follows:

(Amount in Rupees)

Nature of Transaction	Holding Company	Subsidiary Companies	Enterprises where significant influence exists	Key Management Personnel and their relatives
Interest received (GEL)	–	–	–	–
	(-)	(3,336,000)	(-)	(-)
Dividend received (GEL)	–	521,701,963	–	–
	(-)	(442,923,000)	(-)	(-)
Rent received (net of expense) - GEL	–	71,800	–	–
	(-)	(990,000)	(-)	(-)
Services rendered - RSSPL	–	–	719,332	–
	(-)	(-)	(-)	(-)
Manpower deputation	–	–	–	–
	(360,000)	(13,000,000)	(960,000)	(-)
Refund of loan - GEL	–	–	–	–
	(-)	(61,900,000)	(-)	(-)
Purchase of equity Shares	–	–	–	102,000
	(-)	(-)	(-)	(-)
Sale of equity shares	–	1,600	200	2,600
	(-)	(-)	(-)	(-)
Share application money received	2,912,550,000	–	–	–
	(400,000,000)	(-)	(-)	(-)
Share application money refunded	3,312,550,000	–	–	–
	(-)	(-)	(-)	(-)
Loans received and repaid	1,205,500,000	–	–	–
	(-)	(-)	(-)	(-)
Issue of Bonus Shares	1,057,742,600	–	–	3,970
	(-)	(-)	(-)	(-)
Share application money invested -(GHIAL)	–	604,236,000	–	–
	(-)	(752,037,000)	(-)	(-)
Share application money invested - (GVPL)	–	–	2,524,913,000	–
	(-)	(-)	(-)	(-)
Share application money invested - (Others)	–	76,521,000	173,089,000	–
	(-)	(-)	(1,130,000)	(-)
Refund of share application money invested	–	–	2,525,363,000	–
	(-)	(-)	(-)	(-)
Redemption of preference shares	–	–	205,100,000	–
	(-)	(-)	(-)	(-)
Balance Payable / Recoverable	–	1,432,794,000	97,967,332	–
	(-)	(752,037,000)	(1,130,000)	(-)

Schedule 16 Contd.

Note:

a) The Company has provided securities by way of pledge of investments for loans taken by certain companies.

b) Certain Key Management Personnel have extended personnel guarantees as security towards borrowings of the Company. Similarly the holding company has pledged certain shares held in the Company as security towards the borrowings of the Company.

c) Transactions and outstanding balances in the nature of reimbursement of expenses incurred by one company on behalf of the other have not been considered above.

d) Previous year figures are mentioned in brackets.

7. **Earnings Per Share**
Calculation of EPS - (Basic & Diluted)

Particulars	Year Ended March 31	
	2006	2005
Nominal Value of Equity Shares (Rs. per Share)	10	10
Total number of Equity Shares outstanding at the beginning of the year	158,662,091	158,662,091
Add: Bonus Shares issued out of Free Reserves on September 30, 2005 (refer note below)	105,774,723	105,774,723
Total number of Equity Shares outstanding at the end of the year for the purpose of EPS	264,436,814	264,436,814
Weighted average number of Equity Shares outstanding during the year	**264,436,814**	**264,436,814**
Profit after Taxes (Amount in Rupees)	355,454,810	243,807,927
Less : Preference Dividend (including tax thereon)	-	17,507,340
Net Profit after tax for the purpose of EPS	**355,454,810**	**226,300,587**
EPS - Basic & Diluted (Rs.)	1.34	0.86

Note: During the year ended March 31, 2006, the Company has issued 105,774,723 bonus shares to the shareholders in the ratio of two shares for every three shares held by them. Since the bonus issue is an issue without consideration, the issue has been treated as if it had occurred prior to the beginning of the year 2005, the earliest period reported.

8. The Company is engaged in business of holding/dealing in equity shares, which in the context of Accounting Standard 17 "Segment Reporting" issued by the Institute of Chartered Accountants of India, is considered as the only segment. Hence, reporting under the requirements of the said standard does not arise.

9. Deferred tax liability (net) as at March 31, 2006 comprises of:

(Amount in Rupees)

SL No	Particulars	2006		2005	
		Deferred tax Asset	Deferred tax liability	Deferred tax Asset	Deferred tax liability
1	Depreciation		2,223,500		2,892,813
2	Preliminary Expenses	210,480		278,495	
3	Leave Encashment	214,078		–	
	Total	**424,558**	**2,223,500**	**278,495**	**2,892,813**
	Deferred tax liability (net)		**1,798,942**		**2,614,318**

Note: In view of the management's assessment that the future income in the form of dividends is tax free, deferred tax asset on carry/brought forward losses have not been recognised by the Company, on the grounds of prudence.

Schedule 16 Contd.

10. Information on Joint Ventures as per Accounting Standard 27

(Amount in Rupees)

Name of the Joint Venture	2005-06 GMR Hyderabad International Airport Ltd.	2004-05 GMR Hyderabad International Airport Ltd.
Country of Incorporation	India	India
Share in Ownership and voting power	63%	63%
Proportionate share of the company in the Assets, Liabilities, Incomes and expenses of the Joint Venture:		
Capital Commitments	5,448,860,985	378,935,113
Current Assets	735,824,659	189,837,835
Fixed Assets (including Capital work in progress and Pre-operative expenditure, pending allocation)	3,586,145,366	439,437,830
Current Liabilities	281,961,012	9,730,006

Note: Disclosure of Financial Data as per Accounting Standard - 27 'Financial Reporting of Interest in the joint venture has been done based on the audited financial statements of the entity as on March 31, 2006.

11. Investments purchased and sold during the year

Particulars	Purchased		Sold	
	Units	Amount in Rupees	Units	Amount in Rupees
ING Vysya Institutional Growth Fund	1,273,946	13,300,000	1,273,946	13,300,000
Chola Liquid Dividend Reinvestment Plan Fund	1,198,143	12,000,000	1,198,143	12,000,000
Standard Chartered Grindlays Cash fund	2,750,000	27,500,000	2,750,000	27,500,000
Total		**52,800,000**		**52,800,000**

12. Additional information pursuant to paragraph 3, 4, 4A, 4B, 4C and 4D of part II of Schedule VI of the Companies Act, 1956:

a) Expenditure in Foreign Currency (on payment basis)

(Amount in Rupees)

Particulars	2006	2005
Traveling expenses	2,188,043	323,000
Professional and Consultancy charges	7,288,419	6,470,000
Others	2,912,955	–

13. Information pursuant to paragraphs 3, 4, 4A, 4B, 4C and 4D to the extent either Nil or Not Applicable has not been furnished.

14. Previous year's figures have been regrouped and reclassified, wherever necessary, to conform to those of the current year.

For and on behalf of the Board of Directors

Sd/-	**Sd/-**	**Sd/-**
G.M.Rao	**G B S Raju**	**A.S.Cherukupalli**
Chairman & Managing Director	Group Director & Group CFO	Company Secretary

Place : Bangalore
Date : May 13, 2006

Cash Flow Statement For The Year Ended March 31, 2006

(Amount in Rupees)

Particulars	March 31, 2006	March 31, 2005
A. CASH FLOW FROM OPERATING ACTIVITIES		
Net Profit Before Tax and Extraordinary Items	**355,070,747**	**242,290,335**
Adjustments for:		
Depreciation	2,176,197	2,545,998
Amortisation of Miscellaneous Expenditure		9,691,666
Provision for Doubtful Advance	28,676,000	–
(Profit)/Loss on sale of investments	(52,645,090)	(2,428,873)
Fixed Assets written off	736,724	219,622
Dividend Received	(521,741,420)	(443,549,096)
Interest Received	(9,130,735)	(18,077,105)
Finance Charges	182,012,334	254,393,586
Operating Profit Before Working Capital Changes	**(14,845,243)**	**45,086,133**
Adjustments for:		
(Increase)/Decrease in Trade and other receivables	(47,211,507)	773,200,105
Increase/(Decrease) in Trade Payables	3,835,610	(36,297,303)
Cash generated from Operations	**(58,221,140)**	**781,988,935**
Income Taxes refund/(paid) during the year	59,509,506	(6,198,000)
Fringe Benefit Tax paid	(443,473)	–
Net Cash Flow from/(used in) Operating Activities	**844,893**	**775,790,935**
B. Cash Flow from/(Used In) Investing Activities		
Purchase of Fixed Assets	(321,460)	(21,632)
Purchase of Investments (including Share application money)	(1,203,931,860)	(1,292,866,126)
Proceeds from Sale of Fixed Asssets	–	42,200
Proceeds from Sale of Investments	520,822,902	30,602,721
Interest Income Received	10,169,798	22,352,756
Dividend Received	39,457	1,114,545,235
Net Cash Flow from/(used in) Investing Activities	**(673,221,163)**	**(125,344,846)**
C. Cash Flow from/(Used in) Financing Activities		
Proceeds from Secured Loan	–	1,638,750,000
Repayment of Secured Loans	(383,469,672)	(1,709,846,436)
Proceeds/(Repayment) from/of Unsecured Loans (Net)	530,390,039	387,994,882
Share Application Money Received/(Refunded)	(400,000,000)	400,000,000
Redemption of Preference Share Capital	–	(185,000,000)
Financial Charges paid	(186,469,635)	(254,393,587)
Dividends paid (including dividend distribution tax)	–	(17,507,340)
Net cash from/(used in) financing activities	**(439,549,268)**	**259,997,519**
Net increase/(decrease) in Cash and Cash Equivalents	**(1,111,925,538)**	**910,443,608**
Cash and Cash Equivalents at the beginning of the year	**1,134,777,163**	**224,333,555**
Cash and Cash Equivalents at the end of the year	**22,851,625**	**1,134,777,163**

Note: 1. The above Cash Flow Statement has been prepared under the 'Indirect Method' as set out in the Accounting Standard 3 on Cash Flow Statements issued by the Institute of Chartered Accountants of India.

2. Previous years figures have been regrouped and reclassified to conform to those of the current year.

This is the cash flow statement referred to in our report of even date

Sd/-
P. Rama Krishna
Partner
For and on behalf of
Price Waterhouse
Chartered Accountants

Place : Hyderabad
Date : May 13, 2006

Sd/-
G.M.Rao
Chairman &
Managing Director

Sd/-
G B S Raju
Group Director &
Group CFO

Sd/-
A.S.Cherukupalli
Company Secretary

Place : Bangalore
Date : May 13, 2006

Balance Sheet Abstract And Company's General Business Profile

1 Registration Details

Registration Number	34805	State Code	08
Balance Sheet Date	March 31, 2006		

2 Capital Raised during the year (Amount in Rupees)

Public Issue	Nil	Rights Issue	Nil
Bonus Issue	1,057,747,230	Private Placement	Nil

3 Position of Mobilisation and Development of Funds (Amount in Rupees)

Total Liabilities	6,537,129,164	Total assets	6,537,129,164
Sources of Funds			
Paid Up Capital	2,644,368,140	Reserves & Surplus	1,040,403,573
Secured Loans	1,758,859,836	Unsecured Loans	1,067,631,309
Deffered Tax Liability	1,798,942	Current Liabilities & Provisions	24,067,364
Application of Funds			
Net Fixed Assets	11,088,437	Investments	4,382,439,829
Net Current Assets	2,143,600,898	Misc. Expenditure	–
Accumulated Losses	–		

4 Performance of company (Amount in Rupees)

Gross Income	612,871,147	Total Expenditure	257,800,400
+ / - Profit / Loss Before Tax	355,070,747	+ / - Profit / Loss After Tax	355,454,810
Earning Per Share in Rs.	1.34	Dividend Rate %	Nil

5 Generic Names of Three Principal Products / Services of Company (as per monetary terms)

Item Code No. :	N.A	Product Description	N.A

For and on behalf of the Board of Directors

Sd/-	**Sd/-**	**Sd/-**
G.M.Rao	**G B S Raju**	**A.S.Cherukupalli**
Chairman &	Group Director &	Company Secretary
Managing Director	Group CFO	

Place : Bangalore
Date : May 13, 2006

GMR ENERGY LIMITED

Project Highlights of GMR Energy Limited

- GMR Energy owns and operates a barge-mounted, naphtha-based combined cycle power plant with a contracted capacity of 220 MW situated at Mangalore, in the state of Karnataka.
- The plant is the only barge-mounted power plant in India, the largest power plant in the world on a single barge and the biggest operational Independent Power Producer (IPP) in Karnataka.
- The Company operates under a 7 year Power Purchase Agreement (PPA) with BESCOM and MESCOM with option to extend by 5 years on mutual agreed terms.
- The Company has a 7 year Fuel supply agreement with Bharat Petroleum Corporation Ltd.
- The Company has also entered into a Long term maintenance & parts supply agreement with General Electric (GE) USA.
- The power plant has been built and maintained to international standards, and has been certified by DNV Certification, Netherlands, to be ISO 14001, ISO 9001 and OHSAS 18001 compliant in June 2003, March 2005 and February 2005, respectively.
- The performance details of the Plant for the year ended March 31, 2006 were as follows:

PARTICULARS	
Plant Availability[1]	98.0%
Actual Plant Load Factor	12.8%
Units Generated (millions Kwh)	253.5
Power Sold (millions Kwh)	241.6

- The Financial Performance of the Company for the year ended March 31, 2006

(Rs. in Millions, except share data)

PARTICULARS	
Total income	4551.45
Profit/(Loss) after tax	882.13
Equity capital (par value Rs. 10 per share)	3260.74
Reserves and Surplus	17,04.32
Profit/(Loss) per equity share (Rs.)	2.71
Book value per equity share (Rs.)	15.23

Board of Directors

Mr. G. M. Rao	Chairman & Managing Director
Mr. Srinivas Bommidala	Director - Business Development & Planning
Mr. B. V. Nagaeswara Rao	Director - Assets
Mr. G.B.S. Raju	Director - Finance & Competency Pool
Mr. P. B. Vanchi	Director
Mr. S. Rajagopal	Director - IDBI Nominee
Mr. Luis Miranda	Director - IDF Nominee
Mr. Arun K. Thiagarajan	Independent Non - Excutive Director
Mr. N.C. Sarabeswaran	Independent Non - Excutive Director
Mr. J.S. Rao	Independent Non - Excutive Director

Vice President & Company Secretary

Mr. I.V.Srinivasa Rao

Statutory Auditors

Price Waterhouse
Chartered Accountants
6-3-550, IInd Floor, L B Bhavan, Somajiguda, Hyderabad - 500082

Bankers

IDBI Bank
Canara Bank
Andhra Bank
Bank of Baroda
Bank of India

Registered Office

Skip House, 25/1 Museum Road, Bangalore 560 025
Telephone : 080 22270100
Fax : 080 22273633
e-mail : gel@gmrgroup.co.in
website : www.gmrgroup.co.in

Plant

Near NMPT Guest House, Panambur, Mangalore 575 010
Telephone : 0824 2400830
Fax : 0824 2400840

Directors' Report

Dear Members,

Your Directors have pleasure in presenting to you ninth Annual Report on the activities of the Company together with Audited Accounts for the financial year 2005-06.

Financial results of the Company for the year under review:

Particulars	Year ended March 31, 2006 (Rs. In Lacs)	Year ended March 31, 2005 (Rs. In Lacs)
Revenue from Operations	43,868.02	52,356.82
Operating Expenses including Interest and Depreciation	35,771.60	45,437.74
Profit before tax from operations	8,096.42	6,919.08
Other Income	1,646.49	1,914.26
Profit before tax	9,742.91	8,833.34
Provision for taxation	921.64	818.13
Profit After Tax (PAT)	8,821.27	8,015.21
Surplus Brought forward	7,094.54	5,678.35
Amount available for appropriation	15,915.81	13,693.56
Appropriations		
Proposed Dividend	5,217.19	–
Interim Dividend		5,217.19
Tax on Dividend	731.71	681.82
Transfer to General Reserve	800.00	700.00
Balance Carried to Balance Sheet	9,166.81	7,094.55

Appropriations

During the year under review, the company has recorded profit before tax of Rs. 9,742.91 lacs. The profit after tax for the year is Rs. 8,821.27 Lacs.

The profit available for appropriation is Rs. 15,915.81 Lacs, including the surplus brought forward from the previous years. Considering the performance of the company, the Board of Directors, propose a dividend of Rs 1.60 paise per share. The total outflow will be Rs. 5,217.19 Lacs on account of dividend and Rs 731.71 lakhs on account of dividend tax thereon.

Review of Operations

GEL recorded revenue from sale of power of Rs. 43,868.02 lacs after rebate of Rs. 512.54 lacs for the year compared to Rs. 52,356.82 lacs of the previous year. The revenue is lower due to low dispatch. The expenditure on fuel was correspondingly lower at Rs.12,337.99 lacs. Administrative expenses were lower at Rs 6,519.78 lacs as compared to Rs 6,585.06 lacs in the previous year.

Finance Charges were higher at Rs 3,440.38 Lacs as compared to Rs.3,239.61 lacs in the previous year on account of raising of additional loan from IDFC and increase in LIBOR rate compared to previous year. The receivables from power sales are Rs. 10,586.77 Lacs as on 31st March 2006 which includes Rs.8225.31 lacs towards the value of invoices submitted for March 06.

Subsidiaries

GMR Power Corporation Private Limited, Vemagiri Power Generation Limited, GMR Mining & Energy Private Limited, GMR Ambala Chandigarh Expressways Private Limited are subsidiaries of the company. During the year under review GMR Tambaram Tindivanam Expressways Private Limited and GMR Tuni Anakapalli expressways Private Limited have become subsidiaries of GMR Power Corporation Private Limited and consequent to that, have also become subsidiaries of your company. Annual reports of subsidiary companies are attached with the Balance sheet of the company.

Environment and Safety

GEL Mangalore plant has won Suraksha Puraskar Award - 2005 given by Nation Safety Council of India in National level competition in recognition of Safety, Environment and Health performance from 2002 to 2005. The adherence to environment and safety standards has always been priority areas for your Company. Thick forestation has been developed and maintained around the plant in addition 50 more trees were planted in the current year to improve the environmental and greenery. To minimize health hazards, the plant continues the use of clamtrol a biodegradable & environmental friendly chemical to control the biological growth in the Cooling Water system. Clamtrol is a replacement of chlorine, a hazardous chemical conventionally used to check the biological growth in the water.

Directors' Report

The plant observed 'Disaster Prevention week' in Dec 2005. On 08 Dec 2005, Mock drill and fire fighting demonstrations were held in the Naphtha tank farm area. The occasion was attended by representatives from the surrounding industries and Environment officer and Sr. Asst Dir of factories, & Police S.I from Karnataka Gov. Also First Aid training for community was conducted with the help of Kasturba Medical College doctors. Due care has been taken at the plant to install and maintain sufficient safety devices at appropriate places. The safety and fire fighting devices installed in the plant were inspected and periodically tested as per the annual schedule to ensure their readyness during emergencies.

The plant has established an Environmental Management System conforming to ISO 14001 and is duly certified by DNV an International certifying agency. The plant also implemented Occupational Health and Safety Management System OHSAS 18001 and Quality Management System ISO 9001:2000 during the year. We are pleased to inform that the plant has obtained certification for both the systems. As on date the plant is ISO 14001, ISO 9001 and OHSAS certified.

Social Responsibility

As a corporate working towards the betterment of society, the GEL has been working towards meeting its social responsibilities with the help of the GMR Varalakshmi Foundation.

The Foundation has been involved in working mainly in four broad areas: Education, Health and Hygiene, Community Based programs; and Empowerment and Entrepreneurship Development. It reaches out with the objective of improving the quality of life of the economically deprived people in places where the group has an existence. The Foundation's activities currently span Rajam, Mangalore, Chennai, Bangalore, Hyderabad and Rajahmundry.

In Mangalore, the Foundation has been able to establish 27 Self Help Groups in Tanir Bavi. Most of these groups are women's groups which have been established to incorporate the habit of saving among the members. From saving, these groups are now moving towards income generation activities where they are preparing various items to be sold in the market. Ayurvedic and Allopathic camps take place every consecutive day to provide medical aid to the people. About 600 people attend these camps every month. Constant skill upgradation programmes also take place for the people of Tanir Bavi.

In Rajam, the Foundation has been working in several villages in which work is being carried out, through Bal Badies and Government schools. Volunteers are provided in each of these government schools, who supplement the learning process through innovative methods of teaching. Developmental work is also carried on in these villages through the volunteers.

The Foundation also supports three Entrepreneurship Development Institutes in partnership with ABRDT where unemployed rural youth are trained in various trades to take up employment as well as set up their own enterprises. Over fifteen hundred youth are trained to earn their livelihoods every year, through these institutes.

Mobile Medical Units, ambulances, medical camps etc. form part of the activities in various locations.

The GMR Varalakshmi Foundation was one of the first to respond to the earthquake which struck parts of North India in October 2005. It instantly sent 5000 woolen blankets for the affected. Several employees of the group also contributed a day's salary towards the rehabilitation of the earthquake affected people which is being utilized to build toilets in four government schools.

Board of Directors

Mr. Arun .K. Thiagarajan and Mr. N.C. Sarabeswaran retire by rotation and being eligible, offer themselves for re-appointment.

Directors' Responsibility Statement

Your Directors confirm:

1. that in the preparation of the annual accounts for the financial year ended 31st March, 2006, the applicable accounting standards had been followed and there are no material departures;
2. that the directors have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year ended 31st March, 2006 and of the profit or loss of the Company for that year;
3. that the directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
4. that the directors had prepared the accounts for the financial year ended 31st March, 2006 on a 'going concern' basis.

Directors' Report

Corporate Governance

Your company is committed to the highest standard of corporate governance, conducts its business in due compliance with all the relevant laws, rules and regulations and follows the highest ethical standards of business.

Presently, the Board consists of ten directors. Five directors represent the GMR Group, one director represents IDF Private Equity, one director represents IDBI Ltd and three Directors are independent directors.

During the year under review the Board of Directors met four times to take appropriate decisions for managing the company.

Audit Committee

The composition of the Audit Committee during the year was as follows

Mr. N. C. Sarabeswaran, Independent Director	- Chairman
Mr. S. Rajagopal, IDBI nominee	- Member
Mr. J. S. Rao, Independent Director	- Member
Mr. Luis Miranda, IDF nominee	- Member

The Audit committee of the Board met four times during the year. The committee reviewed the periodical financial statements and the observations of the Internal Auditors and Statutory Auditors. Managing Director, General Manager - Finance and Company Secretary attended these meetings and assisted the proceedings of the Committee. Whenever the committee reviewed the financial reports of operations, on invitation, the Statutory Auditors and Internal Auditors attended the Committee Meetings and submitted their observations to the Committee.

Auditors

The auditors, M/s Price Waterhouse, Chartered Accountants, retire at the ensuing Annual General meeting and have confirmed their eligibility and willingness to accept office, if re- appointed.

Auditors' Report

The Notes to Accounts forming part of Annual Accounts are self explanatory and need no further elaboration. As regards item 9 (b) of the annexure to Auditors Report regarding dues towards water cess, necessary actions have been taken to obtain maximum concession available. Appeal for granting concessions to the company is pending for disposal. There are no other issues raised in Auditors Report requiring further explanation.

Conservation of Energy, Technology Absorption & Foreign Exchange Earnings & Outgo

The particulars as required under sub-section (1)(e) of Section 217 of the Companies Act, 1956, read with the Companies (Disclosure of particulars in the Report of the Board of Directors) Rules, 1988, are set out in the annexure included in this report.

Particulars of Employees

The particulars of employees who are in receipt of remuneration required to be furnished under Section 217(2A) of the Companies Act, 1956 read with Companies (Particulars of Employees) Rules, 1975, as amended are provided in the Annexure.

Fixed Deposits

During the year under review, the Company has neither invited nor received any deposits from the Public.

Acknowledgements

Your Directors take this opportunity to express their sincere thanks and gratitude to the Government of India, Government of Karnataka, Karnataka Power Transmission and Corporation Ltd, The Reserve Bank of India, Industrial Development Bank of India, Andhra Bank, Bank of India, Bank of Baroda, Canara Bank, State Bank of Mysore IDBI Bank Ltd, and IDFC Private Equity for their continued support. We look forward to the same kind of support in future also.

Your Directors place on record their sincere appreciation of the contributions made by the employees at all levels through their hard work, dedication, solidarity and support.

For and on behalf of the Board of Directors.

G.M. Rao
Chairman

Place : Bangalore
Date : May 6, 2006

Annexure to the Directors Report

Particulars pursuant to Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules 1988.

Conservation of Energy

As a follow up action of the Energy audits conducted by TERI in year 2002 number of measures were initiated in the plant area for reduction in energy consumption. These measures have yielded results in the current year. The heat rate and the aux. power consumption have shown improvement as a result of these measures.

Considerable improvements were also effected in the plant start up and shut down sequences, which improved the heat rate of the plant and brought down the auxiliary consumption. The time taken presently for a hot start up of the plant is 2.5 hours compared to the earlier 3.5 hours. The reduction in startup times has had a effect on the annual average heat rate for the plant which stood at 2024 kcal/kwh which is lower than achieved last year in spite of lower generation of 12.54% in the current year.

Technology absorption

The Company has appointed M/s GMR Operations Pvt. Ltd, to carry out the operations and maintenance of the Plant and has entered into a Long Term Service Agreement with GE. One GE service engineer is stationed at the Plant site and the technical expertise of GE are passed on and absorbed by the Company.

The latest developments in the gas turbine technology are shared by the manufacturer through their 'Service Bulletin' to the clients. The modifications or upgrades are carried out on the engines in consultation with the LTSA Service Director. This arrangement improves the reliability of the engines and reduces down time by implementing the latest developments in the field.

The company has initiated dialogue with GE for conversion of the GT's to natural gas fuel. Initial discussion with the OEM took place during the year for this modification. Further requirements detailing are under process. This has been done as a preparatory work for a possible availability of LNG at Mangalore in near future.

A new closed circuit TV monitoring system was also installed in the plant to assist the security in keeping a watch on the offsite areas of the plant.

Foreign Exchange Earnings and Outgo

Activities relating to exports; initiatives taken to increase exports; development of new export market for products and services; and export plans:

Not applicable, as the entire Power generated is sold to the KPTCL

Total Foreign Exchange used and earned

(Rs in Lacs)

Particulars	2006	2005
Foreign Travel	102.62	24.57
Operation & Maintenance Charges etc.	641.16	634.81
Consultancy, Subscription and Membership fees	74.90	23.52
Interest on Loans	2,088.78	2,092.02
Freight Charges	31.96	–

Auditors' Report

To
The Members
GMR Energy Limited

1. We have audited the attached Balance Sheet of **GMR Energy Limited** ("the Company"), as at March 31, 2006, and the related Profit and Loss Account and the Cash Flow Statement for the year ended on that date annexed thereto, which we have signed under reference to this report. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

2. We conducted our audit in accordance with the auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

3. As required by the Companies (Auditor's Report) Order, 2003, as amended by the Companies (Auditor's Report) (Amendment) Order, 2004, issued by the Central Government of India in terms of sub-section (4A) of Section 227 of 'The Companies Act, 1956' of India (the 'Act') and on the basis of such checks of the books and records of the company as we considered appropriate and according to the information and explanations given to us, we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.

4. Further to our comments in the Annexure referred to in paragraph 3 above, we report that:

   (a) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit;

   (b) In our opinion, proper books of account as required by law have been kept by the company so far as appears from our examination of those books;

   (c) The Balance Sheet, the Profit and Loss Account and the Cash Flow Statement dealt with by this report are in agreement with the books of account;

   (d) In our opinion, the Balance Sheet, the Profit and Loss Account and the Cash Flow Statement dealt with by this report comply with the accounting standards referred to in sub-section (3C) of Section 211 of the Act;

   (e) On the basis of written representations received from the directors, as on March 31, 2006 and taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2006 from being appointed as a director in terms of clause (g) of sub-section (1) of Section 274 of the Act;

   (f) In our opinion and to the best of our information and according to the explanations given to us, the said financial statements together with the notes thereon and attached thereto give in the prescribed manner the information required by the Act and give a true and fair view in conformity with the accounting principles generally accepted in India;

      (i) in the case of the Balance Sheet, of the state of affairs of the company as at March 31, 2006;
      (ii) in the case of the Profit and Loss Account, of the profit for the year ended on that date; and
      (iii) in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

Sd/-
P.Rama Krishna
Partner
Membership No. 22795
For and on behalf of
Price Waterhouse
Chartered Accountants

Place : Bangalore
Date : May 6, 2006

Annexure To Auditors' Report

[Referred to in paragraph 3 of the Auditors' Report of even date to the members of GMR Energy Limited on the financial statements as at and for the year ended March 31, 2006]

1. (a) The company is maintaining proper records showing full particulars including quantitative details and situation of fixed assets.

   (b) The fixed assets are physically verified by the management according to a phased programme designed to cover all the items over a period of three years, which in our opinion, is reasonable having regard to the size of the company and the nature of its assets. Pursuant to the programme, a portion of the fixed assets has been physically verified by the management during the year and no material discrepancies between the book records and the physical inventory have been noticed.

   (c) In our opinion and according to the information and explanations given to us, a substantial part of fixed assets has not been disposed of by the company during the year.

2. (a) The inventory has been physically verified by the management during the year. In our opinion, the frequency of verification is reasonable.

   (b) In our opinion, the procedures of physical verification of inventory followed by the management are reasonable and adequate in relation to the size of the company and the nature of its business.

   (c) On the basis of our examination of the inventory records, in our opinion, the company is maintaining proper records of inventory. The discrepancies noticed on physical verification of inventory as compared to book records were not material.

3. (a) The company has not granted any loans, secured or unsecured, to companies, firms or other parties covered in the register maintained under Section 301 of the Act.

   (b) The company has taken and repaid unsecured loans, from a company covered in the register maintained under Section 301 of the Act. The maximum amount involved during the year and the year-end balance of such loans aggregates to Rs. 26,71,000 and Rs. Nil respectively.

   (c) The unsecured loans taken were without any interest and in our opinion, the other terms and conditions of such loans were not prima facie prejudicial to the interest of the company.

   (d) The aforesaid loans have been prepaid by the company.

4. In our opinion and according to the information and explanations given to us, having regard to the explanation that certain items purchased are of special nature for which suitable alternative sources do not exist for obtaining comparative quotations, there is an adequate internal control system commensurate with the size of the company and the nature of its business for the purchase of inventory, fixed assets and for the sale of energy and services. Further, on the basis of our examination of the books and records of the company, and according to the information and explanations given to us, we have neither come across nor have been informed of any continuing failure to correct major weaknesses in the aforesaid internal control system.

5. According to the information and explanations given to us, there have been no contracts or arrangements referred to in Section 301 of the Act during the year to be entered in the register required to be maintained under that Section. Accordingly, commenting on transactions made in pursuance of such contracts or arrangements does not arise.

6. The company has not accepted any deposits from the public within the meaning of Sections 58A and 58AA of the Act and the rules framed there under.

7. In our opinion, the company has an internal audit system commensurate with its size and nature of its business.

8. We have broadly reviewed the books of account maintained by the company in respect of products where, pursuant to the Rules made by the Central Government of India, the maintenance of cost records has been prescribed under clause (d) of sub-section (1) of Section 209 of the Act and are of the opinion that prima facie, the prescribed accounts and records have been made and maintained. We have not, however, made a detailed examination of the records with a view to determine whether they are accurate or complete.

9. (a) According to the information and explanations given to us and the records of the company examined by us, in our opinion, the company is generally regular in depositing the undisputed statutory dues including provident fund, income tax, service tax, customs duty, cess and other material statutory dues as applicable with the appropriate authorities. According to the information and explanations given to us and the records of the company examined by us, investor

Annexure To Auditors' Report

education and protection fund, employees' state insurance, sales tax, wealth tax and excise duty are not applicable to the Company for the current year.

(b) According to the information and explanations given to us and the records of the company examined by us, there are no dues of income tax, service tax and customs duty, which have not been deposited on account of any dispute except dues in respect of water cess as given below:

Name of the statute	Nature of dues	Amount (Rs.)	Period to which the amount relates	Forum where the dispute is pending
Water (Prevention and Control of Pollution) Act, 1974	Water Cess	5,891,338	January 1, 2003 to September 30, 2004.	Karnataka State Pollution Control Board, Bangalore.

According to the information and explanations given to us and the records of the company examined by us, sales tax, wealth tax and excise duty are not applicable to the Company for the current year.

10. The company has no accumulated losses as at March 31, 2006 and it has not incurred any cash losses in the financial year ended on that date or in the immediately preceding financial year.
11. According to the records of the company examined by us and the information and explanation given to us, the company has not defaulted in repayment of dues to any financial institution or bank as at the balance sheet date. The Company has neither issued any debentures during the year nor are any debentures outstanding as at the balance sheet date.
12. The company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
13. The provisions of any special statute applicable to chit fund / nidhi / mutual benefit fund/societies are not applicable to the company.
14. In our opinion, the company is not a dealer or trader in shares, securities, debentures and other investments.
15. In our opinion and according to the information and explanations given to us, the terms and conditions of a guarantee given by the company, for a loan taken by a company from a financial institution during the year, are not prejudicial to the interest of the company.
16. In our opinion, and according to the information and explanations given to us, on an overall basis, the term loans have been applied for the purposes for which they were obtained.
17. On the basis of an overall examination of the balance sheet of the company, in our opinion and according to the information and explanations given to us, there are no funds raised on a short-term basis which have been used for long-term investment.
18. The company has not made any preferential allotment of shares to parties and companies covered in the register maintained under Section 301 of the Act during the year.
19. The company has not raised any money by public issues during the year.
20. During the course of our examination of the books and records of the company, carried out in accordance with the generally accepted auditing practices in India, and according to the information and explanations given to us, we have neither come across any instance of fraud on or by the company, noticed or reported during the year, nor have we been informed of such case by the management.
21. The other clauses (iii)(b), (iii)(c), (iii)(d), (v)(b), (xix) of paragraph 4 of the Companies (Auditor's Report) Order 2003, as amended by the Companies (Auditor's Report) (Amendment) Order, 2004, are not applicable in the case of the company for the current year, since in our opinion there is no matter which arises to be reported in the aforesaid order.

Sd/-
P. Rama Krishna
Partner
Membership No. 22795
For and on behalf of
Price Waterhouse
Chartered Accountants

Place : Bangalore
Date : May 6, 2006

Balance Sheet As At March 31, 2006

(Rs in Lacs)

Particulars	Schedule Reference	2006		2005	
I. Sources of Funds					
1. Shareholders' Funds					
(a) Capital	1	32,607.41		32,607.41	
(b) Reserves and Surplus	2	17,043.23		14,170.87	
			49,650.64		46,778.28
2. Share application money pending allotment			26.71		–
3. Loan Funds					
(a) Secured Loans	3	36,162.19		43,520.00	
(b) Unsecured Loans	4	4,230.06		2,119.00	
			40,392.25		45,639.00
Total			**90,069.60**		**92,417.28**
II. Application of Funds					
1. Fixed Assets	5				
(a) Gross Block		81,802.38		80,093.88	
(b) Less : Depreciation		51,950.51		41,533.74	
(c) Net Block		29,851.87		38,560.14	
(d) Capital Work in Progress (including capital advances)		153.11		–	
			30,004.98		38,560.14
2. Investments	6		47,009.04		36,630.31
3. Current Assets, Loans and Advances					
(a) Inventories	7	2,279.46		2,364.55	
(b) Sundry Debtors	8	11,132.28		6,735.37	
(c) Cash and Bank Balances	9	10,186.29		16,173.75	
(e) Other Current Assets	10	1,139.29		257.00	
(d) Loans and Advances	11	9,955.26		3,997.79	
		34,692.58		29,528.46	
Less: Current Liabilities and Provisions	12				
(a) Liabilities		10,271.17		7,746.10	
(b) Provisions		11,365.83		4,555.53	
		21,637.00		12,301.63	
Net Current Assets			13,055.58		17,226.83
Statement on Significant Accounting Policies and Notes to the Accounts	18				
Total			**90,069.60**		**92,417.28**

The Schedules referred to above form an integral part of the Balance Sheet

This is the Balance Sheet referred to in our report of even date

For and on behalf of the Board of Directors

Sd/
P. Rama Krishna
Partner
For and on behalf of
Price Waterhouse
Chartered Accountants

Sd/
G.M.Rao
Chairman &
Managing Director

Sd/
B.V.Nageswara Rao
Director - Assets

Sd/
G B S Raju
Director - Finance &
Competency Pool

Sd/
I V Srinivasa Rao
Vice President & Company Secretary

Place : Bangalore
Date : May 6, 2006

Profit & Loss Account for the year ended March 31, 2006

(Rs in Lacs)

Particulars	Schedule Reference	2006	2005
I. Income			
Sales	13	43,868.02	52,356.82
Other Income	14	1,646.49	1,914.26
		45,514.51	**54,271.08**
II. Expenditure			
Generation Expenses	15	15,375.18	25,324.98
Administration and Other Expenses	16	6,519.78	6,585.06
Finance Charges	17	3,440.38	3,239.61
Depreciation		10,436.26	10,288.09
		35,771.60	**45,437.74**
III. Profit Before Taxation		**9,742.91**	**8,833.34**
Provision for Taxation - Current		812.63	818.13
Provision for Fringe Benefit Tax		109.02	–
IV. Profit After Taxation		**8,821.26**	**8,015.21**
Surplus brought forward from Previous Year		7,094.55	5,678.35
V. Available for Appropriation		**15,915.81**	**13,693.56**
Interim Dividend @ Rs.Nil (2005 - Rs. 1.60) per Equity Share		–	5,217.19
Proposed Final Dividend @ Rs. 1.60 (2005- Rs. Nil) per equity Share		5,217.19	–
Tax on Dividend		731.71	681.82
Transfer to General Reserve		800.00	700.00
VI. Available surplus carried to Balance Sheet		**9,166.91**	**7,094.55**
Earnings Per Share (Rs.) - Basic & Diluted		**2.71**	**2.46**
Statement on Significant Accounting Policies and Notes to the Accounts	18		

The Schedules referred to above form an integral part of the Profit and Loss Account

This is the Profit and Loss Account
referred to in our report of even date

For and on behalf of the Board of Directors

Sd/
P. Rama Krishna
Partner
For and on behalf of
Price Waterhouse
Chartered Accountants

Sd/
G.M.Rao
Chairman &
Managing Director

Sd/
B.V.Nageswara Rao
Director - Assets

Sd/
G B S Raju
Director - Finance &
Competency Pool

Sd/
I V Srinivasa Rao
Vice President &
Company Secretary

Place : Bangalore
Date : May 6, 2006

Schedules forming part of the Balance Sheet as at March 31, 2006

(Rs. in Lacs)

Schedule 1	2006	2005
Capital		
Authorised		
329,000,000 Equity Shares of Rs. 10 each	32,900.00	32,900.00
Issued , Subscribed & Paid up		
326,074,127 Equity shares of Rs.10 each fully paid-up	32,607.41	32,607.41
(Out of the above, 276,826,898 Equity Shares fully paid-up are held by the holding company, GMR Infrastructure Limited)		
Total	**32,607.41**	**32,607.41**

(Rs. in Lacs)

Schedule 2		2006	2005
Reserves And Surplus			
Share Premium Account	(i)	5,076.32	5,076.32
General Reserve as at April 1		2,000.00	1,300.00
Add: Transfer from Profit and Loss Account		800.00	700.00
General Reserve as at March 31	(ii)	2,800.00	2,000.00
Balance in the Profit and Loss Account	(iii)	9,166.91	7,094.55
Total	**(i)+(ii)+(iii)**	**17,043.23**	**14,170.87**

Schedules Forming Part of Balance Sheet As At March 31, 2005

(Rs. in Lacs)

Schedule 3	2006	2005
Secured Loans		
Term Loans		
Rupee Loans		
From financial institutions	7,600.00	7,000.00
(Secured by first charge on all the intangibles, and cashflows, both present and future, in the form of dividends and management/consultancy fees from subsidiary companies and a joint mortgage of the immovable properties ranking pari-passu. Further secured by second charge on the movable properties, both present and future, rights, title, interests, benefits, claims and demands in the operating cash flows, treasury income, revenues/ receivables and by a first charge by way of pledge of 64,350,000 Equity shares held in a subsidiary company and 52,171,861 Equity shares of the company held by the holding company.)		
Foreign Currency Loans		
From Financial Institutions	8,641.18	14,507.93
From Banks	10,579.76	15,108.75
(Secured by an English Mortgage on all movable and immovable assets, tangible and intangible, both present and future, including all revenues and receivables and rights, interest and title in the project documents, trust and retention account balances and guarantees.The rupee term loans from banks in the previous year were further secured by pledge of fixed deposit receipts)		
Working Capital Loans from Banks	9,341.25	6,903.32
(Secured by hypothecation of the stocks & book debt, both present and future, and further to be secured by creation of a joint mortgage by deposit of title deeds in respect of immovable properties together with all plant and machinery attached to the earth).		
Total	**36,162.19**	**43,520.00**

(Rs. in Lacs)

Schedule 4	2006	2005
Unsecured Loans		
From Bank - Short Term	3,610.00	1,500.00
Other than Short Term		
From Others	619.00	619.00
Interest accrued and due	1.06	–
Total	**4,230.06**	**2,119.00**

Schedules forming part of the Balance Sheet as at March 31, 2006

Schedule 5

Fixed Assets

(Rs. in Lacs)

Description	Gross Block				Depreciation				Net Block	
	As At March 31, 2005	Additions	Deletions	As At March 31, 2006	As At March 31, 2005	For the year	On Deletions	As At March 31, 2006	As At March 31, 2006	As At March 31, 2005
Land	817.16	112.04	–	929.20	–	–	–	–	929.20	817.16
Buildings	950.90	–	–	950.90	513.58	123.11	–	636.69	314.21	437.32
Plant & Machinery (Note 1)	77,916.80	1,509.91	–	79,426.71	40,890.12	10,257.76	–	51,147.88	28,278.83	37,026.68
Office Equipment	289.66	106.41	40.44	355.63	83.00	40.35	17.13	106.22	249.41	206.66
Capitalised Software (Note 2)	75.08	23.35	–	98.43	33.37	12.56	–	45.93	52.50	41.71
Furniture & Fixtures	44.28	2.15	4.92	41.51	13.67	2.48	2.36	13.79	27.72	30.61
Total	**80,093.88**	**1753.86**	**45.36**	**81,802.38**	**41,533.74**	**10,436.26**	**19.49**	**51,950.51**	**29,851.87**	**38,560.14**
Capital Work in Progress (including Capital Advances)	–	153.11	–	153.11	–	–	–		153.11	–
Grand Total	**80,093.88**	**1,906.97**	**45.36**	**81,955.49**	**41,533.74**	**10,436.26**	**19.49**	**51,950.51**	**30,004.98**	**38,560.14**
Previous Year	79,959.70	141.70	7.52	80,093.88	31,245.65	10,288.09	–	41,533.74	38,560.14	–

Notes: 1. Plant and Machinery is net of foreign exchange fluctuations capitalised Rs.1,791.65 Lacs (including Rs.461.92 Lacs during the current year) upto March 31, 2006 (2005 - Rs 2,253.57 Lacs)

2. The Capitalised software have useful lives ranging from 6-7 years. Amortisation of these assets is based on straight line method.

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Schedules forming part of the Balance Sheet as at March 31, 2006

(Rs. in Lacs)

Schedule 6	2006	2005
Investments		
Long term		
Other than Trade Unquoted		
In Shares of Subsidiary Companies		
Vemagiri Power Generation Limited	21,651.50	16,301.50
(195,115,010 (2005 - 141,615,000) Equity Shares of Rs 10 each fully paid-up)		
GMR Power Corporation Private Limited	16,497.61	16,497.61
(126,225,000 Equity Shares of Rs 10 each fully paid-up)		
GMR Ambala - Chandigarh Expressways Private Limited	0.51	–
(5,100 Equity Shares of Rs 10 each fully paid-up)		
GMR Mining and Energy Private Limited	1.78	–
(17,800 Equity Shares of Rs 10 each fully paid-up)		
GMR Tambaram - Tindivanam Expressways Private Limited	13.00	–
(130,000 Equity Shares of Rs 10 each fully paid-up)		
GMR Tuni-Anakapalli Expressways Private Limited	13.00	–
(130,000 Equity Shares of Rs 10 each fully paid-up)		
In Shares of Other Companies		
GMR Jadcherla Expressways Private Limited	0.10	–
(1,000 Equity Shares of Rs 10 each fully paid-up)		
GMR Pochanpalli Expressways Private Limited	0.10	–
(1,000 Equity Shares of Rs 10 each fully paid-up)		
(i)	**38,177.60**	**32,799.11**
Current		
Other than Trade - Unquoted *		
(Purchased during the year)		
Chola Liquid Fund - Cumulative Institutional Plus - Daily Dividend	7,228.53	–
(72,061,750.93 units of Rs.10.00 per unit)		
Canbank Mutual Fund -Liquid Fund-Institutional -Dividend	20.93	
(208,436.31 units of Rs.10.00 per unit)		
HDFC Mutual Fund Cash - Management fund		
- Call Option Daily dividend reinvestment	71.00	
(680,980.78 units of Rs.10.00 per unit)		
LIC Liquid Fund-Daily Dividend	29.04	–
(265,060.45 units Rs.10.00 per unit)		
Kotak Mutual Fund- Institutional Premium Plan - Daily Dividend	265.80	
(2,173,676.39 units Rs.10.00 per unit)		
(Sold during the year)		
Chola Liquid Fund - Cumulative Institutional Plus - Growth Option	–	1,350.00
(2005- 36,234,113.582 units of Rs.13.4607 per unit)		
(ii)	**7,615.30**	**1,350.00**

Schedules forming part of the Balance Sheet as at March 31, 2006

(Rs. in Lacs)

Schedule 6 (Contd.)	2006	2005
Other than Trade - Quoted		
Equity Shares **		
(Purchased during the year)		
Aban Loyd Chiles Offshore Limited.	144.00	–
(13,092 shares of Rs.2 each fully paid up)		
Andhra Bank	91.03	–
(1,12,726 shares of Rs.10 each fully paid up)		
Bank of Baroda	110.91	–
(58,108 shares of Rs.10 each fully paid up)		
Bajaj Hindustan Limited	9.90	–
(5,000 shares of Rs.1 each fully paid up)		
Century Textiles & Industries Limited	15.94	–
(5,000 shares of Rs.10 each fully paid up)		
Coromandel Fertilisers Limited.	8.42	–
(10,000 shares of Rs.2 each fully paid up)		
Elecon Engineering Ltd	3.46	–
(500 shares of Rs.10 each fully paid up)		
Federal Bank Limited	8.85	–
(5,000 shares of Rs.10 each fully paid up)		
Indian Petrochemicals Corpn. Limited.	12.12	–
(5,000 shares of Rs.10 each fully paid up)		
Kesoram Industries Limited.	19.74	–
(10,000 shares of Rs.10 each fully paid up)		
Morgan Stanley	10.01	–
(25,000 shares of Rs.10 each fully paid up)		
Neyveli Lignite Corporation Limited	34.83	–
(50,000 shares of Rs.10 each fully paid up)		
Ranbaxy Laboratories Limited	10.36	–
(2,500 shares of Rs.5 each fully paid up)		
Ramco Systems Limited	29.12	–
(15,000 shares of Rs.10 each fully paid up)		
Reliance Industries Limited	91.95	–
(25,000 shares of Rs.10 each fully paid up)		
Reliance Natural Resources Limited	12.38	–
(20,000 shares of Rs.5 each fully paid up)		
Reliance Communication Ventures Limited	68.43	–
(20,000 shares of Rs.5 each fully paid up)		
State Bank of India	18.80	–
(2,000 shares of Rs.10 each fully paid up)		
TRF Limited	94.21	–
(30,637 shares of Rs.10 each fully paid up)		
Uniphos Enterprises Ltd	6.90	–
(23,174 shares of Rs.10 each fully paid up)		
Webel-SI Energy Systems Limited	13.98	–
(7,609 shares of Rs.10 each fully paid up)		
(iii)	**815.34**	**–**

Schedules forming part of the Balance Sheet as at March 31, 2006

(Rs. in Lacs)

Schedule 6 (Contd.)	2006	2005
Government Securities ***		
7.46 % Government of India 2017 (400,000 units of Rs.100.00 (2005 - 500,000 units of Rs.110.36) per unit)	400.80	523.80
Sold during the year		
5.59% Government of India 2016 (1,000,000 units of Rs.99.99 per unit)	–	904.50
7.38 % Government of India 2015 (500,000 units of Rs.106.86 per unit)	–	526.45
7.38 % Government of India 2015 (500,000 units of Rs.106.86 per unit)	–	526.45
(iv)	**400.80**	**2,481.20**
Total (i)+(ii)+(iii)+(iv)	**47,009.04**	**36,630.31**

Notes:

* Aggregate Net Asset Value as at March 31, 2006 - Rs.7,615.30 Lacs (2005 - Rs.1,350.19 Lacs)

** Aggregate Market Value as at March 31, 2006 - Rs.952.27 Lacs (2005 -Rs.Nil)

*** Aggregate Market Value as at March 31, 2006 - Rs.400.80 Lacs (2005 - Rs.2,481.20 Lacs)

(Rs. in Lacs)

Schedule 7	2006	2005
Inventories		
Raw Materials - Fuel	652.16	636.90
Consumables, Stores & Spares	1,627.30	1,727.65
Total	**2,279.46**	**2,364.55**

(Rs. in Lacs)

Schedule 8	2006	2005
Sundry Debtors		
(Trade and considered good, unless otherwise stated)		
Over Six Months Old	210.18	–
Other debts		
Secured	10,376.59	6,566.39
Unsecured - other than trade	545.51	168.98
Total	**11,132.28**	**6,735.37**

(Rs. in Lacs)

Schedule 9	2006	2005
Cash And Bank Balances		
Cash and Cheques on hand	3.19	827.46
Balances with Scheduled Banks		
-On Current Accounts	2,536.73	1,497.53
-On Deposit Accounts	7,553.37	13,805.37
-On Margin Money Accounts	93.00	43.39
Total	**10,186.29**	**16,173.75**

Schedules forming part of the Balance Sheet as at March 31, 2006

(Rs. in Lacs)

Schedule 10	2006	2005
Other Current Assets		
(Unsecured, Considered Good)		
Interest accrued but not due	205.40	257.00
Claims receivable	933.89	–
Total	**1,139.29**	**257.00**

(Rs. in Lacs)

Schedule 11	2006	2005
Loans And Advances		
(Unsecured and Considered Good, unless otherwise stated)		
Loans to Employees	77.73	30.08
Advance towards investment in Subsidiary Companies	5,603.30	2,450.00
Advances recoverable in cash or in kind or for value to be received *		
- Considered good	4,091.08	1,668.45
- Considered doubtful	–	1,600.30
Deposits with Government Authorities	21.34	21.72
Advance Tax (Net of Provision)	161.81	(172.46)
	9,955.26	5,598.09
Less: Provision for doubtful advances	–	1,600.30
Total	**9,955.26**	**3,997.79**
* Include amount due from directors as at March 31, 2006 - Rs.0.04 Lacs (2005 : Rs.4.25 Lacs) Maximum amount due at any time during the year was Rs.57.40 Lacs (2005 : Rs.19.07 Lacs)		

(Rs. in Lacs)

Schedule 12	2006	2005
Current Liabilities And Provisions		
a) Liabilities		
Sundry Creditors		
Dues to small scale industrial undertakings	–	–
Dues to other than small scale industrial undertakings	10,015.33	7,649.66
	10,015.33	7,649.66
Book Overdraft	215.34	–
Other Liabilities	9.56	69.87
Interest accrued but not due	30.94	26.57
Total	**10,271.17**	**7,746.10**
b) Provisions		
Provision for Proposed Dividend	5,217.19	–
Provision for Tax on Dividend	731.71	–
Provision for Employee Benefits	88.34	46.47
Provision for Operations & Maintenance (Net of Advances) (Refer Note 11 of Schedule 18)	5,328.59	4,509.06
Total	**11,365.83**	**4,555.53**

Schedules forming part of the Balance Sheet as at March 31, 2006

(Rs. in Lacs)

Schedule 13	2006	2005
Sales		
Income from sale of Electrical Energy	44,380.56	52,896.51
Less: Prompt Payment Rebate	512.54	539.69
Total	**43,868.02**	**52,356.82**

(Rs. in Lacs)

Schedule 14	2006	2005
Other Income		
Interest on deposits, debts etc.(Gross)	796.72	851.48
[Tax deducted at source-Rs 141.96 Lacs (2005-Rs 164.17 Lacs)]		
Income from investments - other than trade (Gross)	93.01	57.78
Profit / (loss) on sale of investments	406.48	(45.84)
Claims Received	–	700.00
Management/Technical services fee	350.00	350.00
Miscellaneous Income	0.28	0.84
Total	**1,646.49**	**1,914.26**

(Rs. in Lacs)

Schedule 15	2006	2005
Generation Expenses		
Consumption of fuel	12,337.99	20,393.54
Operations and Maintenance	1,996.15	3,860.72
[Net of Warranty and other claims - Rs 311.06 Lacs (2005 - Rs 316.09 Lacs) and includes stores and spare parts consumed Rs.348.41 Lacs (2005 - Rs.334.56 Lacs)]		
Technical Consultancy fees	247.95	245.89
[Net of recoveries - Rs 775.00 Lacs (2005 - Rs 775.00 Lacs)]		
Water	14.63	33.52
Lease rentals	725.59	726.11
Repairs and Maintenance		
Buildings	2.40	3.25
Plant and Machinery	27.21	32.07
Others	23.26	29.88
Total	**15,375.18**	**25,324.98**

Schedules forming part of the Balance Sheet as at March 31, 2006

(Rs. in Lacs)

Schedule 16	2006	2005
Administrative And Other Expenses		
Salaries, allowances and benefits to employees	2,310.86	1,837.47
Contribution to Provident and Other Funds	95.82	98.52
Staff Welfare Expenses	79.06	81.42
Rent	344.62	342.02
Rates and Taxes	23.61	23.40
Repairs and Maintenance		
- Buildings	7.42	10.42
- Others	29.62	19.80
Insurance	602.67	589.40
Directors' Sitting Fees	4.90	5.35
Consultancy and other Professional charges	746.54	435.24
Electricity Charges	24.77	13.02
Fixed Assets written off	25.87	–
Provision for doubtful advances	–	1,600.30
Remuneration to Auditors		
- Audit fees	5.61	5.51
- Tax Audit Fees	1.40	1.38
- Others	3.62	5.83
- Out of pocket expenses	0.10	1.28
Travelling and Conveyance	649.27	199.67
Loss on Exchange fluctuation (net)	45.48	139.04
Communication Expenses	120.18	77.41
Donations	427.56	470.09
Miscellaneous Expenses	970.80	628.49
Total	**6,519.78**	**6,585.06**

(Rs. in Lacs)

Schedule 17	2006	2005
Finance Charges		
Interest on Fixed Loans	3,132.89	2,764.99
Interest - Others	3.37	31.35
Bank / Other Finance Charges	304.12	443.27
Total	**3,440.38**	**3,239.61**

Schedule 18

I. Significant Accounting Policies:

1. Accounting Assumptions

These accounts have been prepared under the historical cost convention on the basis of a going concern, with revenues recognized and expenses accounted on their accrual and amounts determined as payable or receivable during the year except those with significant uncertainties and in accordance with the applicable Accounting Standards as issued by the Institute of Chartered Accountants of India.

2. Revenue Recognition

Revenue from Sale of Energy is recognized on accrual basis in accordance with the provisions of the Power Purchase Agreement.

Income from management/technical services is recognised as per the terms of the agreement on the basis of services rendered.

Claims for delayed payment charges and any other claims, which the company is entitled to under the Power Purchase Agreement, on grounds of prudence, shall be accounted for in the year of acceptance. Insurance claims are accounted on finalization and acceptance.

Expenses incurred on developmental projects are charged to revenue. These will be dealt with at appropriate time for recovery/ capitalization.

3. Operations and Maintenance

The company has entered into Long Term Service Agreement (LTSA) for maintenance of the main plant, Operations and Maintenance Agreement for regular and major maintenance and Long Term Assured Parts Supply Agreement (LTAPSA) for supply of parts for planned and unplanned maintenance over the term of the agreement. Amounts payable under the agreements are charged to the Profit & Loss Account based on actual factored fired hours of the Gas Turbines during the period on the basis of average factored hour cost including Customs Duty applicable at the current prevailing rate. Periodical minimum payments are accounted as and when due.

4. Fixed Assets

Fixed Assets are stated at cost of acquisition less depreciation. Cost of acquisition is inclusive of freight, duties, levies, and all incidentals attributable to bringing the asset to its working condition. The original cost of fixed assets acquired through foreign currency loan is adjusted at the end of each financial year for any change in liability arising out of expressing the outstanding foreign currency loan at the rate of exchange prevailing at the date of balance sheet.

Assets under installation or under construction as at the balance sheet date are shown as Capital Work in Progress.

All the fixed assets are assessed for any indication of impairment at the end of each financial year. On such indication, the impairment loss (being the excess of carrying value over the recoverable value of the asset) is charged to the profit and loss account in the respective financial year. The impairment loss recognised in the prior years is reversed where the recoverable value exceeds the carrying value of the asset upon re-assessment in the subsequent years.

5. Depreciation

Plant & Machinery and Buildings (except temporary structures, which are charged off at 100%) at project site are depreciated up to 95% of their cost on straight-line method over 7 years i.e. the term of Power Purchase Agreement. The other fixed assets are depreciated on straight-line method as per the rates specified in Schedule XIV to the Companies Act, 1956.

Individual assets costing less than Rs.5,000/- are fully depreciated in the year of acquisition.

Depreciation on adjustments to the historical cost of the assets on account of foreign exchange fluctuations is provided prospectively over the residual useful life of the asset.

6. Investments

Long term investments are valued at cost unless there is a permanent diminution in their values. Current investments are valued at cost or market value whichever is lower. Cost of acquisition is inclusive of expenditure incidental to acquisition. Income from investments is recognized in the year in which it is accrued and stated at gross.

Gains/losses, on investment in futures, both equity and index, being the difference between the contracted rate and the rate on the settlement or sale date, whichever is earlier, are recognized in the Profit and Loss Account on settlement/sale. The open contracts as at the year end are marked-to-market and the resultant loss, if any, is charged to the Profit and Loss Account.

Schedule 18 (Contd.)

7. **Inventories**
   Inventories are valued at cost or below. Cost is determined on a weighted average basis and includes all applicable costs incurred in bringing goods to their present location and condition.

8. **Foreign Currency Transactions**
   All foreign currency transactions are accounted for at the exchange rates prevailing on the date of such transactions. Current assets and current liabilities are translated at the exchange rate prevailing on the balance sheet date and the resultant gain/loss is recognised in the financial statements.

9. **Retirement Benefits**
   Retirement benefits are accounted for on accrual basis with contributions to recognised funds such as provident fund and pension fund charged against revenue each year. Liability for gratuity and superannuation is funded through a scheme administered by an insurer. Provision for leave encashment is made based on actuarial valuation as at the year-end.

10. **Earnings Per Share**
    The earnings considered in ascertaining the Company's Earning per Share (EPS) comprise of the net profit after tax. The number of shares used for computing the basic EPS is the weighted average number of shares outstanding during the year.

11. **Taxes on Income**
    Current tax is determined on the amount of tax payable in respect of taxable income for the year. Deferred tax is recognized on timing differences, being the difference between taxable income and accounting income that originate in one year and are capable of reversal in one or more subsequent years. Deferred tax assets and liabilities are computed on the timing differences applying the enacted tax rate. Deferred tax assets arising on account of unabsorbed depreciation or carry forward of tax losses are recognized only to the extent that there is virtual certainty supported by convincing evidence that sufficient future tax income will be available against which such deferred tax assets can be realised.

II. Notes to the Accounts:

1. **Contingent Liabilities:**
   a. Bank Guarantees outstanding in respect of suppliers, customs and upcoming projects - Rs. 2,937.00 Lacs (2005 - Rs. 872.12 Lacs)
   b. Corporate Guarantee outstanding in respect of loan availed by a body corporate - Rs. 6,250.00 Lacs (2005 - Rs. Nil)
   c. Stamp Duty payable for registration of land Rs. 29.93 Lacs (2005 - Rs. 29.93 Lacs)

2. **Capital commitments:**
   a. Investment in equity shares of bodies corporate Rs.10,537.99 Lacs (2005 - Rs.11,098.50 Lacs)
   b. Estimated amount of contracts remaining to be executed on capital account not provided for, net of advances Rs.896.18 Lacs (2005 - Rs. Nil).

3. During the current year, the Government of Karnataka has vide its order dated 10th May, 2005 directed that the Electricity Supply Companies (ESCOM's) will purchase power from the various electricity generating companies and Karnataka Power Transmission Corporation Limited (KPTCL) will not trade in power. Accordingly, sales are being made by the company to ESCOM's from the month of June 2005.

4. Expenses incurred as per the terms of the operation and maintenance contract which mainly represent repairs and maintenance, due to the composite nature of the contract have been grouped and disclosed under operation and maintenance expenses in schedule 15.

5. The Company is engaged in generation of power which in the context of Accounting Standard 17 "Segment Reporting" issued by the Institute of Chartered Accountants of India, is considered as the only segment. Hence, reporting under the requirements of the said standard does not arise.

6. The Long Term Unquoted investments in 126,225,000 and 141,015,000 equity shares of GMR Power Corporation Private Limited and Vemagiri Power Generation Limited respectively included in Schedule 6 are pledged as security towards loan facilities sanctioned to the company and the investee companies.

Schedule 18 (Contd.)

7. Related Party transactions

a) Names of related parties and description of relationship:

(i)	Enterprises that control the Company	GMR Infrastructure Limited (Holding Company) (GIL) GMR Holdings Private Limited (GHPL)
(ii)	Enterprises where control exists	GMR Power Corporation Private Limited (GPCPL) Vemagiri Power Generation Limited (VPGL) GMR Ambala Chandigarh Expressways Private Limited (GACEPL) GMR Mining and Energy Private Limited (GMEPL) GMR Tuni Anakapalli Expressways Private Limited (GTAEPL) GMR Tambaram Tindivanam Expressways Private Limited (GTTEPL)
(iii)	Enterprises under common control	GMR Hyderabad International Airport Limited (GHIAL) GMR Jadcherla Expressways Private Limited (GJEPL) and GMR Pochanpalli Expressways Private Limited (GPEPL)
(iv)	Enterprises where significant influence exists	GMR Varalakshmi Foundation (GMRF) GMR Operations Private Limited (GOPL)
(v)	Key Management Personnel	Mr. G.M.Rao, Mr. G.B.S.Raju, Mr. B.V.N.Rao and Mr. Srinivas Bommidala

b) Summary of transactions with the above related parties is as follows:

(Rs in Lacs)

Particulars	2006	2005
i) Technical Services Fees / Management Fees Received		
a) Subsidiary Company		
- GPCPL	225.00	225.00
- VPGL	500.00	500.00
- GTTEPL	200.00	–
- GTAEPL	150.00	–
b) Enterprises where significant influence exists		
- GTTEPL	–	200.00
- GTAEPL	–	150.00
ii) Operation and Maintenance Services		
a) Enterprises where significant influence exists - GOPL	366.12	547.90
iii) Share Application Money Received		
a) Holding Company - GIL	26.71	–
iv) Share Application Money Paid		
a) Subsidiary Company		
- VPGL	5,600.00	2,450.00
- GMEPL	3.30	–
v) Acquisition of Equity Shares		
a) Subsidiary Company		
- VPGL	5,350.00	–
vi) Technical Services Fees		
a) Enterprises where significant influence exists - GOPL	1,022.95	1,020.89

Schedule 18 (Contd.)

(Rs in Lacs)

Particulars	2006	2005
vii) Dividend Paid		
a) Holding Company - GIL	–	4,429.23
b) Key Management Personnel	–	0.08
viii) Unsecured Loans taken		
a) Enterprises where significant influence exists - GOPL (Note 1)	–	619.00
ix) Unsecured Loans taken and repaid		
a) Enterprises that Control the Company - GHPL	26.71	-
b) Holding Company - GIL (Note 1)	–	619.00
x) Interest on Unsecured Loans		
a) Enterprises where significant influence exists - GOPL	51.51	28.20
b) Holding Company - GIL	–	33.36
xi) Donations and Community Development		
a) Enterprises where significant influence exists - GMRVF	405.00	450.00
xii) Remuneration		
a) Mr.G.M.Rao	477.59	448.15
b) Mr.G.B.S Raju	238.80	224.08
c) Mr.Srinivas Bommidala	238.80	224.08
d) Mr.B.V.N.Rao	159.20	149.38
xiii) Outstanding balances as at the year end :		
a) Debtors/Receivables		
- Subsidiary Company	420.41	168.97
b) Creditors/Payables		
- Enterprises where significant influence exists	302.33	323.85
c) Unsecured Loans including interest accrued and due thereon		
- Enterprises where significant influence exists	620.06	619.00
d) Managerial Remuneration Payable	678.01	611.36

Note: 1. The loan has been assigned by holding company to an enterprise where significant influence exists with effect from October 1, 2004.

2. The company has provided securities by way of pledge of investments for loans taken by subsidiary companies.

3. Transactions and outstanding balances in the nature of reimbursement of expenses incurred by one company on behalf of the other have not been considered above.

Schedule 18 (Contd.)

8. The Company has entered into certain cancelable operating lease agreements mainly for office premises and a non-ancelable operating lease agreement for a gas turbine for a period of 75 months. The lease rentals charged during the year and the maximum obligation on the long term non-cancelable operating lease payable as per the agreement are as follows:

(Rs in Lacs)

	Year Ended March 31	
	2006	2005
Lease Rentals under cancelable leases	344.62	342.02
Lease Rentals under non-cancelable leases	718.80	720.25
Obligations on non-cancelable leases:		
Not later than one year	223.80	718.80
Later than one year and not later than five years	348.90	572.70
Later than five years	–	–

9. **Earning Per Share (EPS)**

Calculation of EPS - (Basic & Diluted)

(Rs in Lacs)

	Year Ended March 31	
	2006	2005
Nominal Value of Equity Shares (Rs. per Share)	10	10
Total number of Equity Shares outstanding at the beginning and at the end of the year	**326,074,127.00**	**326,074,127.00**
Weighted average number of Equity Shares outstanding during the year	326,074,127.00	326,074,127.00
Profit after Taxes (Rs. in Lacs)	8,821.26	8,015.21
EPS - Basic & Diluted (Rs.)	**2.71**	**2.46**

Since the Company does not have any dilutive securities, the basic and diluted earnings per share are the same.

10. Deferred tax liability as per the requirements of AS-22 "Accounting for taxes on income" issued by Institute of Chartered Accountants of India has not been provided during the year as the timing differences as at the Balance Sheet will be reversing during the tax holiday period of the company under the provisions of Section 80-IA of the Income Tax Act, 1961.

11. **Provisions**

(Rs in Lacs)

SL No	Particulars	As at April 1, 2005	Provision made during the year	Amount used during the year	As at March 31, 2006
a)	Provision for operations and maintenance(see note below)	4,509.06	1025.24	205.71	5,328.59

Note: Amounts provided during the year include transfers from sundry creditors on account of change in terms of the agreement.

12. **Managerial Remuneration**

(Rs in Lacs)

Particulars	2006	2005
Salaries	433.60	433.60
Perquisites and other allowances	3.89	0.73
Sitting Fees	4.90	5.35
Commission	680.79	611.36
Total	**1,123.18**	**1051.04**

Notes: The above figures do not include provision for gratuity, superannuation and premium for personal accidental policy, as the same are determined for the company as a whole.

Schedule 18 (Contd.)

13. Computation of Net Profit in accordance with Section 349 of the Companies Act, 1956 and calculation of commission payable to Whole-time Directors.

(Rs in Lacs)

Particulars	2006
Profit after Tax	8,821.27
Add:	
Managerial Remuneration	1,114.38
Provision for Taxation	812.62
Depreciation as per Profit and Loss Account	10,436.26
Less:	
Depreciation as per section 350 of the Companies Act,1956	4,150.34
Net Profit in accordance with Section 349 of the Companies Act,1956	17,034.19
Total remuneration including commission	
Chairman cum Managing Director @3%	477.59
Directors @ 1.5% each for two directors	477.59
Director @ 1%	159.20
Commission restricted to	
Chairman cum Managing Director @3%	283.19
Directors @ 1.5% each for two directors	283.19
Director @ 1%	113.94

14. **Investments purchased and sold during the year:**

(Rs in Lacs)

SL No	Particulars	Purchased		Sold	
		No of Units	Amount	No of Units	Amount
A.	**Mutual Funds**				
1	ABN Amro Cash Fund -Institutional Growth	–	–	–	–
		(250.00)	(2,500.00)	(250.00)	(2,503.12)
2	Birla Cash Plus - Institutional Premium Plan	–	–	–	–
		(683.73)	(6,839.25)	(683.73)	(6,843.46)
3	BOB Liquid Fund - Dividend Option	–	–	–	–
		(145.72)	(1,500.00)	(145.72)	(1,502.09)
4	CAN Liquid - Institutional Plan	1,060.53	11,126.62	1,060.53	11,169.35
		(89.46)	(1,013.00)	(89.46)	(1,014.37)
5	Chola Liquid Fund - Institutional Plus	1,879.01	24,128.50	1,879.01	24,176.03
		(1,627.81)	(20,133.78)	(1,627.81)	(20,146.80)
6	DSP Merrill Lynch Floating Rate Fund	–	–	–	–
		(93.63)	(1,000.00)	(93.63)	(1,001.13)
7	Grindlays Cash Plan - Super Institutional Plan	430.37	4545.56	430.37	4,549.44
		(701.78)	(7,153.00)	(701.78)	(7,155.85)
8	HDFC Cash Management fund				
	- Call Option Daily dividend reinvestment	210.88	2,484.92	210.88	2,500.25
		(–)	(–)	(–)	(–)
9	HSBC Cash Fund - Institutional Plus	94.28	1,000.00	94.28	1,002.04
		(199.99)	(2,000.00)	(199.99)	(2,000.65)

Schedule 18 (Contd.)

SL No	Particulars	Purchased		Sold	
		No of Units	Amount	No of Units	Amount
10	ILFS Liquid Fund - Institutional Plan	–	–	–	–
		(658.20)	(6,582.00)	(658.20)	(6,591.94)
11	ING Vysya Floating Fund	260.70	2,725.00	260.70	2,727.48
		(696.60)	(7,207.00)	(696.60)	(7,212.16)
12	JM High Liquid Fund - Institutional Plus	62.11	650.00	62.11	650.26
		(1,218.50)	(12,513.00)	(1,218.50)	(12,520.57)
13	Kotak Liquid Fund - Institutional Growth	405.94	5,441.57	405.94	5,463.60
		(1,103.98)	(14,503.42)	(1,103.98)	(14,515.09)
14	LIC Liquid Fund - Institutional Plus	3,554.60	38,246.63	3,554.60	38,371.08
		(538.96)	(5,980.00)	(538.96)	(6,002.87)
15	Principal Cash Management Fund	570.55	6,090.00	570.55	6,099.52
		(787.67)	(8,032.90)	(787.67)	(8,035.75)
16	Prudential ICICI Liquid Fund - Institutional Plus	249.34	2,498.14	249.34	2,507.24
		(731.36)	(10,196.57)	(731.36)	(10,201.82)
17	Reliance Fixed Maturity Plan	–	–	–	–
		(215.19)	(2,320.00)	(215.19)	(2,325.84)
18	SBI Magnum Institutional Income Fund	–	–	–	–
		(489.36)	(5,091.02)	(489.36)	(5,094.54)
19	Sundaram Money Fund - Institutional Growth	91.06	1,318.65	91.06	1,322.96
		(381.57)	(4,704.00)	(381.57)	(4,709.57)
20	TATA Liquid Fund - Daily Dividend				
		(564.43)	(6,275.00)	(564.43)	(6,277.91)
21	UTI Liquid Fund- Institutional Growth	6.70	7,455.48	6.70	7,482.94
		(401.55)	(4,738.38)	(401.55)	(4,748.40)
B.	**Government Securities**				
1	5.59 % GOI 2016	–	–	–	–
		(1,000.00)	(993.86)	(1,000.00)	(995.72)
2	6.20 % GOI 2010				
		(500.00)	(499.48)	(500.00)	(499.74)
3	6.65 % GOI 2009	–	–	–	–
		(500.00)	(526.84)	(500.00)	(528.33)
4	7.22 % REC 2014	–	–	–	–
		(80.00)	(80.83)	(80.00)	(80.93)
5	7.37 % GOI 2014	–	–	–	–
		(500.00)	(562.03)	(500.00)	(563.03)
6	7.38 % GOI 2015	–	–	–	–
		(6,000.00)	(10,480.66)	(6,000.00)	(10,496.43)
7	7.40 % GOI 2012	–	–	–	–
		(1,000.00)	(1,097.92)	(1,000.00)	(1,099.92)
8	7.46 % GOI 2017	–	–	–	–
		(500.00)	(569.94)	(500.00)	(570.39)
9	7.50 % UCO Bank 2008	–	–	–	–
		(200.00)	(213.48)	(200.00)	(213.63)
10	7.50 % GOI 2034	–	–	–	–
		(250.00)	(270.10)	(250.00)	(270.61)

Schedule 18 (Contd.)

SL No	Particulars	Purchased		Sold	
		No of Units	Amount	No of Units	Amount
11	7.55 % G O I 2010	– (500.00)	– (530.59)	– (500.00)	– (532.41)
12	7.90 % Karnataka 2012	– (500.00)	– (537.22)	– (500.00)	– (537.95)
13	8.30 % Gujarat SDL 2012	– (50.00)	– (53.54)	– (50.00)	– (53.60)
14	8.35% GOI 2022	20 (–)	2,261.69 (–)	20 (–)	2,266.41 (–)
15	8.60 % SSNL 2012	– (300.00)	– (311.52)	– (300.00)	– (312.24)
16	9.00 % GOI 2013	– (500.00)	– (594.10)	– (500.00)	– (594.38)
17	9.20 % SSNL 2007	– (500.00)	– (544.00)	– (500.00)	– (544.47)
18	9.30 % UTI 2007	– (200.00)	– (223.98)	– (200.00)	– (224.34)
19	9.75 % IDBI	– (100.00)	– (115.08)	– (100.00)	– (115.22)
20	10.00 % GOI 2014	– (500.00)	– (612.04)	– (500.00)	– (612.92)
21	10.25 % GOI 2021	– (500.00)	– (678.23)	– (500.00)	– (679.05)
22	10.35 % Rajasthan SDL 2011	– (100.00)	– (120.51)	– (100.00)	– (120.69)
23	10.50 % GOI 2014	– (200.00)	– (250.03)	– (200.00)	– (250.41)
24	10.50 % EDC 2010	– (600.00)	– (662.27)	– (600.00)	– (664.73)
25	10.52 % Gujarat SDL 2010	– (400.00)	– (456.55)	– (400.00)	– (458.57)
26	10.65 % APPFCL 2013	– (100.00)	– (122.34)	– (100.00)	– (122.39)
27	11.03 % GOI 2012	– (80.00)	– (99.58)	– (80.00)	– (99.69)
28	11.25 % SSNL 2007	– (500.00)	– (587.38)	– (500.00)	– (589.73)
29	11.50 % MKVDC 2012	– (600.00)	– (598.09)	– (600.00)	– (600.40)
30	11.50 % ICICI (SLR) 2010	– (300.00)	– (360.85)	– (300.00)	– (362.24)
31	11.83 % GOI 2014	– (19.00)	– (26.25)	– (19.00)	– (26.28)
32	12.00 % MSEB 2013	– (200.00)	– (238.09)	– (200.00)	– (238.62)
33	12.15 % GEB 2005	– (700.00)	– (791.30)	– (700.00)	– (793.89)

Schedule 18 (Contd.)

SL No	Particulars	Purchased		Sold	
		No of Units	Amount	No of Units	Amount
34	12.25 % GOI 2008	– (10.00)	– (12.24)	– (10.00)	– (12.26)
35	12.60 % GOI 2018	– (1,000.00)	– (1,421.85)	– (1,000.00)	– (1,422.73)
36	T Bills 91 Days	– (600.00)	– (593.01)	– (600.00)	– (593.18)
37	T Bills 365 Days	– (400.00)	– (479.82)	– (400.00)	– (491.28)
38	Noida Toll Bridge – Bond	50 (–)	517.95 (–)	50 (–)	518.35 (–)
C.	**Equity Shares**				
1	Aban Loyd Chiles Offshore Limited	15,189.00	120.16	15,189.00	174.00
2	Bajaj Hindusthan Limited	27,600.00	58.79	27,600.00	68.85
3	Balrampur Chini Mills Limited	100,000.00	76.74	100,000.00	107.31
4	Bank of Baroda	19,000.00	44.70	19,000.00	44.13
5	Bharat Electronics Limited	2,500.00	18.87	2,500.00	18.83
6	Bharat Heavy Electricals Limited	5,500.00	73.01	5,500.00	84.54
7	CESC Limited	5,000.00	13.25	5,000.00	13.23
8	Cholamandalam Investments and Finance Limited	20,000.00	27.29	20,000.00	29.55
9	Coromandel Fertilisers Limited	20,000.00	53.73	20,000.00	59.92
10	Engineers India Limited	100,024.00	387.97	100,024.00	399.22
11	Esab India Limited	8,000.00	19.71	8,000.00	26.42
12	Exide Industries Limited	10,000.00	19.77	10,000.00	19.05
13	Hero Honda Motors Limited	5,000.00	29.10	5,000.00	31.18
14	Hindustan Motors Limited	25,000.00	10.79	25,000.00	11.94
15	Hindustan Lever Limited	10,000.00	14.94	10,000.00	16.19
16	Housing Development Finance Corporation Limited	2,500.00	23.88	2,500.00	22.76
17	I-Flex Solutions Limited	5,000.00	38.15	5,000.00	45.31
18	Infosys Technologies Limited	1,000.00	24.97	1,000.00	25.40
19	ITC Limited	3,000.00	46.69	3,000.00	50.02
20	Kalyani Brakes Limited	77,324.00	640.08	77,324.00	660.38
21	Mcdowell & Company Limited	10,000.00	28.68	10,000.00	32.73
22	Morgan Ventures Limited	2,50,100.00	63.18	2,50,100.00	63.11
23	Neyveli Lignite Corporation Limited	1,05,000.00	84.13	1,05,000.00	84.87
24	Oil & Natural Gas Corporation Limited	2,000.00	20.35	2,000.00	20.51
25	Ramco Industries Limited	45,382.00	592.82	45,382.00	612.21
26	Ramco Systems Limited	16,000.00	54.96	16,000.00	64.10
27	Reliance Energy Ventures Limited	20,000.00	10.94	20,000.00	11.44
28	Reliance Capital Ventures Limited	20,000.00	1.95	20,000.00	2.04
29	Shreyas Shipping & Logistics Limited	6,592.00	13.59	6,592.00	14.28
30	State Bank of India	5,000.00	37.49	5,000.00	39.38
31	Sundaram Fasteners Limited	35,000.00	53.77	35,000.00	57.98
32	Tata Tea Limited	5,000.00	27.62	5,000.00	29.15
33	Tata Consultancy Services Limited	3,000.00	40.44	3,000.00	40.69
34	TRF Limited	93,585.00	234.82	93,585.00	243.09

Schedule 18 (Contd.)

SL No	Particulars	Purchased		Sold	
		No of Units	Amount	No of Units	Amount
35	TVS Motor Company Limited	10,000.00	7.82	10,000.00	8.19
36	Ucal Fuel Systems Limited	20,000.00	52.85	20,000.00	50.50
37	Videsh Sanchar Nigam Limited	10,000.00	28.70	10,000.00	30.45
38	Webel-SI Energy Systems Limited	49,155.00	88.13	49,155.00	89.39
D.	**Nifty Futures**				
1	Index Futures	2,000.00	57.24	2,000.00	57.26
E.	**Equity Futures**				
1	Ashok Leyland Limited	1,91,000.00	61.37	1,91,000.00	63.38
2	Bajaj Auto Limited	2,000.00	34.50	2,000.00	37.45
3	Bank of Baroda	14,000.00	31.45	14,000.00	35.68
4	Bharat Heavy Electricals Limited	30,600.00	370.79	30,600.00	389.40
5	GE Shipping Limited	54,000.00	86.55	54,000.00	93.65
6	Gujrath Ambuja Cements Limited	82,500.00	70.18	82,500.00	72.26
7	Housing Development Finance Corporation Limited	7,200.00	47.71	7,200.00	50.79
8	Hindustan Lever Limited	10,000.00	16.23	10,000.00	16.73
9	ICICI Bank Limited	10,500.00	62.04	10,500.00	63.62
10	Indian Petrochemicals Corporation Limited	33,000.00	80.66	33,000.00	81.95
11	ITC Limited	22,500.00	30.71	22,500.00	32.22
12	Maruti Udyog Limited	24,000.00	112.28	24,000.00	113.04
13	Mahanagar Telephone Nigam Limited	24,000.00	32.06	24,000.00	30.64
14	Ranbaxy Laboratories Limited	15,000.00	79.28	15,000.00	81.37
15	Reliance Industries Limited	1,800.00	13.59	1,800.00	13.77
16	State Bank of India	10,000.00	91.60	10,000.00	91.55
17	Videsh Sanchar Nigam Limited	5,250.00	16.23	5,250.00	17.05
	Grand Total		**114,970.01** (156,597.93)		**115,551.10** (156,776.32)

Note: 1. Purchase and Sales exclude those held at year ends.

2. The sales realization excludes dividend, if any, received from Mutual Funds.
3. During the year, the company has traded in 20 contracts of 2,000 Nifty index futures. There are no equity index future contracts outstanding as at the year end.
4. The company has not purchased and sold any Equity Shares, Nifty futures and Equity futures during the previous year.
5. Previous year figures are mentioned in brackets.

15. Additional information pursuant to para 3, 4, 4C and 4D of Part II of Schedule VI to the Companies Act, 1956.

a) Licensed and Installed Capacity and Actual Production and Sales

Particulars	2006	2005
Licensed Capacity	Not Applicable	Not Applicable
Installed Capacity (at 50 hz)*	220 MW	220 MW
Actual Production (Million Kwh)	253.53	661.38
Auxiliary Consumption (Million Kwh)	11.92	31.11
Units Sold (Million Kwh)	241.62	630.27

* As per certification by technical expert

Schedule 18 (Contd.)

b) Fuel Consumption

(Rs in Lacs)

Material	2006		2005	
	Quantity	Amount	Quantity	Amount
Naphtha (in MT)	42,842.82	12,217.94	108,935.33	20,202.91
HSD (in KL)	493.51	120.05	922.05	190.63

c) CIF Value of Imports

(Rs in Lacs)

Particulars	2006	2005
Spares	48.55	22.20
Capital Goods	3,039.78	–

d) Expenditure in Foreign Currency

(Rs in Lacs)

Particulars	2006	2005
Foreign Travel	102.62	24.57
Operation & Maintenance Charges etc.	641.16	634.81
Consultancy, Subscription and Membership fees	74.90	23.52
Interest on Loans	2,088.78	2,092.02
Freight Charges	31.96	–

e) Consumption of Raw materials, Stores and spares

(Rs in Lacs)

Particulars	2006		2005	
	Value	%	Value	%
Fuel				
Indigenous	12,337.99	100.00	20,393.54	100.00
Imported	–	–	–	–
Total	**12,337.99**	**100.00**	**20,393.54**	**100.00**
Stores and spares				
Indigenous	152.72	43.83	200.22	59.84
Imported	195.69	56.17	134.34	40.16
Total	**348.41**	**100.00**	**334.56**	**100.00**

16. Information pursuant to paragraphs 3, 4, 4A, 4B, 4C and 4D to the extent either Nil or Not Applicable has not been furnished.

17. Previous year's figures have been re-grouped and reclassified, wherever necessary, to conform to those of the current year.

Cash Flow Statement For The Year Ended March 31, 2006

(Rs in Lacs)

Particulars	2006	2005
A. Cash Flow From Operating Activities		
Net Profit Before Tax and Extraordinary Items	**9,742.91**	**8,833.34**
Adjustments for:		
Depreciation	10,436.26	10,288.09
(Profit) / Loss from Sale of Investments (net)	(406.48)	45.84
Interest Income	(796.72)	(851.48)
Income from investments	(93.01)	(57.78)
Provision for doubtful advances	-	1,600.30
Loss on sale/retirement of assets	25.87	-
Foreign exchange Fluctuations	39.60	17.93
Finance charges	3,136.26	2,796.34
Operating Profit Before Working Capital Changes	**22,084.69**	**22,672.58**
Adjustments for:		
Changes in Trade and Other Receivables	(10,020.10)	1,935.56
Changes in Inventories	85.09	(238.99)
Changes in Trade Payables	3,382.10	(6,879.91)
Cash generated from Operations	**15,531.77**	**17,489.24**
Income Taxes paid	(1,146.89)	(716.66)
Fringe Benefit Taxes paid	(109.02)	
Net Cash Flow from Operating Activities	**14,275.86**	**16,772.58**
B. Cash Flow From/(Used In) Investing Activities		
Purchase of Fixed Assets	(3,217.92)	(295.79)
(net of foreign exchange fluctuations)		
(Purchase)/Sale of investments (net)	(9,972.25)	(1,876.57)
Income from investments	93.01	57.78
Interest Received	848.32	829.54
Net Cash used in Investing Activities	**(12,248.84)**	**(1,285.04)**
C. Cash Flow from/(Used in) Financing Activities		
Proceeds from Share Application Money	26.71	–
Proceeds/(Repayments) from/of Unsecured Loan	2,110.00	–
Proceeds/(Repayments) from/of Long Term Borrowings (net)	(9,418.68)	(3,612.65)
Proceeds/(Repayments) from/of Short Term Borrowings (net)	2,398.33	(546.64)
Finance Charges paid	(3,130.83)	(2,783.90)
Dividend Paid	–	(7,791.97)
Net Cash used in Financing Activities	**(8,014.47)**	**(14,735.16)**
Net increase / (decrease) in Cash and Cash Equivalents	**(5,987.46)**	**752.38**
Cash and Cash Equivalents at the beginning of the year	**16,173.75**	**15,421.37**
Cash and Cash Equivalents at the end of the year	**10,186.29**	**16,173.75**

Note: 1. The above Cash Flow Statement has been prepared under the 'Indirect Method' as set out in the Accounting Standard 3 on Cash Flow Statements issued by the Institute of Chartered Accountants of India.

2. Previous year's figures have been regrouped and reclassified to conform to those of the current year.

This is the Cash Flow Statement referred to in our report of even date

For and on behalf of the Board of Directors

Sd/-
P. Rama Krishna
Partner
For and on behalf of
Price Waterhouse
Chartered Accountants

Sd/-
G M Rao
Chairman &
Managing Director

Sd/-
G B S Raju
Director - Finance &
Competency Pool

Sd/-
B.V.Nageswara Rao
Director - Assets

Sd/-
I V Srinivasa Rao
Vice President &
Company Secretary

Place: Bangalore
Date : May 6, 2006

Balance Sheet Abstract And Company's General Business Profile

1 Registration Details

Compnay Identification Number	040102KA2005PLC021262
Balance Sheet Date	March 31, 2006

2 Capital Raised during the year (Amount Rs. in Lacs)

Public Issue	Nil	Rights Issue	Nil
Bonus Issue	Nil	Private Placement	–

3 Position of Mobilisation and Development of Funds (Amount in Rs. Lacs)

Total Liabilities	90,069.60	Total assets	90,069.60
Sources of Funds			
Paid Up Capital	32,607.41	Reserves & Surplus	17,043.23
Secured Loans	36,162.19	Unsecured Loans	4,230.06
Application of Funds			
Net Fixed Assets	30,004.98	Investments	47,009.04
Net Current Assets	13,055.58	Misc. Expenditure	–
Accumulated Losses	–		

4 Performance of company (Amount in Rs. Lacs)

Gross Income	45,514.51	Total Expenditure	35,771.60
+ / - Profit / Loss Before Tax	9,742.91	+ / - Profit / Loss After Tax	8,821.27
Earning Per Share in Rs.	2.71	Dividend Rate %	16.00%

5 Generic Names of Three Principal Products / Services of Company (as per monetary terms)

Item Code No. :	NIL	Product Description	Electric Power

For and on behalf of the Board of Directors

G.M.Rao
Chairman &
Managing Director

B.V.Nageswara Rao
Director - Assets

G B S Raju
Director - Finance &
Competency Pool

I V Srinivasa Rao
Vice President &
Company Secretary

Place : Bangalore
Date : May 6, 2006

GMR POWER CORPORATION PRIVATE LIMITED

Project Highlights of GMR Power Corporation Private Limited

- GPCPL is the subsidiary of GMR Energy Limited.
- GPCPL has set up the world's largest 2 stroke diesel engine based 200 MW power plant, at Basin Bridge, in Chennai, in the state of Tamil Nadu.
- This project is the first Independent Power project in the state of Tamil Nadu.
- The plant operates under a 15 year Power Purchase Agreement (PPA) with Tamil Nadu Electricity Board (TNEB) with option to extend for three further periods of 5 years on mutually acceptable terms.
- The power plant is ISO 14001 and OHSAS 18001 compliant.
- The Plant has received the prestigious Dr. M.S. Swaminathan Award for being an environment friendly project.
- Company has a Fuel supply agreement with Hindustan Petroleum Corporation Ltd. And a Operation & maintenance agreement with Hyundai Heavy Ind. Ltd
- The performance details of the Plant for the year ended March 31, 2006 is as follows

PARTICULARS	
Plant Availability	92.5%
Actual Plant Load Factor	44.3%
Units Generated (millions Kwh)	776.3
Power Sold (millions Kwh)	769.63

- The Financial Performance of the Company for the year ended March 31, 2006

(Rs. in Millions, except share data)

PARTICULARS	
Total Income	4740.64
Profit After tax	277.27
Share Capital	2475.00
Free Reserves	1405.25
Earnings per Share Rs	1.12

Board of Directors

Mr. K. Balasubramanian	Chairman
Mr. Srinivas Bommidala	Director
Mr. B.V. Nageswara Rao	Managing Director
Mr. Bimal Parekh	Director
Mr. R. Ram Mohan	Director
Mr. Luis Miranda	Nominee Director - IDF
Mr. Ben Lim Choon Kee	Nominee Director - Odeon Ltd
Mr. Heng Fook Seng	Nominee Director - Odeon Ltd
Mr. P.V. Naik	Nominee Director - IDBI
Mr. V.S.V. Rao	Nominee Director - IFCI
Mr. K.R. Ramamoorthy	Independent Director

GM (Finance) & Company Secretary

Mr. Sanjay K. Jain

Statutory Auditors

Price Waterhouse
Chartered Accountants
6-3-550, IInd Floor, L B Bhavan, Somajiguda, Hyderabad - 500082

Bankers

IIDBI Bank
State Bank of India
Canara Bank
Bank of India

Registered Office

Skip House, 25/1 Museum Road, Bangalore 560 025
Telephone: 080 22270100
Fax: 080 22273633
website: www.gmrgroup.co.in

Plant

No. 1, Pullianthope High Road, Basin Bridge, Chennai 600 012.

Directors' Report

Your Directors are pleased to present the Eleventh Annual Report and the Audited Balance sheet for the year ended March 31, 2006.

Financial Highlights

Particulars	Year ended March 31, 2006 (Rs. In Lacs)	Year ended March 31, 2005 (Rs. In Lacs)
Operating Revenue	46457.43	38193.75
Operating Expenditure	34747.48	23632.92
Operating Profit (PBDIT)	11709.95	14560.83
Interest	2469.29	3527.45
Depreciation & Amortisations	7161.47	7351.95
Profit before tax from operations	2079.19	3681.43
Other revenues	948.99	536.66
Provision for taxation	255.48	260.00
Provision for deferred taxation		(677.73)
Profit after tax (PAT)	2772.69	3635.82
Balance profit brought forward from previous year	7930.15	4806.33
Balance available for appropriation	10702.84	8442.15
Appropriations		
Transfer to Major Maintenance Reserve		512.00
Transfer to General Reserve		
Proposed Dividend (Including Dividend Tax)		
Surplus Carried to Balance Sheet	10702.84	7930.15

During the year, the revenue from operations increased by 21.63% to Rs. 46,457.43 Lacs from Rs38193.75 Lacs in the previous year. Operating profits are lower by 19.58% at Rs.11709.95 Lacs as compared to Rs. 14560.83 Lacs in the previous year mainly due to increase in operation, repairs & maintenance expenses and certain provisions.

The Board does not recommend any dividend to conserve the resources for the business requirements.

Review of Operations

We are happy to inform you that the plant has successfully completed 7th year of operation. The plant availability was 92.51 % throughout the year. It is lower compared to last year due to major overhauls of the all four engines and No.1 Engine Breakdown. (Previous year availability was 98.97 % as no Annual Overhauls planned during 6th tariff year). The engine was repaired successfully by the OEM and the designers and was put back into operation. However, due to merit order dispatch, the plant was operated at part load during the tariff year due to which, the Plant Load Factor as achieved was 44.31% (as compared to last year 45.58%) Meanwhile, the Auxiliary Power Consumption of the plant was 3.97 % (as compared to previous year of 4.52%). There was reduction in Cylinder Lube Oil consumption of the plant, which accounted to 1.57 Gms/ Kwh @ 44 % PLF (as compared to 1.64 gm/Kwh of last year.).

The Board is also happy to inform that Banks and the Financial Institutions have reduced interest rates of all rupee term loans. The company has successfully arranged for refinancing of the suppliers credit through Rupee term loan from M/s IDBI and M/s SBI in Dec- 05.

Environment & Safety

The company continues to strengthen its commitments towards environment and plant safety. The aesthetically developed greenbelt area at the plant site including the 100 MW expansion area has been maintained. The company is making all out efforts to make the greenbelt eco friendly to contribute to the healthier human existence. The company maintains adequate safety systems and processes at the plant and thereby has been successful in reaching a zero accident operational performance for the 6th consecutive year.

During the year the company's integrated Sewage Treatment Plant has produced 7,44,845 M3 of water (as compared to 8,07,870 M3) during previous year by using raw sewage from CMWSSB. Thus it continued in its perseverance to conserve huge quantities of scarce fresh water for the residents of Chennai City. The Board is extremely pleased to place on record the Company's achievement of maintaining ISO-14001 Certification for Environment Management Systems and OHSAS-18001 Certificate for Occupational Health and Safety Management Systems from DNV during the surveillance audit conducted in the 7th tariff year. The plant has taken up activities for Quality Management System an ISO-9001 Certification for which M/s. National Productivity Council is the Project Consultant. The Board is also pleased to place on record that the Company has successfully prepared the Disaster Management Plan in consultation with M/s. National Safety Council and the same has been submitted to the Collectorate

Directors' Report

of Chennai and Inspectorate of Factories, Chennai District. This provides an avenue for the District Authorities to take care of any exigency both ONSITE and OFFSITE in the vicinity of your plant. It is also worth-mentioning that the zero accident or casualty in the plant during the 7th tariff year has been commended with providing safety awards to various employees of your plant. Accordingly, an Emergency Control Centre with all the infrastructural facilities and Emergency Facilities have been installed successfully in the plant. The Plant has celebrated the 35th National Safety Day on 4th Mar '06, which was inaugurated by the Dy. Chief Inspector of Factories, Govt. of Tamil Nadu.

All the above awards and certificates recognize your company's continued contribution towards environment and safety.

Social Responsibility

As a corporate working towards the betterment of society, the GPCPL has been working towards meeting its social responsibilities with the help of the GMR Varalakshmi Foundation.

The Foundation has been involved in working mainly in four broad areas: Education, Health and Hygiene, Community Based programs; and Empowerment and Entrepreneurship Development. It reaches out with the objective of improving the quality of life of the economically deprived people in places where the group has an existence. The Foundation's activities currently span Rajam, Mangalore, Chennai, Bangalore, Hyderabad and Rajahmundry.

In Chennai, the Foundation works through World Vision, a well-known NGO. Work is carried out in the Gandhiji Nagar slum near the plant, where programs are run for women and children. A tuition centre is run in the evening which provides assistance to about 270 children from classes 1 to 10. The performance of the children in school improves through this intervention which promotes the habit of regular study. Spoken English classes are also conducted in order to better career aspects. Regular medical camps also form a major thrust area. Constant interaction with various sections of the population including adolescent girls, boys and women through lectures and discussions, is an important capacity building activity.

In Rajam, the Foundation has been working in several villages in which work is being carried out, through Bal Badies and Government schools. Volunteers are provided in each of these government schools, who supplement the learning process through innovative methods of teaching. Developmental work is also carried on in these villages through the volunteers.

The Foundation also supports three Entrepreneurship Development Institutes in partnership with ABRDT where unemployed rural youth are trained in various trades to take up employment as well as set up their own enterprises. Over fifteen hundred youth are trained to earn their livelihoods every year, through these institutes.

Mobile Medical Units, ambulances, medical camps etc. form part of the activities in various locations.

The GMR Varalakshmi Foundation was one of the first to respond to the earthquake which struck parts of North India in October 2005. It instantly sent 5000 woolen blankets for the affected. Several employees of the group also contributed a day's salary towards the rehabilitation of the earthquake affected people which is being utilized to build toilets in four government schools.

Directors

Mr. Ben Lim Choon Kee and Mr. Bimal Parekh retire by rotation and being eligible offer themselves for re-appointment. Mr. V.S.V. Rao, nominee Director of IFCI Ltd was appointed in place of Mr V.K.Chanana. Mr. P. V. Naik, nominee Director of IDBI Ltd was appointed in place of Mr. K. Sivaprakasam. Board places on record its deep appreciation for the services of Mr V.K.Chanana and Mr. K. Sivaprakasam during their tenure as Directors. During the year under review, Mr. K. R. Ramamoorthy, independent Director was appointed on the Board. Mr. K. R. Ramamoorthy who holds office of Director upto the date of the ensuing Annual General Meeting is being proposed for reappointment

Directors' Responsibility Statement

Pursuant to the requirement under Section 217 (2AA) of the Companies Act, 1956 with respect to Directors' responsibility Statement, it is hereby confirmed:

i) that in the preparation of the annual accounts for the financial year ended 31st March, 2006, the applicable accounting standards had been followed and there were no material departures;

ii) that the directors had selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit or loss of the Company for that year;

iii) that the directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;

iv) that the directors have prepared the accounts on a 'going concern' basis.

Directors' Report

Auditors

The auditors, M/s Price Waterhouse, Chartered Accountants, retire at the ensuing Annual General meeting and have confirmed their eligibility and willingness to accept office, if re- appointed.

Auditors' Report

The Notes to Accounts forming part of Annual Accounts are self explanatory and need no further elaboration. There are no issues raised in Auditors Report requiring further explanation.

Corporate Governance

As a good corporate citizen, the company is committed to sound corporate practices based on openness, fairness, professionalism and accountability thereby paving the way for its long term success.

Presently, the Board consists of eleven directors, of which four Directors represent GMR group, two Directors represent Odeon Limited, one director represents IDFC Private Equity, one Director represents IDBI Ltd , one Director represents IFCI Ltd and two are independent Directors.

The Directors bring to the Board wide range of experience and skills. During the year under review the Board of Directors met four times to take appropriate decisions for managing the Company.

Audit Committee

The composition of Audit committee during the year till in October 12, 2005 was as follows.

1. Mr. Bimal Parekh - Chairman
2. Mr. K. Sivaprakasam - Member
3. Mr. Luis Miranda - Member.

The Audit committee was reconstituted with effect from March 22, 2006, consequent to the resignation of Mr.K.Sivaprakasam. The composition was as follows.

1. Mr. Bimal Parekh - Chairman
2. Mr. Luis Miranda - Member
3. Mr. K.R. Ramamoorthy - Member
4. Mr. P.V. Naik - Member

The terms of reference of the Audit Committee are in conformity with the statutory guidelines, which inter alia include ensuring proper accounting polices, practices, compliance with accounting standards, reviewing various matters with related to statutory audit, internal audit and internal control.
Audit committee has met four times during the year. The Managing Director & Company Secretary attended the meetings.

Conservation of Energy, Technology Absorption & Foreign Exchange Earnings & Outgo

The particulars as required under sub-section(1)(e) of Section 217 of the Companies Act, 1956, read with the Companies (Disclosure of particulars in the Report of the Board of Directors) Rules, 1988, are set out in the annexure included in this report.

Particulars of Employees

The particulars as required under section 217(2A) of the Companies Act 1956, read with Companies (Particulars of Employees) Rules, 1975, as amended, are set out in the Annexure included in this Report.

Fixed Deposits

During the year under review, the Company has neither invited nor received any deposits from the Public.

Acknowledgements

Your Directors take this opportunity to express their sincere thanks and gratitude to the Government of India, Government of Tamil Nadu, Central Electricity Authority, Tamil Nadu Electricity Board, Reserve Bank of India, Industrial Development Bank of India, IFCI Limited, State Bank of India, Bank of India, Canara Bank, ING Vysya Bank, Hyundai Heavy Industries Ltd., Hindustan Petroleum corporation Ltd, Exxon Mobil Ltd., and IDFC Private Equity for their continued support. We look forward to their renewed support.

Your Directors place on record their sincere appreciation of the contributions made by the employees at all levels through their hard work, dedication, solidarity and support.

For and on behalf of the Board of Directors

K. Balasubramanian
Chairman

Place: Bangalore
Date : May 2, 2006

Annexure To Directors' Report

Particulars pursuant to Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules 1988.

Conservation of Energy

The Company has implemented one of the major recommendations of energy audit as conducted by Tata Energy Research Institute, Bangalore by implementing the modified impeller in the Main Lube Oil pumps and thereby providing a net savings of 72000 Units and thereby savings of Rs.1.88 Lakhs has been achieved. The optimal running of Auxiliaries @ STP have resulted in savings of 57000 Units i.e Rs 1.48 Lakhs approx. Further recommendations of improved power factor, reactive power loading, optimization of auxiliaries in order to reduce Auxiliary Power Consumption is under active consideration. Wastewater recycling in the plant to reduce overall water requirement to the extent of 100-150 tons per day is continuing. The company has recycled 413 MT of sludge oil into fuel oil system to save fuel energy and thereby improved heat rate performance. Action has been initiated by your plant for enhancing Waste Heat Recover Boiler capacity and thereby providing scope for additional power generation, which will absorb a part of auxiliary power consumption.

Technology absorption

The company has appointed M/s. Hyundai Heavy Industries Company Limited, Korea to carryout the operations and maintenance of the plant. During the year 2005-06, HHI (O&M) have successfully completed repair of DG-1 Bedplate during Annual Overhaul. This was done in a record time of less than 40 days and the Engine was put back into the service with all the systems. The company is having in-house technical team to monitor and absorb the technical expertise involved in the operation and maintenance of the power plant.

The latest tool wave-grinding mechanic has been introduced for liner honing and thereby the life of liner/piston ring has been enhanced. Your plant has also been successful in achieving reduction in CLO consumption by this improved O&M practices.

Your plant has introduced the latest designed Piston rings on the designers recommendation on trial basis to improve the time between overhauls for better economic life of the plant and to reduce the imported spares and O&M expenses.

As a measure of improved plant performance, your plant had invited an external consultant M/s. BWSC who are practices in similar plant O&M optimization practices. The above said study has provided valuable benefit to your plant operation and maintenance team.

Technology upgradation

The Engine were installed with a computer controlled cylinder lube oil injection system, which was working satisfactorily. M/s. MAN B&W have upgraded the Cylinder Lube Oil Injection System and the installation of the same has been completed. The main advantage of this upgradation will be online display of CLO of Lube Oil Injection timings, which will help in taking preventive/ corrective measures at appropriate time and thereby savings on critical failure/costly component of the engine. In addition, this has resulted in close monitoring of CLO injection and thereby reduction in overall cylinder lube oil consumption. GPS Clock has been installed at the plant control room for Time Synchronisation with the Load Dispatch Centre of TNEB.

Your plant O&M division has undertaken a new lube oil product "Talusia" from M/s. HPCL as a part of cylinder lubrication trial on one of these Engines. The same was recommended by the Engine Manufacturer and Designer as a part of optimization and technology upgradation measure. Your plant has installed close circuit TV's at 8 vulnerable points within the plant premises as a part of security enhancement and continuous monitoring measure.

Your plant has successfully installed Virtual Private Network Communication mode so as to enable continuous and sustained mode of data/ voice communication between Head Office and the plant.

Foreign Exchange Earnings and Outgo

(Rs in Lacs)

Particulars	2006	2005
Foreign travel	2.15	2.22
Operations and maintenance expenditure	421.58	442.43
Interest on loans	770.08	1243.17

Auditors' Report

To
The Members
GMR Power Corporation Private Limited

1. We have audited the attached Balance Sheet of **GMR Power Corporation Private Limited** ("the Company"), as at March 31, 2006, and the related Profit and Loss Account and the Cash Flow Statement for the year ended on that date annexed thereto, which we have signed under reference to this report. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with the auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) Order, 2003, as amended by the Companies (Auditor's Report) (Amendment) Order, 2004, issued by the Central Government of India in terms of sub-section (4A) of Section 227 of 'The Companies Act, 1956' of India (the 'Act') and on the basis of such checks of the books and records of the company as we considered appropriate and according to the information and explanations given to us, we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.
4. Further to our comments in the Annexure referred to in paragraph 3 above, we report that:
   (a) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit;
   (b) In our opinion, proper books of account as required by law have been kept by the company so far as appears from our examination of those books;
   (c) The Balance Sheet, the Profit and Loss Account and the Cash Flow Statement dealt with by this report are in agreement with the books of account;
   (d) In our opinion, the Balance Sheet, the Profit and Loss Account and the Cash Flow Statement dealt with by this report comply with the accounting standards referred to in sub-section (3C) of Section 211 of the Act;
   (e) On the basis of written representations received from the directors, as on March 31, 2006 and taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2006 from being appointed as a director in terms of clause (g) of sub-section (1) of Section 274 of the Act;
   (f) In our opinion and to the best of our information and according to the explanations given to us, the said financial statements together with the notes thereon and attached thereto give in the prescribed manner the information required by the Act and give a true and fair view in conformity with the accounting principles generally accepted in India:
      (i) in the case of the Balance Sheet, of the state of affairs of the company as at March 31, 2006;
      (ii) in the case of the Profit and Loss Account, of the profit for the year ended on that date; and
      (iii) in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

P. Rama Krishna
Partner
Membership Number 22795
For and on behalf of
Price Waterhouse
Chartered Accountants

Place: Hyderabad
Date : May 2, 2006

Annexure To Auditors' Report

[Referred to in paragraph 3 of the Auditors' Report of even date to the members of GMR Power Corporation Private Limited on the financial statements as at and for the year ended March 31, 2006]

1. (a) The company is maintaining proper records showing full particulars including quantitative details and situation of fixed assets.

   (b) The fixed assets are physically verified by the management according to a phased programme designed to cover all the items over a period of three years, which in our opinion, is reasonable having regard to the size of the company and the nature of its assets. Pursuant to the programme, a portion of the fixed assets has been physically verified by the management during the year and no material discrepancies between the book records and the physical inventory have been noticed.

   (c) In our opinion and according to the information and explanations given to us, a substantial part of fixed assets has not been disposed off by the company during the year.

2. (a) The inventory has been physically verified by the management during the year. In our opinion, the frequency of verification is reasonable.

   (b) In our opinion, the procedures of physical verification of inventory followed by the management are reasonable and adequate in relation to the size of the company and the nature of its business.

   (c) On the basis of our examination of the inventory records, in our opinion, the company is maintaining proper records of inventory. The discrepancies noticed on physical verification of inventory as compared to book records were not material.

3. The company has neither granted nor taken any loans, secured or unsecured, to/from companies, firms or other parties covered in the register maintained under Section 301 of the Act.

4. In our opinion and according to the information and explanations given to us, having regard to the explanation that certain items purchased are of special nature for which suitable alternative sources do not exist for obtaining comparative quotations, there is an adequate internal control system commensurate with the size of the company and the nature of its business, for the purchase of inventory, fixed assets and for the sale of energy. Further, on the basis of our examination of the books and records of the company, and according to the information and explanations given to us, we have neither come across nor have been informed of any continuing failure to correct major weaknesses in the aforesaid internal control system.

5. According to the information and explanations given to us, there have been no contracts or arrangements referred to in Section 301 of the Act during the year to be entered in the register required to be maintained under that Section. Accordingly, commenting on transactions made in pursuance of such contracts or arrangements does not arise.

6. The company has not accepted any deposits from the public within the meaning of Sections 58A and 58AA of the Act and the rules framed there under.

7. In our opinion, the company has an internal audit system commensurate with its size and nature of its business.

8. We have broadly reviewed the books of account maintained by the company in respect of products where, pursuant to the rules made by the Central Government of India, the maintenance of cost records has been prescribed under clause (d) of sub-section (1) of Section 209 of the Act and are of the opinion that prima facie, the prescribed accounts and records have been made and maintained. We have not, however, made a detailed examination of the records with a view to determine whether they are accurate or complete.

Annexure To Auditors' Report

9. (a) According to the information and explanations given to us and the records of the company examined by us, in our opinion, the company is generally regular in depositing the undisputed statutory dues including provident fund, income-tax, wealth tax, sales-tax, customs duty, and other material statutory dues as applicable with the appropriate authorities. According to the information and explanations given to us and the records of the Company examined by us, investor education and protection fund, employees' state insurance, service tax, excise duty and cess are not applicable to the Company for the current year.

   (b) According to the information and explanations given to us and the records of the company examined by us, there are no dues of income-tax, wealth tax, sales tax and customs duty which have not been deposited on account of any dispute. According to the information and explanations given to us and the records of the Company examined by us, service tax, excise duty and cess are not applicable to the Company for the current year.

10. The company has no accumulated losses as at March 31, 2006 and it has not incurred any cash losses in the financial year ended on that date or in the immediately preceding financial year.

11. According to the records of the company examined by us and the information and explanation given to us, the company has not defaulted in repayment of dues to any financial institution or bank. The Company has neither issued any debentures during the year nor are any debentures outstanding as at the balance sheet date.

12. The company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities.

13. The provisions of any special statute applicable to chit fund / nidhi / mutual benefit fund/societies are not applicable to the company.

14. In our opinion, the company is not a dealer or trader in shares, securities, debentures and other investments.

15. In our opinion and according to the information and explanations given to us, the company has not given any guarantee for loans taken by others from banks or financial institutions during the year.

16. In our opinion, and according to the information and explanations given to us, on an overall basis, the term loans have been applied for the purposes for which they were obtained.

17. On the basis of an overall examination of the balance sheet of the company, in our opinion and according to the information and explanations given to us, there are no funds raised on a short-term basis which have been used for long-term investment.

18. The company has not made any preferential allotment of shares to parties and companies covered in the register maintained under Section 301 of the Act during the year.

19. The company has not raised any money by public issues during the year.

20. During the course of our examination of the books and records of the company, carried out in accordance with the generally accepted auditing practices in India, and according to the information and explanations given to us, we have neither come across any instance of fraud on or by the company, noticed or reported during the year, nor have we been informed of such case by the management.

21. The other clauses (iii)(b), (iii)(c), (iii)(d), (iii)(f), (iii)(g), (v)(b) and (xix) of paragraph 4 of the Companies (Auditor's Report) Order 2003, as amended by the Companies (Auditor's Report) (Amendment) Order, 2004, are not applicable in the case of the company for the current year, since in our opinion there is no matter which arises to be reported in the aforesaid order.

P. Rama Krishna
Partner
Membership Number 22795
For and on behalf of
Price Waterhouse
Chartered Accountants

Place: Hyderabad
Date : May 2, 2006

Balance Sheet as at March 31, 2006

(Rupees in Lacs)

	Schedule Ref	2006		2005	
I. Sources of Funds:					
1. Shareholders' Funds					
a) Capital	1		24,750.00		24,750.00
b) Reserves and Surplus	2		14,052.54		11,279.85
2. Loan Funds					
a) Secured Loans	3		22,111.67		28,732.39
b) Unsecured Loans	4		1,602.00		1,592.00
Total			**62,516.21**		**66,354.24**
II. Application of Funds:					
1. Fixed Assets	5				
a) Gross Block		94,221.41		93,934.11	
b) Less : Depreciation		52,259.70		45,215.01	
c) Net Block			41,961.71		48,719.10
2. Investments	6		10,312.31		5,722.85
3. Current Assets, Loans and Advances					
a) Inventories	7	1,306.87		698.40	
b) Sundry Debtors	8	7,487.41		5,368.92	
c) Cash and Bank Balances	9	12,392.13		11,932.29	
d) Other Current Assets	10	102.72		52.27	
e) Loans and Advances	11	565.04		730.38	
		21,854.17		18,782.26	
Less : Current Liabilities and Provisions	12				
a) Liabilities		10,980.90		6,251.68	
b) Provisions		655.75		655.30	
		11,636.65		6,906.98	
Net Current Assets			10,217.52		11,875.28
4. Miscellaneous Expenditure (To the extent not written off or adjusted)	13		24.67		37.01
Total			**62,516.21**		**66,354.24**
Statement on Significant Accounting Policies and Notes to the Accounts	19				

The Schedules referred to above form an integral part of the Balance Sheet

This is the Balance Sheet referred to in our report of even date

For and on behalf of the Board of Directors

Sd/-
P. Rama Krishna
Partner
For and on behalf of
Price Waterhouse
Chartered Accountants

Sd/-
B V Nageswara Rao
Managing Director

Sd/-
Srinivas Bommidala
Director

Sd/-
Sanjay K Jain
GM (Fin.) &
Company Secretary.

Place : Hyderabad
Date : May 2, 2006

Place : Bangalore
Date : May 2, 2006

Profit and Loss Account for the year ended March 31, 2006

(Rupees in Lacs)

	Schedule Ref	2006	2005
I. Income			
Sales	14	46,457.43	38,193.75
Other Income	15	948.98	536.66
		47,406.41	**38,730.41**
II. Expenditure			
Generation Expenses	16	32,417.15	23,496.58
Administration and Other Expenses	17	2,330.33	1,136.34
Finance charges	18	2,469.29	3,527.45
Depreciation	5	7,149.13	7,339.61
Amortisation of Preliminary Expenses		12.34	12.34
		44,378.24	**35,512.32**
III. Profit Before Taxation		3,028.17	3,218.09
Provision for Taxation			
- Current		243.00	260.00
- Deferred		–	(677.73)
- Fringe Benefit		12.48	–
IV. Profit After Taxation		2,772.69	3,635.82
Surplus brought forward from previous year		7,930.15	4,806.33
V. Available for Appropriation		10,702.84	8,442.15
Transfer to Major Maintenance Reserve		–	512.00
VI. Available surplus carried to Balance Sheet		**10,702.84**	**7,930.15**
Earnings Per Share (Rs.) - Basic and Diluted (Rs. per Equity share of Rs. 10/- each)		1.12	1.47
Statement on Significant Accounting Policies and Notes to the Accounts	19		

The Schedules referred to above form an integral part of the Balance Sheet

This is the Balance Sheet referred to in our report of even date

For and on behalf of the Board of Directors

Sd/-
P. Rama Krishna
Partner
For and on behalf of
Price Waterhouse
Chartered Accountants

Place : Hyderabad
Date : May 2, 2006

Sd/-
B V Nageswara Rao
Managing Director

Sd/-
Srinivas Bommidala
Director

Sd/-
Sanjay K Jain
GM (Fin.) &
Company Secretary.

Place : Bangalore
Date : May 2, 2006

Schedules forming part of the Balance Sheet as at March 31, 2006

(Rupees in Lacs)

Schedule 1	2006	2005
Capital		
Authorised		
250,000,000 Equity shares of Rs. 10/- each	25,000.00	25,000.00
Issued, Subscribed and paid-up		
247,500,000 Equity shares of Rs. 10/- each fully paid-up	24,750.00	24,750.00
(Out of the above 126,225,000 Equity shares are held by the Holding Company, GMR Energy Ltd)		
Total	**24,750.00**	**24,750.00**

(Rupees in Lacs)

Schedule 2		2006	2005
Reserves and Surplus			
Major maintenance reserve as at April 01		2,000.00	1,488.00
Add: Transfer from Profit and Loss Account		–	512.00
Major maintenance reserve as at March 31	(i)	2,000.00	2,000.00
General reserve	(ii)	1,349.70	1,349.70
Balance in Profit and Loss Account	(iii)	10,702.84	7,930.15
Total (i)+(ii)+(iii)		**14,052.54**	**11,279.85**

Schedules forming part of the Balance Sheet as at March 31, 2006

(Rupees in Lacs)

Schedule 3	2006	2005
Secured Loans		
Term Loans		
Rupee loans		
From financial institutions	10,072.54	4,927.00
From banks	6,475.56	3,763.56
Foreign currency loans		
From financial institutions	2,370.01	3,386.09
From banks	893.56	1,226.44
(Term loans are secured by way of joint equitable mortgage by deposit of the title deeds of the leasehold land of the Company and are also secured by pari-passu first charge on the Company's movables including movable plant and machinery, machinery spares, tools and other movable assets (save and except book debts) both present and future subject to charges created/to be created in favour of Company's bankers on inventories, book debts and such other movables as may be specifically permitted for securing the working capital requirements. Further secured by the irrevocable personal guarantees by some of the Directors of the Company and pledge of 6,18,75,000 shares of company held by the holding company.)		
Supplier's Credit (Guaranteed by Financial Institutions and Banks under Deferred Payment Guarantee Scheme. Deferred payment guarantees are secured by way of joint equitable mortgage by deposit of the title deeds of the leasehold land of the Company and are also secured by first charge on the Company's movables including movable plant and machinery, machinery spares and other movable assets (save and except book debts) both present and future ranking pari-passu with other term loans, subject to charges created/to be created in favour of Company's bankers on inventories, book debts and such other movables as may be specifically permitted for securing the working capital requirements. Further secured by the irrevocable personal guarantees by some of the Directors of the Company.)	–	12,439.30
Cash Credits and Demand Loans from Banks (Secured by way of charge on Current assets, stocks of raw materials, stores and Spares not relating to plant & machinery, bills receivable, book debts and other movables of the Company, both present and future. Cash Credit availed from State Bank of India (SBI) is further to be secured by way of second charge on the fixed assets of the company situated at the plant and is secured by the personal guarantees of some of the directors of the company.)	2,300.00	2,990.00
Total	**22,111.67**	**28,732.39**

(Rupees in Lacs)

Schedule 4	2006	2005
Unsecured Loans		
From Banks - Short-Term	1500.00	1,500.00
From Others - Other than Short-Term	102.00	92.00
Total	**1,602.00**	**1,592.00**

Schedules forming part of the Balance Sheet as at March 31, 2006

Schedule 5

Fixed Assets

(Rs. in Lacs)

Description	Gross Block				Depreciation				Net Block	
	As At March 31, 2005	Additions	Withdrawals	As At March 31, 2006	As At March 31, 2005	For the year	On Deletions	As At March 31, 2006	As At March 31, 2006	As At March 31, 2005
Land	6.72	-	-	6.72	-	-	-	-	6.72	6.72
Buildings*	10,736.57	3.20	-	10,739.77	2,226.12	358.42	-	2,584.54	8,155.23	8,510.45
Plant and machinery**	82,743.86	366.78	-	83,110.64	42,672.63	6,744.75	-	49,417.38	33,693.26	40,071.23
Office equipment	218.14	12.88	84.71	146.31	137.19	20.49	75.37	82.31	64.00	80.95
Furniture and fixtures	172.35	0.80	23.58	149.57	128.21	17.71	19.59	126.33	23.24	44.13
Vehicles	56.47	21.41	9.48	68.40	50.86	7.76	9.48	49.14	19.26	5.61
Total	**93,934.11**	**405.07**	**117.77**	**94,221.41**	**45,215.01**	**7,149.13**	**104.44**	**52,259.70**	**41,961.71**	**48,719.09**
Previous year	93,948.23	38.97	53.09	93,934.11	37,896.31	7,339.61	20.90	45,215.01	48,719.09	

Notes: * Buildings on leasehold land

** Plant and machinery include foreign exchange fluctuations capitalised Rs. 4,347.80 Lacs (including Rs.366.78 lacs in current year) upto March 31,2006 (Previous Year Rs. 3,981.02 lacs)

Schedules forming part of the Balance Sheet as at March 31, 2006

(Rupees in Lacs)

Schedule 6		2006	2005
Investments			
Long term - In subsidiary companies			
Other than Trade - Unquoted			
GMR Tambaram - Tindivanam Expressways Private Limited		51.00	46.00
[5,10,000 (Previous Year 4,60,000)Equity Shares of Rs.10/- each fully paid up]			
GMR Tuni - Anakapalli Expressways Private Limited		51.00	46.00
[5,10,000 (Previous Year 4,60,000)Equity Shares of Rs.10/- each fully paid up]			
Others			
Industrial Development Bank of India - Growing Interest Bond		25.00	25.00
(500 Bonds of Rs. 5,000 each fully paid up)			
	(i)	**127.00**	**117.00**
Other than Trade - Unquoted			
Purchased during the year			
Mutual Funds *			
Ing Vysya Liquid Fund Super Institutional - Daily Dividend Option		400.06	–
(3,999,627.99 units of Rs 10.0024 per unit)			
Can Liquid Fund - Institutional Daily Dividend Reinvest		317.50	–
(3,162,010.85 units of Rs 10.041 per unit)			
Chola Liquid Institutional Dividend Reinvestment Plan		3,955.15	–
(39,466,853.06 units of Rs.10.021 per unit)			
Kotak Liquid Institutional Premium Daily Dividend		3,503.66	–
(28,652,496.38 units of Rs.12.2281 per unit)			
Sold during the year			
Mutual Funds*			
Kotak Mutual Fund-Liquid Institutional Growth		–	1,522.11
(11,466,029.49 units of Rs.13.2749 per unit)			
Chola Mutual Fund - Liquid Institutional Plus Cumulative		–	2,010.00
(14,936,797.28 units of Rs.13.4567 per unit)			
	(ii)	**8,176.37**	**3,532.11**
Other than Trade - Quoted			
Government Securities**			
6.35% Government of India 2020		1,329.74	1,407.00
[1,500,000 units of Rs.100 per unit			
(Previous year 1,500,000 units of Rs.100 per unit)]			
6.05% Government of India 2019		433.05	456.65
[500,000 units of Rs.100 per unit			
(Previous year 500,000 units of Rs.100 per unit)]			
Equity Shares***			
Purchased during the year			
Great Eastern Shipping Co Limited		12.25	3.08
[5,000(Previous Year 2,000) shares of Rs.10 each fully paid up]			
Jain Irrigation Systems Limited		18.34	–
(10,000 shares of Rs.10 each fully paid up)			
NIIT Technologies Limited		9.02	–
(5,000 shares of Rs.10 each fully paid up)			
Andhra Bank Limited		182.05	–
(2,25,452 shares of Rs.10 each fully paid up)			
Hindalco Limited		5.57	–
(3,303 shares of Rs.1 each fully paid up)			
Reliance Communication Venture Limited		7.72	–
(2,500 shares of Rs.10 each fully paid up)			
Punjab National Bank Limited		4.78	–
(1,000 shares of Rs.10 each fully paid up)			
Cipla Limited		6.42	–
(1,000 shares of Rs.2 each fully paid up)			

Schedules forming part of the Balance Sheet as at March 31, 2006

(Rupees in Lacs)

Schedule 6 - Contd.	2006	2005
Sold during the year		
Alstom Projects India Limited (1,000 shares of Rs.10 each fully paid up)	–	1.70
Ballarpur Industries Limited (16,840 shares of Rs.10 each fully paid up)	–	14.89
Birla Corporation Limited (3,000 shares of Rs.10 each fully paid up)	–	5.43
Dredging Corporation Limited (1,000 shares of Rs.10 each fully paid up)	–	5.07
Engineers India Limited (715 shares of Rs.10 each fully paid up)	–	2.33
EID Parry India Limited (7,732 shares of Rs.10 each fully paid up)	–	30.60
Futura Polyster Limited (10,000 shares of Rs.10 each fully paid up)	-	2.79
Gujarat Industries Limited (5,200 shares of Rs. 10 each fully paid up)	–	3.67
Hindustan Petroleum Corporation Limited (5,000 shares of Rs.10 each fully paid up)	–	15.34
Indraprashta Gas Limited (5,000 shares of Rs. 10 each fully paid up)	–	4.91
J K Paper Limited (18,000 shares of Rs.10 each fully paid up)	–	8.60
Jindal Iron & Steel Co Limited (3,000 shares of Rs. 2 each fully paid up)	–	2.86
Mangalore Petrol Refinery Limited (5,000 shares of Rs.10 each fully paid up)	–	2.38
Maruti Udyog Limited (2,000 shares of Rs.5 each fully paid up)	–	8.43
Reliance Industries Limited (5,000 shares of Rs.10 each fully paid up)	–	23.72
Raymond Limited (6,100 shares of Rs.10 each fully paid up)	–	19.17
SRF Limited (5,000 shares of Rs.10 each fully paid up)	–	4.17
T N Newsprint Limited (10,000 shares of Rs.10 each fully paid up)	–	5.92
Tata Motors Limited (4,900 shares of Rs.10 each fully paid up)	–	20.26
Tata Tele Services Limited (10,000 shares of Rs.10 each fully paid up)	–	2.51
Tata Power Limited (2,000 shares of Rs.10 each fully paid up)	–	7.19
Uco Bank Limited (15,000 shares of Rs.10 each fully paid up)	–	4.48
Vijaya Bank Limited (5,000 shares of Rs.10 each fully paid up)	–	3.25
Wockhardt Limited (2,000 shares of Rs.5 each fully paid up)	–	7.34
(iii)	2,008.94	2,073.74
Total (i)+(ii)+(iii)	10,312.31	5,722.85

Note:

* Aggregate Net Asset Value of Mutual Funds as at March 31, 2006 Rs. 8,179.78 Lacs (Previous year Rs. 3,540.54 Lacs)

** Aggregate Market value of Government securities as at March 31, 2006 Rs.1,762.80 lacs (Previous year Rs. 1,863.65 Lacs)

*** Aggregate Market Value of Equity Shares as at March 31, 2006 Rs. 256.88 Lacs (Previous year Rs.226.68 lacs)

Schedules forming part of the Balance Sheet as at March 31, 2006

(Rupees in Lacs)

Schedule 7	2006	2005
Inventories		
Raw materials - fuel	1,124.77	515.17
Consumables, stores and spares	182.10	183.23
Total	**1,306.87**	**698.40**

(Rupees in Lacs)

Schedule 8	2006	2005
Sundry Debtors		
(Secured, considered good)		
a) Over six months old	2,360.30	2,174.20
b) Other debts		
Considered good	5,127.11	3,194.72
Considered doubtful	1,278.11	–
	6,405.22	3,194.72
Less : Provision for doubtful debts	1,278.11	–
	5,127.11	3,194.72
Total	**7,487.41**	**5,368.92**

(Rupees in Lacs)

Schedule 9	2006	2005
Cash and Bank Balances		
Cash and Cheques on hand	2.95	5.11
Balances with scheduled banks		
- On Current accounts	196.05	143.43
- On Deposit accounts	11,800.00	11,400.00
- On Margin money*	393.13	383.75
Total	**12,392.13**	**11,932.29**

Notes:

*The margin money deposits are towards Letters of Credit and Bank Guarantees issued by the bankers on behalf of the Company.

(Rupees in Lacs)

Schedule 10	2006	2005
Other Current Assets		
(Unsecured, Considered Good)		
Interest accrued but not due	102.72	52.27
Total	**102.72**	**52.27**

Schedules forming part of the Balance Sheet as at March 31, 2006

(Rupees in Lacs)

Schedule 11	2006	2005
Loans and Advances		
(Unsecured, Considered Good)		
Loans to Employees	6.88	3.07
Advances recoverable in cash or in kind or for value to be received *	543.88	696.66
Deposits with Government authorities	3.51	3.54
Advance tax (net of provision)	10.77	27.11
Total	**565.04**	**730.38**

* Include amounts due from a director Rs . Nil (Previous year Rs.0.73 Lacs).
Maximum amount due at any time during the year was Rs. 2.18 Lacs (Previous Year Rs. 0.73 Lacs)

(Rupees in Lacs)

Schedule 12	2006	2005
Current Liabilities and Provisions		
A) Liabilities		
Sundry creditors		
Dues to small scale industrial undertakings	–	–
Dues to other than small scale industrial undertakings	10,751.88	5,809.92
	10,751.88	**5,809.92**
Book overdraft	–	250.60
Interest accrued but not due	106.10	130.91
Other liabilities	122.92	60.25
Total	**10,980.90**	**6,251.68**
B) Provisions		
Provision for Leave Encashment	6.53	6.08
Provision against Claims Recoverable	649.22	649.22
(Refer note 11 of schedule 19)		
Total	**655.75**	**655.30**

(Rupees in Lacs)

Schedule 13	2006	2005
Miscellaneous Expenditure		
(to the extent not written off or adjusted)		
Preliminary expenses	24.67	37.01
Total	**24.67**	**37.01**

Schedules forming part of the Profit and Loss Account for the year ended March 31, 2006

(Rupees in Lacs)

Schedule 14	2006	2005
Sales		
Income from sale of electrical energy	47,583.07	39,183.32
Less: Prompt payment rebate	1,125.64	989.57
Total	**46,457.43**	**38,193.75**

(Rupees in Lacs)

Schedule 15	2006	2005
Other Income		
Interest received (Gross)	640.48	731.25
[Tax Deducted at Source - Rs. 100.12 Lacs (Previous year Rs.105.07 Lacs)]		
Income from Investments other than trade (Gross)	129.14	15.06
[Tax Deducted at Source - Rs.Nil (Previous year Rs.Nil)]		
Gain/(Loss) on account of foreign exchange fluctuations (Net)	4.24	4.46
Profit/(Loss) on sale of Investments (Net)	169.16	(217.88)
Profit/(Loss) on sale of assets	1.06	(9.37)
Liabilities no longer required, written back	–	5.55
Miscellaneous Income	4.90	7.59
Total	**948.98**	**536.66**

(Rupees in Lacs)

Schedule 16	2006	2005
Generation Expenses		
Consumption of fuel and lubricants	28,469.50	20,255.63
Operations and Maintenance- (Net of reimbursements)	2,701.30	2,284.79
[(Includes stores and spare parts consumed Rs. 1,273.65 Lacs (Previous year - Rs.443.38 Lacs)]		
Salaries, allowances and benefits to operational employees	57.10	55.87
Repairs and maintenance		
- Plant and machinery (Net of claims)	177.23	250.48
- Buildings	542.96	180.95
- Others	0.49	0.29
Land lease rentals	468.57	468.57
[Net of sub lease rentals of Rs.28.12 Lacs (Previous year Rs. 28.12 Lacs)]		
Total	**32,417.15**	**23,496.58**

Schedules forming part of the Profit and Loss Account for the year ended March 31, 2006

(Rupees in Lacs)

Schedule 17	2006	2005
Administration and Other Expenses		
Salaries, allowances and benefits to employees	178.30	183.34
Contribution to provident fund and others	31.60	24.14
Staff welfare expenses	11.84	11.50
Rent	151.62	129.65
Repairs and Maintenance		
- Others	21.94	29.05
Rates and taxes	2.16	6.74
Insurance	216.28	248.80
Consultancy and other professional charges	33.32	33.52
Director's sitting fee	2.80	2.70
Electricity charges	7.38	5.17
Remuneration to auditors		
- Audit fees	4.13	4.13
- Tax audit	1.38	1.41
- Others	2.07	-
- Out of Pocket Expenses	1.46	0.27
Greenbelt maintenance	16.10	63.22
Travelling and conveyance	54.44	53.08
Communication expenses	31.10	18.40
Provision against claims recoverable/doubtful debts, etc.	1,278.11	76.62
Fixed Assets written off	13.32	-
Donations	160.24	162.56
Miscellaneous expenses	110.74	82.04
Total	**2,330.33**	**1,136.34**

(Rupees in Lacs)

Schedule 18	2006	2005
Finance Charges		
Interest on fixed loans	2,017.65	2,678.87
Interest - others*	184.64	476.91
Guarantee commission	235.52	337.40
Bank/ other finance charges/ prepayment premium (Net of reimbursement)	31.48	34.27
Total	**2,469.29**	**3,527.45**

* Include prior period interest Rs. Nil (Previous year Rs. 263.89 lacs)

Schedules forming part of the Profit and Loss Account for the year ended March 31, 2006

Schedule 19

I. Significant Accounting Policies

1. Accounting Assumptions

These accounts have been prepared under the historical cost convention on the basis of a going concern, with revenues recognised and expenses accounted on their accrual and amounts determined as payable or receivable during the year, except those with significant uncertainties, and in accordance with the applicable Accounting Standards as issued by the Institute of Chartered Accountants of India.

2. Revenue Recognition

Revenue from sale of energy is recognised on accrual basis in accordance with the provisions of the Power Purchase Agreement. Claims for liquidated damages and penal interests due to the Company are accounted for, on grounds of prudence, in the year of acceptance.

3. Fixed Assets

Fixed assets are stated at cost of acquisition less depreciation. Cost of acquisition is inclusive of freight, duties, levies and all incidentals attributable to bringing the asset to its working condition.

Assets under installation or under construction as at the balance sheet date are shown as capital work in progress.

Depreciation is provided on straight-line method at the rates and in the manner specified in Government of India notification S.O 266 (E) dated March 29, 1994 issued under the provisions of the Electricity (Supply) Act, 1948 (repealed), as applicable to electricity generating companies or as per the rates specified under Schedule XIV to the Companies Act, 1956, whichever is higher except for assets of less than Rs. 5,000, which are fully depreciated in the year of acquisition.

Depreciation on adjustments to the historical cost of the assets on account of foreign exchange fluctuations is provided prospectively over the residual useful life of the asset.

All the fixed assets are assessed for any indication of impairment at the end of each financial year. On such indication, the impairment loss (being the excess of carrying value over the recoverable value of the asset) is charged to the Profit and Loss Account in the respective financial year. The impairment loss recognised in the prior years is reversed where the recoverable value exceeds the carrying value of the asset upon re-assessment in the subsequent years.

4. Investments

Long-term investments are valued at cost until there is a permanent diminution in their values. Current investments are valued at cost or market value whichever is lower. Cost of acquisition is inclusive of expenditure incidental to acquisition. Income from investments is recognised in the year in which it is accrued and stated at gross.

Gains/losses, on investment in futures, both equity and index, being the difference between the contracted rate and the rate on the settlement or sale date, whichever is earlier, are recognised in the Profit and Loss Account on settlement/sale. The open contracts as at the year end are marked-to-market and the resultant loss, if any, is charged to the Profit and Loss Account.

5. Inventory

Inventories are valued at cost or below. Cost is determined on a weighted average basis and includes all applicable costs incurred in bringing goods to their present location and condition.

Schedule 19 Contd.

6. Foreign Currency Transactions

All foreign currency transactions are accounted for at the exchange rates prevailing on the date of such transactions. Current assets and current liabilities are translated at the exchange rate prevailing on the balance sheet date and the resultant gain /loss is recognised in the financial statements. The original cost of fixed assets acquired through foreign currency loan at the end of each financial year is adjusted for any change in liability arising out of expressing the outstanding foreign currency loan at the rate of exchange prevailing at the date of the balance sheet.

7. Retirement Benefits

Retirement benefits are accounted for on accrual basis with contributions to recognised funds such as provident fund and pension fund charged against revenue each year. Liability for gratuity and superannuation is funded through a scheme administered by an insurer. Provision for leave encashment is made on actual basis based on balance leave as at the year-end.

8. Miscellaneous Expenditure

All expenditure, the benefit of which is spread over a number of years is grouped under miscellaneous expenditure and will be amortised over subsequent years on the basis of benefit derived each year.

9. Earnings Per Share

The earnings considered in ascertaining the company's Earnings Per Share ('EPS') comprise the net profit after tax. The number of shares used in computing the basic EPS is the weighted average number of shares outstanding during the year.

10. Taxes on Income

Current tax is determined based on the amount of tax payable in respect of taxable income for the period. Deferred tax is recognised on timing differences being the difference between the taxable income and accounting income that originate in one year and are capable of reversal in one or more subsequent years. Deferred tax assets and liabilities have been computed on the timing differences applying the enacted tax rates.

II. Notes to the Accounts

1. Contingent Liabilities

Bank guarantees outstanding in respect of excise matters: Rs.62.50 lacs (2005 - Rs.62.50 lacs).

2. Tamil Nadu Government vide a letter dated April 29, 2003, requested Tamil Nadu Electricity Board ('TNEB') to revise the land lease agreement entered by TNEB with the Company, at the rates specified. The Company is awaiting intimation of such revision in rates from TNEB. Pending final intimation, no effect of such revision has been given in these accounts.

3. Expenses incurred as per the terms of the operation and maintenance contract which mainly represent repairs and maintenance, due to the composite nature of the contract have been grouped and disclosed under operation and maintenance expenses in schedule 16.

4. a) Sales/Generation expenses are net of adjustments relating to earlier years.
   b) The amounts due from Tamil Nadu Electricity Board are subject to reconciliation/confirmation.

5. 4,60,000 equity shares of Rs.10 each fully paid up in GMR Tambaram - Tindivanam Expressways Private Limited and GMR Tuni - Anakapalli Expressways Private Limited included in schedule 6 are pledged as security towards loan facilities availed by the respective investee Companies.

6. The company is engaged in generation of power which in the context of Accounting Standard 17 "Segment Reporting" issued by The Institute of Chartered Accountants of India, is considered as the only segment hence, the reporting under the requirements of the said standard does not arise.

Schedule 19 Contd.

7. Details of transactions with Related Parties

a) Names of related parties and description of relationship

(i)	Enterprise that controls the Company	GMR Energy Limited (Holding Company) GMR Holdings Private Limited GMR Infrastructure Limited
(ii)	Subsidiary Companies	GMR Tuni Anakapalli Expressways Private Limited (GTAEPL) and GMR Tambaram Tindivanam Expressways Private Limited (GTTEPL)
(ii)	Enterprises where significant influence exists	GMR Varalakshmi Foundation
(iv)	Key Management Personnel & Relatives	Mr. Srinivas Bommidala, Mr. K. Balasubramanian and Mr. B. V. Nageshwara Rao

b) Summary of transactions with the above related parties is as follows:

Nature of Transaction	Holding Company	Enterprises where significant influence exists	Key Management Personnel & Relatives	Balance Payable/ (Receivable)
Technical service fee	247.95 (245.89)	– (–)	– (–)	– (–)
Enterprise that controls the Company	10 (–)	– (–)	– (–)	102.00 (92.00)
Investments -GTAEPL Investments -GTTEPL	– (–) – (–)	5 (–) 5 (–)	– (–) – (–)	– (–) – (–)
Donations	– (–)	145.00 (125.00)	– (–)	– (–)
Remuneration Mr.BVN Rao	– (–)	– (–)	144.00 (155.52)	– (–)

Notes:

1) Certain Key Management Personnel have extended personal guarantees for the loans taken by the Company.
2) The Company has provided securities by way of pledge of investments for loans taken by certain enterprises where significant influence exists.
3) Transactions and outstanding balances in the nature of reimbursement of expenses incurred by one company on behalf of the other have not been considered above.
4) Previous year figures are mentioned in brackets.

8. The Company has entered into certain operating lease agreements. An amount of Rs. 151.62 lacs (Previous year- Rs. 129.65 lacs) paid under such agreements has been disclosed as rent under Administration and Other expenses in the Profit and Loss Account. These agreements are cancelable in nature.

9. Equity Shares of 247,500,000 of Rs.10 each have been considered in arriving at the Earnings Per Share. Since the Company did not have any dilutive securities, the basic and diluted earnings per share are the same.

Schedule 19 Contd.

10. Deferred tax liability as per the requirements of AS-22 " Accounting for taxes on income" issued by Institute of Chartered Accountants of India has not been provided during the year as the timing differences as at the Balance Sheet will be reversing during the tax holiday period of the company under the provisions of Section 80-IA of the Income Tax Act, 1961.

11. **Provisions**

(Rupees in Lacs)

SL No	Particulars	As at April 1,2005	Provision made during the year	Amount used during the year	As at March 31, 2006
a)	Provision against claims recoverable	649.22	–	–	649.22

12. **Details of Investments purchased and sold during the year:**

Description	Purchases		Sales	
	Units	Rs (In Lacs.)	Units	Rs (In Lacs.)
Mutual Funds:				
ING Vysya Liquid Fund Institutional Growth	29,773,719.73 (72,995,851)	3,000.00 (7,339.18)	29,773,719.73 (72,995,851)	3,008.96 (7,345.34)
Tata Liquid Super High Investment Fund - Appreciation	– (2,429,543)	– (290.00)	– (2,429,543)	– 290.38
UTI Liquid Advantage Fund - Institutional Growth	225,270.62 (17,570,506)	2,500.00 (2,424.50)	225,270.62 (17,570,506)	2,504.13 (2,427.66)
Kotak Mutual fund Liquid Institutional Growth	13,049,369.13 (67,879,410)	1,764.00 (8,964.00)	65,099,185.55 (67,879,410)	3,294.58 (8,981.32)
Prudential ICICI Liquid Plan Institutional Growth	31,244,772.61 (29,471,658)	5,000.00 4,290.00	31,244,772.61 (29,471,658)	5,003.33 (4,293.83)
SBI Magnum Institutional Income Fund - Growth	– (1,422,407)	– (25.32)	– (1,422,407)	– (26.44)
LIC Liquid Fund Growth Plan	120,795,856.73 (18,280,862)	12,589.00 (2,121.00)	120,795,856.73 (18,280,862)	12,643.79 (2,125.89)
ABN Amro Cash Fund - Institutional Growth	– (5,000,000)	– (500.00)	– (5,000,000)	– (500.74)
Templeton Treasury Management - Growth	– (34,037)	– (550.00)	– (34,037)	– (550.62)
Principal Liquid Cash Management Fund -Institutional Growth	53,338,242.03 (33,103,354)	5,700.00 (3,398.33)	53,338,242.03 (33,103,354)	5,711.20 (3,399.93)
Sundaram Money Fund - Institutional Growth	10,141,148.23 (9,392,113)	1,470.00 (1,300.00)	10,141,148.23 (9,392,113)	1,474.21 (1,302.17)
Can Liquid Fund - Institutional Growth	29,686,754.96 (3,763,546)	3,700.00 (440.00)	29,686,754.962 (3,763,546)	3,708.70 (440.86)
Chola Mutual fund Liquid Institutional Plus - Cumulative	148,926,559.81 (5,510,677)	19,643.80 (7,322.00)	148,926,559.81 (5,510,677)	15,903.26 (7,327.09)
J M high Liquidity Fund Institutional Plan Growth option	40,731,041.61 (4,939,052)	4,315.00 (500.00)	40,731,041.61 (4,939,052)	4,316.77 (500.19)
Prudential ICICI - Dividend Option	– (9,793,156)	– (1,160.00)	– (9,793,156)	– -(1,160.64)
Can Liquid Fund - Dividend Option	60,499,002.15 (8,220,280)	6,074.70 (825.00)	57,563,987.651 (8,220,280)	5,722.79 (825.81)

Schedule 19 Contd.

Description	Purchases		Sales	
	Units	Rs (In Lacs.)	Units	Rs (In Lacs.)
Kotak Mutual Fund - Daily Dividend option	36,368,278.47 (-)	4,447.14 (-)	7,745,679.70 (-)	951.55 (-)
SBI - Mutual Fund	– (6,363,076)	– (615.00)	– (6,363,076)	– (615.39)
Principal Mutual Fund - Dividend Option	15,021,332.81 (19,503,458)	1,502.23 (1,950.00)	15,021,332.81 (19,503,458)	1,503.89 (1,950.62)
IL&FS - Dividend Option IL&FS - Liquid Account Institutional Plan - Growth Option	– (9,308,235)	– (930.00)	– (9,308,235)	– (930.82)
DSP Merile Lynch Floating Rate Fund	– (421,143)	– (45.00)	– (421,143)	– (45.03)
ING Vysya Treasury -Dividend Option	– (18,668,242)	– (1,962.00)	– (18,668,242)	– (1,963.12)
Reliance Monthly Plan - Dividend Option	– (3,000,000)	– (300.00)	– (3,000,000)	– (301.10)
Reliance Mutual Funds - Cumulative Growth	9,176,332.40 –	1,500.00 –	9,176,332.40 –	1,501.76 –
Grindlays Cash Fund -Cumulative Growth	9,205,390.68 –	1,000.00 –	9,205,390.68 –	1,004.15 –
Chola Mutual Fund - Daily Dividend Option	76,641,096.31 (-)	7,685.00 (-)	76,641,096.31 (-)	7,717.82 (-)
LIC - Dividend Reinvestment Option.	94,496,647.53 (6,363,076)	10,342.91 (735.00)	94,496,647.53 (6,363,076)	10,389.10 (736.31)
J M Mutual Fund - Dividend Option	17,041,880.90 (-)	1,707.00 (-)	17,041,880.90 (-)	1,712.11 (-)
Standard Chartered - Dividend Option	15,248,475.15 (-)	1,525.00 (-)	15,248,475.15 (-)	1,535.60 (-)
Grindlays Cash Fund - Dividend Option	1,891,516.89 (-)	189.15 (-)	1,891,516.89 (-)	190.53 (-)
Other Securities:				
11.50 % HUDCO BONDS-2008		1,911.12 (-)		1,913.00 (-)
0% IDFC 2026 BONDS		2,693.96 (-)		2,721.04 (-)
11.50 % HUDCO BONDS-2009		1,739.00 (-)		1,741.78 (-)
INDIAN BANK CD		498.16 (-)		499.36 (-)
UTI BANK CD		994.20 (-)		996.52 (-)
YES BANK CD		997.51 (-)		1000 (-)
9% IFCI BONDS		438.82 (-)		439.72 (-)

Schedule 19 Contd.

Description	Purchases		Sales	
	Units	Rs (In Lacs.)	Units	Rs (In Lacs.)
GOI Securities:				
7.37% GOI 2014	– (500,000)	– (552.05)	– (500,000)	– (555.50)
7.46% GOI 2017	– (500,000)	– (551.90)	– (500,000)	– (553.00)
6.65% GOI 2009	– (500,000)	– (512.25)	– (500,000)	– (512.90)
7.40% GOI 2012	– (500,000)	– (535.90)	– (500,000)	– (536.15)
7.40% GOI 2012	– (500,000)	– (534.90)	– (500,000)	– (536.25)
6.65% GOI 2009	– (500,000)	– (515.50)	– (500,000)	– (515.95)
7.55% GOI 2010	– (500,000)	– (516.00)	– (500,000)	– (516.35)
10.79% GOI 2015	– (1,000,000)	– (1,300.02)	– (1,000,000)	– (1,300.80)
7.25% Andhra Bank 2014	– (15,00,000)	– (150.22)	– (15,00,000)	– (150.37)
7.25% Andhra Bank 2014	– (850,000)	– (851.27)	– (850,000)	– (852.13)
6.25% GOI	– (500,000)	– (533.00)	– (500,000)	– (522.50)
8.07% GOI	– (500,000)	– (617.65)	– (500,000)	– (607.50)
7.38% GOI 2015	– (500,000)	– (556.00)	– (500,000)	– (546.25)
7.37% GOI 2014	– (500,000)	– (556.00)	– (500,000)	– (550.75)
7.38% GOI 2015	– (500,000)	– (556.50)	– (500,000)	– (551.50)
7.38% GOI 2015	– (500,000)	– (531.40)	– (500,000)	– (532.95)
7.50% GOI 2034	– (1,000,000)	– (1030.05)	– (1,000,000)	– (1,031.10)
8.35% GOI 2022	– (500,000)	– (567.50)	– (500,000)	– (567.75)
6.30% GOI 2023	– (500,000)	– (936.60)	– (500,000)	– (937.40)
Equity Shares				
Associated Cement Co. Limited	– (10,000)	– (26.89)	– (10,000)	– (24.92)
Aftek Infosys Limited	– (20,000)	– (28.03)	– (20,000)	– (24.31)
Alstom Projects India Limited	1,000 (1,000)	1.70 (1.70)	1,000 (1,000)	2.17 (1.95)

Schedule 19 Contd.

Description	Purchases		Sales	
	Units	Rs (In Lacs.)	Units	Rs (In Lacs.)
Amtek Auto Limited	– (310)	– (0.48)	– (310)	– (0.48)
Ashok Leyland Limited	– (20,000)	– (4.69)	– (20,000)	– (4.50)
Associated Cement Co. Limited	– (10,000)	– (23.02)	– (10,000)	– (24.72)
ABB Ltd	200 (-)	6.00 (-)	200 (-)	6.03 (-)
Abhishek Industries	10,000 (-)	3.46 (-)	10,000 (-)	3.69 (-)
Alok Industries Ltd	(-) 10,000	(-) 6.65	(-) 10,000	(-) 7.19
Atul Limited	– (17,501)	– (11.47)	– (17,501)	– (14.24)
Andhra Sugars Ltd	5,000 (-)	6.50 (-)	5,000 (-)	7.52 (-)
Bajaj Auto Limited	– (5,500)	– (49.00)	– (5,500)	– (50.15)
Bajaj Hindustan Ltd	5,000 (-)	6.79 (-)	5,000 (-)	8.72 (-)
Balram pur Chini Ltd	15,000 (-)	9.93 (-)	15,000 (-)	12.38 (-)
Bank of Baroda	10,000 (-)	19.12 (-)	10,000 (-)	19.65 (-)
Balaji Telefilms Limited	– (5,000)	– (4.77)	– (5,000)	– (5.25)
Bharati Telecom Ltd	2,000 (-)	4.32 (-)	2,000 (-)	4.36 (-)
BASF India Ltd	1,020 (-)	1.91 (-)	1,020 (-)	2.10 (-)
Bharath Heavy Electricals Limited	– (5,000)	– (25.78)	– (5,000)	– (23.65)
Birla Corpn Ltd	3,000 (-)	5.43 (-)	3,000 (-)	6.09 (-)
Bhoruka Gases Ltd	10,300 (-)	4.58 (-)	10,300 (-)	5.95 (-)
Birla Yamaha Ltd	5,000 (-)	2.41 (-)	5,000 (-)	3.39 (-)
Ballarpur Industries Limited	16,840 (10,000)	14.89 (9.33)	16,840 (10,000)	18.29 (10.45)
Bongiagaon Refinery Ltd	5,000 (-)	5.20 (-)	5,000 (-)	3.84 (-)
Biocon Limited	– (2,000)	– (10.16)	– (2,000)	– (8.15)

Schedule 19 Contd.

Description	Purchases		Sales	
	Units	Rs (In Lacs.)	Units	Rs (In Lacs.)
Canara Bank Limited	3,000 (15,000)	6.04 (18.86)	3,000 (15,000)	6.28 (18.88)
Century Textiles Limited	– (20,000)	– (24.82)	– (20,000)	– (27.13)
Chennai Petroleum	2,000 (-)	4.07 (-)	2,000 (-)	4.28 (-)
Chambal Fertilisers Limited	– (20,002)	– (4.91)	– (20,002)	– (5.53)
Cipla Ltd	5,000 (-)	13.02 (-)	5,000 (-)	13.25 (-)
DCW Limited	– (10,000)	– (4.00)	– (10,000)	– (4.59)
Dredging Corporation Ltd	1,005 (-)	5.10 (-)	1,005 (-)	5.42 (-)
EID Parry India Limited	38,660 (11,247)	30.60 (33.95)	38,660 (11,247)	66.42 (40.55)
Essar Steel Limited	– (50,000)	– (17.34)	– (50,000)	– (21.54)
Esab India Ltd	2,000 (-)	4.55 (-)	2,000 (-)	6.40 (-)
Escorts India Ltd	5,000 (-)	4.05 (-)	5,000 (-)	4.63 (-)
Engineers India Ltd	715 (-)	2.33 (-)	715 (-)	2.79 (-)
Finolex Cables Limited	– (5,500)	– (7.82)	– (5,500)	– (8.66)
Futura Polyster Ltd	20,000 (-)	5.99 (-)	20,000 (-)	6.94 (-)
Great Eastern Shipping Co Limited	2,000 (2,000)	3.08 (3.39)	2,000 (2,000)	3.47 (3.81)
Gujrat Ind Power	7,200 (-)	5.52 (-)	7,200 (-)	6.63 (-)
GIC Housing Finance Ltd	10,000 (-)	4.70 (-)	10,000 (-)	4.92 (-)
Heg Limited	– (5,000)	– (4.92)	– (5,000)	– (5.96)
Hero Honda Motors Limited	– (20,000)	– (87.79)	– (20,000)	– (92.01)
Hindalco Industries	30 (-)	0.05 (-)	30 (-)	0.05 (-)
I Flex Solutions Limited	3,261 (2,713)	24.62 (15.45)	3,261 (2,713)	26.57 (15.89)
Hindustan Petroleum Corpn Ltd	10,000 (-)	31.55 (-)	10,000 (-)	31.67 (-)

Schedule 19 Contd.

Description	Purchases		Sales	
	Units	Rs (In Lacs.)	Units	Rs (In Lacs.)
ICI India Limited	– (2,024)	– (4.81)	– (2,024)	– (4.89)
India Glycols Ltd	5,000 (-)	7.58 (-)	5,000 (-)	9.04 (-)
I Gate Global Solutions Ltd	3 (-)	0.01 (-)	3 (-)	0.01 (-)
Indian Overseas Bank Ltd	10,000 (-)	8.39 (-)	10,000 (-)	8.97 (-)
ICICI Bank Limited	– (1,510)	– (5.57)	– (1,510)	– (6.02)
Indraprashta gas	5,000 (-)	4.91 (-)	5,000 (-)	5.89 (-)
Ind swift Laboratories Limited	– (2,005)	– (5.14)	– (2,005)	– (3.92)
IndusInd Bank Ltd	10,000 (-)	6.91 (-)	10,000 (-)	7.84 (-)
Indian Oil Corporation Limited	– (5,000)	– (24.07)	– (5,000)	– (24.51)
Indian Petrol Chemicals Limited	– (40,800)	– (72.78)	– (40,800)	– (74.65)
Industrial Development Bank of India	5,000 (-)	5.53 (-)	5,000 (-)	5.54 (-)
Infosys Technologies Limited	1,001 (3,200)	27.62 (54.42)	1,001 (3,200)	28.71 (55.72)
Ingersoll Rand Limited	– (2,250)	– (5.89)	– (2,250)	– (7.18)
J K Paper Ltd	18,000 (-)	8.60 (-)	18,000 (-)	11.33 (-)
Jain Irrigation Systems Ltd	10,000 (-)	16.76 (-)	10,000 (-)	16.93 (-)
Jayashree Tea and Industries Ltd	4,000 (-)	4.01 (-)	4,000 (-)	4.73 (-)
Karnataka Bank Ltd	10,000 (-)	8.38 (-)	10,000 (-)	9.33 (-)
Jindal Stainless Steels Ltd	6,000 (-)	5.78 (-)	6,000 (-)	7.08 (-)
Indian Petrochemicals Limited	– (28,000)	– (44.97)	– (28,000)	– (45.82)
Larsen & Toubro Ltd	400 (-)	9.77 (-)	400 (-)	10.03 (-)
LIC Housing Finance Ltd	1,000 (-)	2.50 (-)	1,000 (-)	2.07 (-)
Lyka Labs	5,000 (-)	3.52 (-)	5,000 (-)	4.00 (-)
ITC Limited	– (3,000)	– (27.69)	– (3,000)	– (28.17)

Schedule 19 Contd.

Description	Purchases		Sales	
	Units	Rs (In Lacs.)	Units	Rs (In Lacs.)
Jindal Iron & Steel Co Limited	– (25,000)	– (45.32)	– (25,000)	– (47.15)
Mahindra & Mahindra Limited	– (20,000)	– (86.57)	– (20,000)	– (96.51)
M M Forgings Ltd	3,630 (-)	8.76 (-)	3,630 (-)	8.43 (-)
Man Industries Limited	– (9,650)	– (10.46)	– (9,650)	– (10.38)
Maruti Udyog Ltd	6,500 (-)	27.25 (-)	6,500 (-)	28.79 (-)
Morgan Stanley Growth Fund - Units	– (153,700)	– (25.39)	– (153,700)	– (31.18)
Mangalore Refinery Pvt Ltd	5,000 (-)	2.38 (-)	5,000 (-)	2.42 (-)
M Phasis India Ltd	5,000 (-)	14.51 (-)	5,000 (-)	13.03 (-)
Mc dowell & Co ltd	7,000 (-)	19.65 (-)	7,000 (-)	21.08 (-)
National Aluminium Co Limited	– (5,100)	– (9.28)	– (5,100)	– (9.50)
Niit Techno Ltd	4,413 (-)	7.95 (-)	4,413 (-)	7.95 (-)
NDTV Limited	– (10,062)	– (9.41)	– (10,062)	– (11.20)
Oil & Natural Gas Commission Limited	– (8,193)	– (64.37)	– (8,193)	– (66.60)
Orchid Chemicals Limited	– (4,000)	– (10.48)	– (4,000)	– (12.00)
Oriental Bank of Commerce Limited	– (10,000)	– (23.33)	– (10,000)	– (23.43)
Ranbaxy Laboratories Limited	– (3,000)	– (27.87)	– (3,000)	– (28.15)
PTC India Ltd	5,000 (-)	2.35 (-)	5,000 (-)	2.46 (-)
Punjab National Bank	10,000 (-)	35.19 (-)	10,000 (-)	41.22 (-)
Rashtriya Cement Limited	– (5,000)	– (1.80)	– (5,000)	– (2.03)
Reliance Energy Ltd	5,000 (-)	32.64 (-)	5,000 (-)	28.32 (-)
Rashtriya Cement Limited	– (10,000)	– (3.47)	– (10,000)	– (4.17)
Ramco Systems Ltd	7,862 (-)	30.88 (-)	7,862 (-)	33.47 (-)
Raymond Ltd	6,100 (-)	19.17 (-)	6,100 (-)	21.33 (-)

Schedule 19 Contd.

Description	Purchases		Sales	
	Units	Rs (In Lacs.)	Units	Rs (In Lacs.)
Reliance Industries Limited	15,580 (30,000)	82.44 (140.64)	14,800 (30,000)	90.49 (145.14)
Reliance Capital Ltd	3,000 (-)	6.80 (-)	3,000 (-)	8.23 (-)
Saregama Limited	– (50)	– (0.05)	– (50)	– (0.05)
Steel Authority of India Ltd	25,001 (-)	13.85 (-)	25,001 (-)	13.75 (-)
State Bank Of India Limited	– (18,500)	– (85.25)	– (18,500)	– (82.80)
Sun Pharmaceuticals Ltd	3,000 (-)	17.62 (-)	3,000 (-)	17.25 (-)
SRF Ltd	5,000 (-)	4.17 (-)	5,000 (-)	4.76 (-)
Sakthi Sugars Ltd	5,000 (-)	4.29 (-)	5,000 (-)	5.11 (-)
Tata Iron and Steel Co Limited	5,025 (54,000)	18.31 (154.13)	5,025 (54,000)	18.64 (175.41)
T N Newsprint & Paper	11,208 (-)	6.86 (-)	11,208 (-)	8.44 (-)
Tanfac Industries	5,100 (-)	2.42 (-)	5,100 (-)	2.80 (-)
Tata Chemicals Ltd	2,000 (-)	3.13 (-)	2,000 (-)	3.43 (-)
3I Infotech Ltd	5,000 (-)	4.63 (-)	5,000 (-)	4.97 (-)
Tata Motors Limited	6,900 (31,100)	28.79 (128.11)	6,900 (31,100)	32.11 (134.47)
Tata Power Limited	4,000 (56,800)	16.81 (151.56)	4,000 (56,800)	17.76 (153.97)
Tata Tea Limited	2,000 (2,150)	10.43 (10.61)	2,000 (2,150)	11.03 (11.66)
Tata Tele Services Limited	10,000 (16,112)	2.51 (3.64)	10,000 (16,112)	3.00 (5.12)
Uco Bank Limited	15,000 (10,000)	4.48 (3.13)	15, 000 (10,000)	4.79 (3.25)
Union Bank of India Limited	– (12,000)	– (6.01)	– (12,000)	– (7.06)
Ucal Fuel Systems	17,139 (-)	45.78 (-)	17,139 (-)	43.74 (-)
United Phosphorous Limited	– (2,500)	– (12.58)	– (2,500)	– (13.45)
Vijaya Bank Ltd	5,000 (-)	3.25 (-)	5,000 (-)	3.22 (-)
Wellspun Gujrat - India Limited	– (5,000)	– (2.16)	– (5,000)	– (1.98)

Schedule 19 Contd.

Description	Purchases		Sales	
	Units	Rs (In Lacs.)	Units	Rs (In Lacs.)
Wipro Limited	– (5,000)	– (29.61)	– (5,000)	– (33.18)
Wockhardt Ltd	5,000 (-)	18.06 (-)	5,000 (-)	19.36 (-)
Nifty Futures				
Index Futures	34,600 (98,000)	731.84 (1,716.81)	34,600 (98,000)	720.53 (1,720.93)
ACC Ltd	1,500 (-)	10.58 (-)	1,500 (-)	10.94 (-)
Bajaj Electricals Ltd	1,000 (-)	11.31 (-)	1,000 (-)	11.49 (-)
Bharath Heavy Electricals Limited	– (2,400)	– (11.58)	– (2,400)	– 12.00
Bharath Heavy Electricals Limited	– (4,800)	– (22.32)	– (4,800)	– (23.42)
Bharath Heavy Electricals Limited	– (2,400)	– (11.58)	– (2,400)	– (12.08)
Canara Bank Limited	12,800 (6,400)	27.64 (7.79)	12,800 (6,400)	28.79 (7.94)
Century Textiles Ltd	4,250 (-)	14.60 (-)	4,250 (-)	12.46 (-)
Canara Bank Limited	– (9,600)	– (11.69)	– (9,600)	– (12.06)
Canara Bank Limited	– (9,600)	– (12.08)	– (9,600)	– (12.86)
Grasim Industries Limited	– (3,500)	– (34.07)	– (3,500)	– (35.75)
Great Eastern Shipping Co Limited	8,000 (-)	12.05 (-)	8,000 (-)	12.34 (-)
Glaxo Smith Line	900 (-)	11.17 (-)	900 (-)	11.17 (-)
Hlindalco Limited	– (3,000)	– (33.28)	– (3,000)	– (34.44)
Indian Petro Chemicals Ltd	19,800 (26,894)	39.01 (51.84)	19,800 (26,894)	41.52 (51.48)
Indian Petro Chemicals Ltd	– (3,906)	– (7.53)	– (3,906)	– (7.55)
India Cements Ltd	5,800 (-)	9.40 (-)	5,800 (-)	9.62 (-)
Indian Oil Corporation Limited	2,400 (-)	10.87 (-)	2,400 (-)	11.20 (-)
ITC Ltd	3,000 (-)	46.17 (-)	3,000 (-)	45.67 (-)

Schedule 19 Contd.

Description	Purchases		Sales	
	Units	Rs (In Lacs.)	Units	Rs (In Lacs.)
Mahindra & Mahindra Limited	11,250 (20,000)	59.18 (97.11)	11,250 (20,000)	60.07 (97.86)
Oil & Natural Gas Commission Ltd.	– (5,100)	– (35.27)	– (5,100)	– (35.92)
Ranbaxy Laboratories Limited	– (4,800)	– (45.38)	– (4,800)	– (44.92)
Ranbaxy Laboratories Limited	– (5,200)	– (49.46)	– (5,200)	– (50.10)
Ranbaxy Laboratories Limited	– (4,800)	– (45.14)	– (4,800)	– (47.81)
Reliance Industries Limited	– (9,600)	– (45.43)	– (9,600)	– (45.55)
Reliance Industries Limited	1,200 (9,600)	6.95 (40.88)	1,200 (9,600)	7.52 (41.74)
Reliance Energy Ltd	4,950 (-)	31.58 (-)	4,950 (-)	32.76 (-)
Satyam Computer Services Limited	3,000 (9,600)	15.18 (33.51)	3,000 (9,600)	15.54 (33.63)
Tata Power Limited	– (12,800)	– (31.17)	– (12,800)	– (27.30)
Tata Iron & Steel Company Limited	– (13,500)	– (35.52)	– (13,500)	– (33.45)
Union Bank of India Limited	– (67,200)	– (38.87)	– (67,200)	– (40.52)
Andhra Bank Limited	4,600 (4,600)	3.90 (0.12)	4,600 (4,600)	4.37 (0.12)
Arvind Mills Limited	10,750 (12,900)	13.26 (11.93)	10,750 (12,900)	13.53 (12.06)
Bharat Electronics Limited	– (550)	– (12.64)	– (550)	– (13.00)
Canara Bank Limited	– (16,000)	– (31.14)	– (16,000)	– (31.71)
Cipla Limited	1,000 (13,000)	6.04 (35.41)	1,000 (13,000)	6.41 (36.44)
Dr Reddy's laboratories Limited	7,200 (2,000)	69.77 (15.44)	7,200 (2,000)	69.14 (15.64)
Gas Authority of India Limited	21,000 (10,500)	44.71 (25.38)	21,000 (10,500)	45.02 (25.11)
Grasim Industries Limited	– (4,200)	– (50.89)	– (4,200)	– (51.67)
Grasim Industries Limited	– (2,100)	– (28.18)	– (2,100)	– (26.56)
Gujarat Ambuja Cement Limited	3,300 (11,000)	14.50 (42.73)	3,300 (11,000)	14.41 (43.13)

Schedule 19 Contd.

Description	Purchases		Sales	
	Units	Rs (In Lacs.)	Units	Rs (In Lacs.)
Hindalco Limited	– (3,600)	– (48.40)	– (3,600)	– (48.45)
I Flex Solutions Limited	– (3,000)	– (17.99)	– (3,000)	– (18.78)
Infosys Technologies Limited	– (2,000)	– (41.81)	– (2,000)	– (43.26)
Indian Petro Chemicals Limited	– (41,500)	– (85.97)	– (41,500)	– (85.78)
Mahanagar Telephone Nigam Limited	8,000 (19,200)	10.56 (29.36)	8,000 (19,200)	10.17 (30.68)
Maruti Udyog Limited	30,400 (4,000)	177.53 (15.43)	30,400 (4,000)	178.84 (15.61)
National Aluminium Co Limited	– (5,750)	– (10.60)	– (5,750)	– (11.22))
Oil & Natural Gas	3,600 (18,000)	35.03 (146.3)	3,600 (18,000)	35.90 (145.37)
Oriental Bank of Commerce	– (2,400)	– (7.31)	– (2,400)	– (7.46)
Punjab National Bank Limited	19,200 (18,000)	77.42 (93.03)	19,200 (18,000)	69.11 (78.59)
Patni Computers Ltd	1,300 (-)	6.31 (-)	1,300 (-)	6.34 (-)
Polaris Software Ltd	14,000 (-)	20.16 (-)	14,000 (-)	20.00 (-)
Ranbaxy Laboratories Limited	– (25,400)	– (204.13)	– (25,400)	– (195.33)
Steel Authority of India Limited	– (10,500)	– (25.23)	– (10,500)	– (23.45)
Satyam Computer Services Limited	– (43,200)	– (174.02)	– (43,200)	– (169.33)
Shipping Corporation of India Limited	16,000 (24,000)	24.18 (39.97)	16,000 (24,000)	23.77 (38.88)
State Bank of India Limited	1,000 (10,000)	9.76 (58.31)	1,000 (10,000)	9.85 (59.21)
Tata Iron & Steel Company Limited	– (13,500)	– (47.97)	– (13,500)	– (48.44)
Tata Motors Limited	2,475 (5,775)	10.30 (29.46)	2,475 (5,775)	10.56 (29.70)
Tata Power Limited	4,000 (8,000)	14.49 (29.96)	4,000 (8,000)	14.79 (30.75)
Tata Tea Limited	– (3,300)	– (17.40)	– (3,300)	– (16.93)
Tata IRD	1,350 (-)	6.31 (-)	1,350 (-)	6.39 (-)

Schedule 19 Contd.

Description	Purchases		Sales	
	Units	Rs (In Lacs.)	Units	Rs (In Lacs.)
Tata Chemicals Ltd	5,400 (-)	13.87 (-)	5,400 (-)	13.64 (-)
TVS Motors Ltd	14,750 (-)	12.36 (-)	14,750 (-)	12.76 (-)
Tata Consultancy Services Ltd	5,000 (-)	67.60 (-)	5,000 (-)	68.22 (-)
Union Bank of India Limited	– (42,000)	– (39.47)	– (42,000)	– (42.50)
Wipro Limited	– (3,000)	– (20.99)	– (3,000)	– (21.25)
Total		**102,977.38**		**101,740.46**
Previous Year		**(65,454.95)**		**(65,562.24)**

Notes:

1) Purchases and Sales exclude those held at year ends.
2) The Sales realization excludes dividend, if any, received from Mutual Funds.
3) The company has lodged as margin, equity shares having a book value of Rs. Nil (Previous Year Rs 155.01 Lacs) {market value of Rs. Nil (Previous Year Rs 136.01 lacs)} as securities in respect of outstanding contracts of equity futures at the year end. During the year, the company has traded in 24 contracts of 34,600 Nifty index futures. There are no equity index future contracts outstanding as at the year end.
4) Previous years figures are in brackets.

13. Additional information pursuant to para 3, 4, 4-C and 4-D of Part II of Schedule VI to the Companies Act, 1956.

I Fuel consumption

Material		2006		2005	
		Quantity	Amount (Rs. in Lacs.)	Quantity	Amount (Rs. in Lacs.)
LSHS	(in MT)	148,302.751	27,518.33	153,645	19,205.28
Lubricants	(in KL)	1515.21	939.91	1,715	1,045.87
Others			11.26		4.48
			28,469.50		**20,255.63**

II Managerial Remuneration (Included in Schedule 17)

(Rupees in Lacs)

Particulars	2006	2005
Salaries	96.00	96.00
Perquisites and other allowances	48.00	48.00
Contribution to Provident and other funds	–	11.52
Sitting Fees	2.80	2.70
	146.80	**158.22**

Notes:

The above figures do not include provision for gratuity, superannuation and premium for personal accident policy, as the same are determined for the company as a whole.

Schedule 19 Contd.

III Licensed, installed capacity, actual production and sales

Particulars	2006	2005
Licensed capacity	Not applicable	Not applicable
Installed capacity (50hz)*	200MW	200MW
Actual production (million KWH)	776.26	798.50
Auxiliary consumption (million KWH)	30.80	36.10
Units sold (million KWH)	769.63	786.35

* As per certification of technical expert

IV CIF Value of Imports

(Rupees in Lacs)

Particulars	2006	2005
Operations and maintenance spares	407.03	304.86

V Expenditure in Foreign Currency

(Rupees in Lacs)

Particulars	2006	2005
Foreign travel	2.15	2.22
Operations and maintenance expenditure	421.58	442.43
Interest on loans	770.08	1,243.17

VI Consumption of raw materials, stores and spare parts and Components

Description	2006		2005	
	Amount (Rs. in Lacs.)	%	Amount (Rs. in Lacs.)	%
Fuel				
Indigenous	28,469.50	100.00	20,255.63	100.00
Imported	–	–	–	–
Total	**28,469.50**	**100.00**	**20,255.63**	**100.00**
Stores and Spare parts				
Indigenous	99.87	7.84	60.49	13.64
Imported	1,173.78	92.16	382.89	86.36
Total	**1,273.65**	**100.00**	**443.38**	**100.00**

14. Previous year's figures have been regrouped and reclassified to conform to those of the Current Year.

Cash flow statement for the year ended March 31, 2006

(Rupees in Lacs)

Particulars	2006	2005
A. CASH FLOW FROM OPERATING ACTIVITIES		
Net Profit Before Tax and Extraordinary Items	3,028.17	3,218.09
Adjustments for :		
Depreciation	7,149.13	7,339.61
Amortisation of Preliminary expenses	12.34	12.34
Fixed Assets written off	13.32	–
Provision against claims recoverable/doubtful debts, etc	1,278.11	76.62
Profit from Sale of Investment and Fixed Assets (net)	170.22	227.25
Income from Investment	(129.14)	(15.06)
Interest Income	(640.48)	(731.25)
Finance charges	2,469.29	3,527.45
Operating Profit Before Working Capital Changes	**13,350.96**	**13,655.05**
Adjustments for:		
Changes in Trade and Other Receivables	(1,969.50)	517.60
Changes in Inventories	(608.46)	290.67
Changes in Trade Payables	3,476.37	(311.89)
Cash generated from Operations	**14,249.37**	**14,151.43**
Income Taxes paid	(226.65)	(218.71)
Fringe Benefit Tax paid	(12.48)	–
Net Cash Flow from Operating Activities	**14,010.24**	**13,932.72**
B. CASH FLOW FROM/(USED IN) INVESTING ACTIVITIES		
Purchase of Fixed Assets (Net of foreign exchange gain)	(287.30)	(38.97)
Sale of Fixed Assets	(118.82)	22.82
(Purchase)/Sale of Investments (Net)	(4,758.63)	(5,263.63)
Dividend received	129.14	15.06
Interest Received	590.04	757.04
Net Cash from / (used in) Investing Activities	**(4,445.57)**	**(4,507.68)**
C. CASH FLOW FROM/(USED IN) FINANCING ACTIVITIES		
Repayment of Long Term Borrowings	(5,930.72)	(7,091.13)
Proceeds from Short term borrowing (Net)	(680.00)	588.52
Finance Charges paid	(2,494.11)	(3,549.99)
Dividend Paid	–	(11,168.44)
Net Cash from/(used in) Financing Activities	**(9,104.83)**	**(21,221.04)**
Net increase in Cash and Cash Equivalents	**459.84**	**(11,796.00)**
Cash and Cash Equivalents at the beginning of the year	**11,932.29**	**23,728.30**
Cash and Cash Equivalents at the end of the year	**12,392.13**	**11,932.29**

Notes: 1. The above cash flow statement has been prepared under the 'Indirect Method' as set out in the Accounting Standard-3 on Cash Flow Statements issued by the Institute of Chartered Accountants of India.
2. Previous year's figures have been regrouped and reclassified to conform to those of the current year.

This is the Cash Flow Statement referred to in our report of even date

For and on behalf of the Board of Directors

Sd/-
P. Rama Krishna
Partner
For and on behalf of
Price Waterhouse
Chartered Accountants

Sd/-
B V Nageswara Rao
Managing Director

Sd/-
Srinivas Bommidala
Director

Sd/-
Sanjay K Jain
GM (Fin.) &
Company Secretary.

Place : Hyderabad
Date : May 2, 2006

Place : Bangalore
Date : May 2, 2006

Balance Sheet Abstract And Company's General Business Profile

1 Registration Details

Compnay Identification Number	040105KA1005PTC016942
Balance Sheet Date	March 31, 2006

2 Capital Raised during the year (Amount Rs. in Lacs)

Public Issue	Nil	Rights Issue	Nil
Bonus Issue	Nil	Private Placement	Nil

3 Position of Mobilisation and Development of Funds (Amount in Rs. Lacs)

Total Liabilities	62,516.21	Total assets	62,516.21
Sources of Funds			
Paid Up Capital	24,750.00	Reserves & Surplus	14,052.54
Secured Loans	22,111.67	Unsecured Loans	1,602.00
Deferred Tax liability			
Application of Funds			
Net Fixed Assets	41,961.71	Investments	10,312.31
Net Current Assets	10,217.52	Misc. Expenditure	24.67
Accumulated Losses	–		

4 Performance of company (Amount in Rs. Lacs)

Gross Income	47,406.41	Total Expenditure	44,378.24
+ / - Profit / Loss Before Tax	3,028.17	+ / - Profit / Loss After Tax	2,772.69
Earning Per Share in Rs.(Basic & Diluted)	1.12	Dividend Rate %	Nil

5 Generic Names of Three Principal Products / Services of Company (as per monetary terms)

Item Code No. :	NIL	Product Description	Electric Power

For and on behalf of the Board of Directors

Sd/-
B V Nageswara Rao
Managing Director

Sd/-
Srinivas Bommidala
Director

Sd/-
Sanjay K Jain
GM (Fin.) &
Company Secretary.

Place : Bangalore
Date : May 2, 2006

VEMAGIRI POWER GENERATION LIMITED

Project Highlights of Vemagiri Power Generation Limited

- VPGL is the wholly owned subsidiary of GMR Energy Limited.
- VPGL is setting up a 388MW combined cycle, natural-gas based, power project, near Rajahmundry in the State of Andhra Pradesh.
- VPGL has signed a Gas Supply Agreement (GSA) for the supply of 1.64 MMSCMD of natural gas with the Gas Authority of India Limited (GAIL) for the term of the Power Purchase Agreement (PPA).
- The Company has a 15 year PPA with Transmission Corporation of Andhra Pradesh (AP Transco), the sole purchaser of electricity from this project.
- Project construction was started in January 2004 and as at end March 2006, the project has achieved an overall progress of 98.82%. Commercial operation is expected to be achieved by July - August 2006.
- The Company has Long term maintenance agreement with General Electric International Inc. USA and an operation and maintenance agreement with KPS, Korea.

Board of Directors

Mr. G.M. Rao	Chairman
Mr. Srinivas Bommidala*	Managing Director
Mr. B.V. Nageswara Rao	Director
Mr. P.B. Vanchi	Director
Mr. K. Balasubramanian	Director
Mr. Luis Miranda	Nominee Director, IDF
Mr. S.P. Talwar	Director
Mr. Uday M. Chitale	Director
Mr. A.P. Rao	Director
Mr. Udaya Holla	Director

*(Resigned from the office of Manging Director of the Company w.e.f., 19th April, 2006 and continues to be a Director)

Company Secretary

Ms. V. Mohana

Statutory Auditors

Price Waterhouse
Chartered Accountants
6-3-550, IInd Floor, L B Bhavan, Somajiguda, Hyderabad - 500082

Bankers

Indian Overseas Bank
ING-Vysya Bank

Registered Office

Skip House, 25/1 Museum Road, Bangalore 560 025.
Tel : 080 22070100
Fax : 080 22073633
website: www.gmrgroup.co.in

Site Address

Vemagiri Village, East Godawari District, Andhra Pradesh - 533125

Directors Report

Dear Members,

Your Directors are pleased to present the Tenth Annual Report and the Audited Balance sheet for the year ended March 31, 2006. As the company is currently in the stage of implementing the power project, Profit & Loss Account has not been prepared.

Project Overview

The project construction was started in January 2004 and as on end March 2006, the project has achieved an overall progress of 98.82%. The commissioning activities are nearing completion.

Current Status

- EPC Engineering and Procurement have been completed.
- Construction & Erection: All the construction works of building superstructure, equipments and piping erection are completed & the progress achieved is 99.75%. The balance works are mainly related to finishing works.
- Commissioning: Pre-commissioning activities are completed. Commissioning activities for most of the equipment is completed and the progress achieved is 66.91%.
- Resource Deployment: Around 600 people & required machineries mobilized at site.
- Gas system has been commissioned and gas is being drawn since July 2005.
- Intake pump house system commissioned & water from River Godavari is being pumped into the project site water reservoir since May 2005.
- Switchyard has been charged for supplying commissioning power since September 2005.
- Gas Turbine was synchronized on 13th January 2006.
- Steam blowing activity is completed.
- Spare parts: All equipment spare parts order placement completed except for few packages. Delivery of ordered spares at site is nearing completion.
- LTSA spares have been received partly.
- Asset Management along with O&M agency are in position at site.
- GE LTSA Contract Performance Manager has been posted at site.

The project COD is delayed mainly due to the problems related to GT and steam blowing of the pipeline. The project commercial operation is expected to be achieved by end June 2006.

Finance

The Company has issued and allotted 10,95,00,000 shares to GMR Energy Limited. The paid up share capital of the Company is 251,115,010 equity shares of Rs. 10/- each aggregating to Rs. 2,511,150,100/- . The Company has further received Rs.15.50 Crores towards share application money from GMR Energy Limited. The company has drawn Rs. 192.93 Crores of foreign currency term loans and Rs. 490.24 Crores of rupee term loans from the lenders. As on 31st March 2006 an aggregate amount of Rs. 911.96 Crores stands invested in fixed assets and capital work-in progress. Rs. 185.80 Crores is the expenditure during construction period, pending allocation.

Directors

Mr. S.P.Talwar and Mr. Udaya Holla retire by rotation and being eligible offer themselves for re-appointment.
Mr. Srinivas Bommidala has resigned from the office of Managing Director of the Company with effect from April 19, 2006 and continues to be Director of the company. Board recorded its deep appreciation for the services rendered by Mr. Srinivas Bommidala during his tenure as the Managing Director of the Company.

Directors' Responsibility Statement

Pursuant to provisions of Section 217 (2AA) of the Companies Act, 1956 with respect of Directors responsibility statement, it is hereby confirmed:

i) that in the preparation of the Annual Accounts for the year ended March 31, 2006 the applicable accounting standards have been followed and proper explanation was provided for material departures, if any;
ii) that the Directors have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the company as at the end of the financial year;
iii) that the Directors have taken proper and sufficient care for maintenance of adequate accounting records in accordance with the provisions of Companies Act, 1956 for safeguarding the assets of the company for preventing and detecting fraud and other irregularities;
iv) that the directors have prepared the annual accounts on a going concern basis.

Directors Report

Auditors

The auditors, M/s Price Waterhouse, Chartered Accountants, retire at the ensuing Annual General meeting and have confirmed their eligibility and willingness to accept office, if re-appointed.

Corporate Governance

The basic philosophy of Corporate Governance in the company is to achieve business excellence, comply with laws and regulations and dedicate itself for the interest of all its stakeholders.

During the year under review the Board of Directors met four times to review the actions taken by the management and to take appropriate decisions.

The Company presently has ten directors of which five Directors represent GMR group, one director represents IDFC Private Equity. The remaining four Directors are independent Directors and professionals with expertise and experience in general corporate management, finance, banking and other allied fields.

Audit Committee

The composition of the committee during the year was as follows.

1. Mr. A.P.Rao - Chairman
2. Mr. Luis Miranda - Member
3. Mr. K.Balasubramanian - Member
4. Mr. P.B.Vanchi - Member
5. Mr. Uday M. Chitale - Member

The Audit Committee of the Board met four times during the year. The committee reviewed the internal audit report and the observations of the Internal Auditors and Statutory Auditors. The Managing Director, Vice President - Project head, Manager Accounts and Company Secretary attended these meetings and assisted the proceedings of the Committee.

Conservation Of Energy, Technology Absorption And Foreign Exchange Earnings And Outgo

Information required to be disclosed under the Companies (disclosure of particulars in the Report of Board of Directors) Rules 1988 and Section 217 (1) (e) of the Companies Act, 1956 are set out in the Annexure.

Particulars of Employees

The particulars of employees who are in receipt of remuneration required to be furnished under Section 217(2A) of the Companies Act, 1956 read with Companies (Particulars of Employees) Rules, 1975, is set out in the Annexure.

Acknowledgement

Your Directors take this opportunity to express their sincere thanks and gratitude to the Government of India, Government of Andhra Pradesh and other Central and State Government Agencies, APTRANSCO, Infrastructure Development Finance Company, Infrastructure Leasing & Financial Services Ltd, State Bank of India, UCO Bank, State Bank of Patiala, Union Bank of India, Allahabad Bank, Oriental Bank of Commerce, Canara Bank, Punjab National Bank, United Bank of India, Indian Overseas Bank, Bank of India, Corporation Bank, Gas Authority of India Ltd and Larsen & Toubro Ltd for their support.

Your Directors place on record their sincere appreciation of the contributions made by the employees at all levels through their hard work and dedicated service.

For and on behalf of the Board of Directors

G.M.Rao
Chairman

Place : Bangalore
Date : May 5, 2006

Annexure to The Directors Report

Conservation Of Energy, Technology Absorption And Foreign Exchange Earnings And Outgo

Information pursuant to Section 217 (1) (e) of the Companies Act, 1956, read with the Companies (Disclosure of particulars in the report of Board of Directors) Rules 1988 is given below:

- **Conservation of Energy, Technology Absorption**
  Since the power project is in implementation stage, the particulars are not applicable.
- **Foreign Exchange Earnings and outgo**
  There were no foreign exchange earnings during the year.

Details of Foreign Exchange outgo is as shown below:

(Amount in Rupees)

Particulars	2006	2005
Travelling Expenses	1,261,343	6,107,770
Consultancy Charges	731,947	–
O&M Mobilization Fee	21,367,777	–
Interest on Loans	29,638,651	–

Auditors' Report

To
The Members,
Vemagiri Power Generation Limited

1. We have audited the attached Balance Sheet of **Vemagiri Power Generation Limited** ("the Company"), as at March 31, 2006, and Cash Flow Statement for the year ended on that date annexed thereto, which we have signed under reference to this report. No Profit and Loss Account has been prepared for the reason stated in Note II (3) of Schedule 14. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

2. We conducted our audit in accordance with the auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

3. As required by the Companies (Auditor's Report) Order, 2003, as amended by the Companies (Auditor's Report) (Amendment) Order, 2004, issued by the Central Government of India in terms of sub-section (4A) of Section 227 of 'The Companies Act, 1956' of India (the 'Act') and on the basis of such checks of the books and records of the company as we considered appropriate and according to the information and explanations given to us, we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.

4. Further to our comments in the Annexure referred to in paragraph 3 above, we report that:
   (a) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit;
   (b) In our opinion, proper books of account as required by law have been kept by the company so far as appears from our examination of those books;
   (c) The Balance Sheet and Cash Flow Statement dealt with by this report are in agreement with the books of account;
   (d) In our opinion, the Balance Sheet and Cash Flow Statement dealt with by this report comply with the accounting standards referred to in sub-section (3C) of Section 211 of the Act;
   (e) On the basis of written representations received from the directors, as on March 31, 2006 and taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2006 from being appointed as a director in terms of clause (g) of sub-section (1) of Section 274 of the Act;
   (f) In our opinion and to the best of our information and according to the explanations given to us, the said financial statements together with the notes thereon and attached thereto give in the prescribed manner the information required by the Act and give a true and fair view in conformity with the accounting principles generally accepted in India;
      (i) in the case of the Balance Sheet, of the state of affairs of the company as at March 31, 2006 and
      (ii) in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

P.Rama Krishna
Partner
Membership No:22795
For and on behalf of
Price Waterhouse
Chartered Accountants

Place : Hyderabad
Date : May 5, 2006

Annexure to Auditors' Report

[Referred to in paragraph 3 of the Auditors' Report of even date to the members of Vemagiri Power Generation Limited on the financial statements as at and for the year ended March 31, 2006]

1. (a) The company is maintaining proper records showing full particulars including quantitative details and situation of fixed assets.

   (b) The fixed assets of the company have been physically verified by the management during the year and no material discrepancies between the book records and the physical inventory have been noticed. In our opinion, the frequency of verification is reasonable.

2. The company has neither granted nor taken any loans, secured or unsecured, to/from companies, firms or other parties covered in the register maintained under Section 301 of the Act.

3. In our opinion and according to the information and explanations given to us, having regard to the explanation that certain items purchased are of special nature for which suitable alternative sources do not exist for obtaining comparative quotations, there is an adequate internal control system commensurate with the size of the company and the nature of its business, for the purchase of fixed assets. The activities of the Company did not involve purchase of inventory and sale of goods and services. Further, on the basis of our examination of the books and records of the company, and according to the information and explanations given to us, we have neither come across nor have been informed of any continuing failure to correct major weaknesses in the aforesaid internal control system.

4. According to the information and explanations given to us, there have been no contracts or arrangements referred to in Section 301 of the Act during the year to be entered in the register required to be maintained under that Section. Accordingly, commenting on transactions made in pursuance of such contracts or arrangements does not arise.

5. The company has not accepted any deposits from the public within the meaning of Sections 58A and 58AA of the Act and the rules framed there under

6. In our opinion, the company has an internal audit system commensurate with its size and nature of its business.

7. The maintenance of cost accounting records is applicable to power generating companies. However, since the Company is in project stage, maintenance of cost records pursuant to the rules made by the Central Government of India under clause (d) of sub-section (1) of Section 209 of the Act does not arise.

8. (a) According to the information and explanations given to us and the records of the company examined by us, in our opinion, the company is generally regular in depositing the undisputed statutory dues including provident fund, income-tax, customs duty and other material statutory dues as applicable with the appropriate authorities. According to the information and explanations given to us and the records of the Company examined by us, investor education and protection fund, employees' state insurance, sales-tax, wealth tax, service tax, excise duty and cess are not applicable to the Company for the current year.

   (b) According to the information and explanations given to us and the records of the company examined by us, there are no dues of income-tax and customs duty which have not been deposited on account of any dispute. According to the information and explanations given to us and the records of the Company examined by us, sales tax, wealth tax, service tax, excise duty and cess are not applicable to the Company for the current year.

9. According to the records of the company examined by us and the information and explanation given to us, the company has not defaulted in repayment of dues to any financial institution or bank. The Company has neither issued any debentures during the year nor any debentures are outstanding as at the balance sheet date.

Auditors' Report

10. The company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities.

11. The provisions of any special statute applicable to chit fund / nidhi / mutual benefit fund/societies are not applicable to the company.

12. In our opinion, the company is not a dealer or trader in shares, securities, debentures and other investments.

13. In our opinion and according to the information and explanations given to us, the company has not given any guarantee for loans taken by others from banks or financial institutions during the year

14. In our opinion, and according to the information and explanations given to us, on an overall basis, pending utilisation for the stated purpose, certain loan funds were temporarily invested in shot term investments as per the terms of the Trust and Retention Agreement and were finally used for the stated end use.

15. On the basis of an overall examination of the balance sheet of the company, in our opinion and according to the information and explanations given to us, there are no funds raised on a short-term basis which have been used for long-term investment.

16. The company has not made any preferential allotment of shares to parties and companies covered in the register maintained under Section 301 of the Act during the year.

17. The company has not raised any money by public issues during the year.

18. During the course of our examination of the books and records of the company, carried out in accordance with the generally accepted auditing practices in India, and according to the information and explanations given to us, we have neither come across any instance of fraud on or by the company, noticed or reported during the year, nor have we been informed of such case by the management.

19. The other clauses (i)(c), (ii), (iii)(b), (iii)(c), (iii)(d), (iii)(f), (iii)(g), (v)(b), (x) and (xix) of paragraph 4 of the Companies (Auditor's Report) Order 2003 , as amended by the Companies (Auditor's Report) (Amendment) Order, 2004, are not applicable in the case of the company for the current year, since in our opinion there is no matter which arises to be reported in the aforesaid order.

P.Rama Krishna
Partner
Membership No:22795
For and on behalf of
Price Waterhouse
Chartered Accountants

Place : Hyderabad
Date : May 5, 2006

Balance Sheet as at March 31, 2006

(Amount in Rupees)

	Sch. Ref	2006		2005	
I. Sources of Funds					
1. Shareholders' Funds					
a) Capital	1	1,951,150,100		1,416,150,100	
b) Reserves and Surplus	2	19,998,600		19,998,600	
			1,971,148,700		1,436,148,700
2. Share Application Money pending allotment			560,000,000		246,000,000
3. Loan Funds					
a) Secured Loans	3	6,831,743,575		3,779,274,249	
b) Unsecured Loans	4	552,307,580		209,021,061	
			7,384,051,155		3,988,295,310
Total			**9,915,199,855**		**5,670,444,010**
II. Application of Funds:					
1. Fixed Assets	5				
a) Gross Block		47,929,570		40,214,020	
b) Less : Depreciation		4,337,716		2,452,882	
c) Net Block		43,591,854		37,761,138	
d) Capital Work in Progress		9,076,016,011		6,861,192,767	
			9,119,607,865		6,898,953,905
2. Expenditure during construction period, pending allocation (net)	6		1,857,689,743		668,447,053
3. Investments	7		–		106,500,000
4. Current Assets, Loans and Advances					
a) Sundry Debtors	8	2,183,100		–	
b) Cash and Bank Balances	9	12,467,285		162,880,858	
c) Other Current Assets	10	–		62,193	
d) Loans and Advances	11	23,910,702		107,097,063	
		38,561,087		270,040,114	
Less: Current Liabilities and Provisions	12				
a) Liabilities		1,101,165,835		2,274,140,395	
b) Provisions		1,073,000		936,662	
		1,102,238,835		2,275,077,057	
Net Current Assets			(1,063,677,748)		(2,005,036,943)
5. Miscellaneous Expenditure (To the extent not written off or adjusted)	13		1,579,995		1,579,995
Total			**9,915,199,855**		**5,670,444,010**
Statement on Significant Accounting policies and Notes to the Accounts	14				

The Schedules referred to above form an integral part of the Balance Sheet

This is the Balance Sheet referred to in our report of even date.

For and on behalf of the Board

Sd/-
P. Rama Krishna
Partner
For and on behalf of
Price Waterhouse
Chartered Accountants

Sd/-
G. M. Rao
Chairman

Sd/-
Srinivas Bommidala
Director

Sd/-
V. Mohana
Company Secretary

Place : Hyderabad
Date : May 5, 2006

Place : Bangalore
Date : May 5, 2006

Schedules forming part of the Balance Sheet as at March 31, 2006

(Amount in Rupees)

Schedule 1	2006	2005
Capital		
Authorised		
300,000,000 Equity shares of Rs. 10/- each	3,000,000,000	3,000,000,000
Issued, Subscribed and paid-up		
195,115,010 (2005 - 141,615,010) Equity shares of Rs. 10/- each fully paid-up	1,951,150,100	1,416,150,100
(Out of the above 195,115,004 (2005-141,615,000) Equity shares are held by the Holding Company, GMR Energy Limited and 6 (2005 NIL) Equity shares held by its nominees)		
Total	**1,951,150,100**	**1,416,150,100**

(Amount in Rupees)

Schedule 2	2006	2005
Reserves And Surplus		
Security Premium Account	19,998,600	19,998,600
Total	**19,998,600**	**19,998,600**

(Amount in Rupees)

Schedule 3	2006	2005
Secured Loans		
Term Loans		
Rupee Loans		
From Banks	3,987,186,034	2,198,684,245
From Financial Institutions	915,232,975	778,865,404
Foreign Currency Loans		
From Banks	1,256,424,566	801,724,600
From Financial Institutions	672,900,000	-
(Secured by way of pari passu first charge over land, Company's moveable and other assets, both present and future. Further secured by the right, title, interest, benefits, claims and demands of the Company in respect of the project agreements, executed/ to be executed, insurance policies both present and future and all right, title, interest, benefits, claims and demands of the Company in respect of monies lying to the credit of trust and retention account and other accounts. Further secured by way of pledge of 141,015,000 shares held by the holding company)		
Total	**6,831,743,575**	**3,779,274,249**

(Amount in Rupees)

Schedule 4	2006	2005
Unsecured Loans		
From others - Other than short term		
Suppliers Credit	552,307,580	209,021,061
Total	**552,307,580**	**209,021,061**

Schedules forming part of the Balance Sheet as at March 31, 2006

Schedule 5

Fixed Assets

(Amount in Rupees)

Description	Gross Block				Depreciation				Net Block	
	As At March 31, 2005	Additions	Withdrawals	As At March 31, 2006	As At March 31, 2005	For the year	On Deletions	As At March 31, 2006	As At March 31, 2006	As At March 31, 2005
Land	28,182,101	5,374,894	–	33,556,995	–	–	–	–	33,556,995	28,182,101
Office equipment	8,923,943	1,445,808	–	10,369,751	1,837,660	1,476,464	–	3,314,124	7,055,627	7,086,283
Furniture and fixtures	2,163,298	99,115	–	2,262,413	534,724	247,396	–	782,120	1,480,293	1,628,574
Capitalised Software	900,408	305,733	–	1,206,141	61,874	146,092	–	207,966	998,175	838,534
Vehicles	44,270	490,000	–	534,270	18,624	14,882	–	33,506	500,764	25,646
Total	**40,214,020**	**7,715,550**	**–**	**47,929,570**	**2,452,882**	**1,884,834**	**–**	**4,337,716**	**43,591,854**	**37,761,138**
Capital work in progress (Including capital advances)									9,076,016,011	6,861,192,767
Grand Total	40,214,020	7,715,550	–	47,929,570	2,452,882	1,884,834	–	4,337,716	9,119,607,865	6,898,953,905
Previous Year	20,308,920	19,905,100	–	40,214,020	738,814	1,714,068	–	2,452,882	37,761,138	

Notes: 1. The Captalised software have useful lives ranging from 6-7years. Amortisation of these assets is based on staight line method

2. Capital work in progress includes foreign exchange fluctuation amounting to Rs.32,875,550 [2005 - (Rs.7,253,844)]

Schedules forming part of the Balance Sheet as at March 31, 2006

(Amount in Rupees)

Schedule 6	Upto and as at March 31, 2006	Upto and as at March 31, 2005
Expenditure during construction period, pending allocation (net)		
Fuel Cost (Including Transmission Charges)	360,975,825	–
Operation and Maintenance Expenses	59,246,389	–
Salaries, allowances and benefits to employees	84,837,177	60,485,928
Contribution to provident fund and others	1,160,304	633,759
Staff welfare expenses	6,230,686	3,805,261
Rent	43,963,655	29,100,328
Rates and Taxes	22,484,180	20,967,891
Repairs and Maintenance	6,484,136	5,151,904
Insurance	72,781,946	27,598,866
Consultancy and Professional Charges	248,388,641	171,821,114
Directors Sitting Fees	499,000	195,000
Electricity Charges	78,715,962	6,026,030
Remuneration to auditors		
- Audit fees	924,540	531,700
- Others	165,300	–
- Out of Pocket Expenses	20,500	–
Travelling and conveyance	69,516,595	53,009,312
Communication Expenses	9,563,182	5,629,171
Income tax	3,986,125	1,385,434
Fringe benefit tax	2,341,940	–
Depreciation	5,082,756	3,197,923
Interest on fixed period loans	579,301,434	91,671,945
Interest - others	7,873,598	7,873,598
Bank/ other finance charges	183,877,568	172,776,884
(Gain)/Loss on account of foreign exchange fluctuations (net)	810,372	92,977
Loss on sale of fixed assets	2,130,760	2,130,760
Miscellaneous expenses	43,223,612	24,407,373
	1,894,586,182	**688,493,158**
Less: Other Income		
Sale of Power	4,940,000	–
Interest Received (Gross)	22,880,154	15,024,671
[(Includes prior period income - Rs.Nil (Rs.3,960,600)]		
[Tax deducted at source Rs. 334,474 (2005 - Rs. 63,335)		
Income from Investments - Other than trade (Gross)	8,582,407	4,846,933
[Tax deducted at source Rs. Nil (2005 - Rs. Nil)]		
Profit on sale of Invesments	209,921	150,501
Miscelleanous Income	283,957	24,000
	1,857,689,743	**668,447,053**

(Amount in Rupees)

Schedule 7	2006	2005
Investments		
Current		
Other than trade-unquoted		
Kotak Mahindra Mutual Fund - Daily Dividend Option*	–	106,500,000
(8,709,447.91 Units of Rs.12.2281 per unit)		
Total	**–**	**106,500,000**

*Aggregate Net Asset Value as at March 31, 2006 Rs. NIL (2005 - Rs. 106,500,000)

Schedules forming part of the Balance Sheet as at March 31, 2006

(Amount in Rupees)

Schedule 8	2006	2005
Sundry Debtors		
(Secured, considered good)		
a) Over six months old	–	–
b) Other Debts	2,183,100	–
Total	**2,183,100**	**–**

(Amount in Rupees)

Schedule 9	2006	2005
Cash And Bank Balances		
Cash on hand	222,826	565,953
Balances with scheduled banks		
- On Current accounts	12,244,459	2,314,905
- On Deposit accounts	-	160,000,000
Total	**12,467,285**	**162,880,858**

(Amount in Rupees)

Schedule 10	2006	2005
Other Current Assets		
(Unsecured, Considered Good)		
Interest accrued but not due	–	62,193
Total	**–**	**62,193**

(Amount in Rupees)

Schedule 11	2006	2005
Loans And Advances		
(Unsecured, Considered Good)		
Loans to Employees	1,670,404	663,346
Advances recoverable in cash or in kind or for value to be received *	6,936,527	91,257,799
Deposits with Government authorities	12,473,032	12,513,032
Advance tax (Net of provision)	2,830,739	2,662,886
Total	**23,910,702**	**107,097,063**

*Include advance given to Directors Rs. Nil (2005 - Rs.Nil). Maximum amount due at anytime during the year was Rs.1,548,832 (2005 - Rs. 3,171,021)

Schedules forming part of the Balance Sheet as at March 31, 2006

(Amount in Rupees)

Schedule 12	2006	2005
Current Liabilities		
Sundry creditors:		
Dues to small scale industrial undertakings	-	-
Dues to other than small scale industrial undertakings	1,091,542,812	2,119,118,934
	1,091,542,812	2,119,118,934
Book Overdraft	962,720	143,211,084
Interest accrued but not due	534,262	-
Other liabilities	8,126,041	11,810,377
Total	**1,101,165,835**	**2,274,140,395**
Provisions		
Provision for Fringe Benefit Tax (Net of Advances)	100,000	-
Provision for Gratuity	-	75,500
Provision for Leave Encashment	973,000	861,162
Total	**1,073,000**	**936,662**

(Amount in Rupees)

Schedule 13	2006	2005
Miscellaneous Expenditure		
(to the extent not written off or adjusted)		
Preliminary expenses	1,579,995	1,579,995
Total	**1,579,995**	**1,579,995**

Schedule 14

Statement on Significant Accounting Policies and Notes to the Accounts

I. Significant Accounting Policies

1. Accounting Assumptions

These accounts have been prepared under the historical cost convention on the basis of a going concern, with revenues recognised and expenses accounted on their accrual and amounts determined as payable or receivable during the year, except those with significant uncertainties, and in accordance with the applicable Accounting Standards as issued by the Institute of Chartered Accountants of India.

2. Fixed Assets

Fixed Assets are stated at cost of acquisition less depreciation. Cost of acquisition is inclusive of freight, insurance, duties, levies and all incidentals attributable to bringing the asset to its working condition and any adjustment in liability on account of exchange rate fluctuations in respect of fixed assets acquired through foreign currency loans.

Assets under installation or under construction as at the balance sheet date are shown as capital work in progress. Depreciation is provided on straight-line method at the rates and in the manner specified in Government of India notification S.O. 266 (E) dated March 29, 1994 issued under the provisions of the Electricity (Supply) Act, 1948 (repealed) as applicable to electricity generating companies or as per the rates specified under Schedule XIV to the Companies Act, 1956, whichever is higher, except for assets less than Rs.5,000 which are fully depreciated in the year of acquisition.

3. Investments

Long-term investments are valued at cost unless there is permanent diminution in their values. Current investments are valued at cost or market value whichever is lower. Cost of acquisition is inclusive of expenditure incidental to acquisition. Income from investments is recognised in the year in which it is accrued and stated at gross.

4. Borrowing Costs

Borrowing cost that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalized as part of the cost of that asset. Other borrowing costs are recognised as an expense in the year in which they are incurred.

5. Foreign Currency Transactions

All foreign currency transactions are accounted for at the exchange rates prevailing on the date of such transactions. Current assets and current liabilities are translated at the exchange rate prevailing on the balance sheet date and the resultant gain /loss is recognised in the financial statements.

6. Retirement Benefits

Retirement Benefits are accounted for on accrual basis with contributions to recognised funds such as provident fund and pension fund charged against revenue each year. Liability for gratuity is funded through a scheme administered by an insurer. Provision for leave encashment is made on actual basis based on balance leave as at the year end.

7. Taxes on Income

Current tax is determined based on the amount of tax payable in respect of taxable income for the year. Deferred tax is recognised on timing differences being the difference between the taxable income and accounting income that originate in one year and are capable of reversal in one or more subsequent years. Deferred tax assets and liabilities have been computed on the timing differences applying the enacted tax rates.

Schedule 14 (Cond.)

II. Notes to the Accounts

1. **Contingent Liabilities**
   Bank guarantees outstanding against project supplies: Rs.155,121,732 (2005 - Rs.324,040,000)

2. Estimated amount of Contracts remaining to be executed on capital account and not provided for - Rs.141,235,703 (2005 - Rs.2,960,097,036)

3. The company has started conducting trial run generation/testing of equipments. Consequently no Profit and Loss Account has been drawn up. Considering the ongoing commissioning activity and the trial run generation, all the expenditure incurred (net of income earned out of trial run generation and other income) are grouped and disclosed under expenditure during construction period, pending allocation (net) in Schedule 6.

4. The Company is yet to commence commercial operations. Claims/counterclaims, if any, arising out of the project related contracts including Power Purchase Agreement and Engineering, Procurement and Construction contracts, on account of delays or any other reasons, have not been reflected in these financial statements, pending settlements/negotiations with the concerned parties.

5. **Details of transactions with Related Parties**
   a) Names of related parties and description of relationship

(i)	Enterprises that control the Company	GMR Energy Limited (Holding Company) GMR Infrastructure Limited GMR Holdings Private Limited
(ii)	Enterprises where significant control exists	GMR Varalakshmi Foundation
(iii)	Enterprises under common control	GMR Power Corporation Private Limited GMR Ambala Chandigarh Expressways Private Limited GMR Mining & Energy Private Limited GMR Tuni Anakapalli Expressways Private Limited GMR Tambavaram Tindivanam Expressways Private Limited GMR Jadcherla Expressways Private Limited GMR Pochanpalli Expressways Private Limited GMR Hyderabad International Airport Limited.
(iv)	Key Management Personnel and Relatives	Mr. G. M. Rao, Mr. Srinivas Bommidala and Mr. B. V. Nageswara Rao

b) Summary of Transactions with the above related parties is as follows:

Nature of Transaction	Holding Company	Enterprises where significant control exists	Key Management Personnel and Relatives	Balance Payable/ (Receivable)
Technical service fee	55,100,000 (54,641,667)	– (-)	– (-)	– (-)
Remuneration	– (-)	– (-)	4,589,413 (4,603,749)	– (-)
Donation	– (-)	7,500,000 (-)	– (-)	– (-)

Schedule 14 (Cond.)

(i) Transactions and outstanding balances in the nature of reimbursement of expenses incurred by one company on behalf of the other have not been considered above.

(ii) Previous year figures are mentioned in brackets.

6. The Company has entered into certain operating lease agreements and an amount of Rs.15,178,327 (2005 - Rs.15,541,625) paid during the year under such agreements has been disclosed as rent under Schedule 6 "Expenditure during construction period, pending allocation (net)". These agreements are cancelable in nature.

7. Since the project is in development stage and no Profit and Loss Account has been prepared, deferred taxes as per Accounting Standard 22 on 'Accounting for Taxes on Income', issued by the Institute of Chartered Accountants of India has not been recognised. Further, the Company's business relates to generation of power, which in the context of Accounting Standard 17 "Segment Reporting" issued by the Institute of Chartered Accountants of India is considered as the only segment. Hence, reporting under the requirements of the said standard does not arise.

8. Details of Investments purchased and sold during the year

Description	Cost of Acquisition		Sales	
	Units	Amount (in Rupees)	Units	Amount (in Rupees)
Grindlays Cash Fund-	–	–	–	–
Daily Dividend Option	(22,500,000)	(225,000,000)	(22,500,000)	(225,987,025)
Canbank Mutual Fund-	54,775,421	550,000,000	54,775,421	551,147,398
Daily Dividend Reinvestment Option	(2,937,837)	(29,500,000)	(2,937,837)	(29,527,978)
UTI Mutual Fund - Dividend Option	–	–	–	–
	(14,681,500)	(227,500,000)	(14,681,500)	(228,110,070)
Reliance Liquid Fund Daily Dividend Option	17,233,487	192,000,000	17,233,487	192,126,545
	(-)	(-)	(-)	(-)
LIC Mutual Fund - Dividend Option	6,578,226	72,000,000	6,578,226	72,126,002
	(20,853,512)	(226,500,000)	(20,853,512)	(226,875,426)
Chola Liquid Fund- Dividend Option	39,422,288	394,900,000	39,422,288	396,125,467
	(24,675,064)	(247,000,000)	(24,675,064)	(247,527,745)
ING Vysya Mutual Fund	–	–	–	–
Daily Dividend Option	(14,842,576)	(160,000,000)	(14,842,576)	(160,057,803)
Kotak Mahendra Mutual Fund	42,255,134	516,700,000	42,255,134	517,567,150
Daily Dividend Option	(77,143,651)	(959,718,968)	(77,143,651)	(961,567,659)
Total	**160,264,556**	**1,725,600,000**	**160,264,556**	**1,729,092,562**
Previous Year	**(177,552,640)**	**(2,075,218,968)**	**(177,552,640)**	**(2,079,653,706)**

Note:

(i) The sales realization excludes dividend, if any, received from mutual funds.

(ii) Purchases and sales exclude investments held at year ends.

(iii) Previous year figures are mentioned in brackets.

Schedule 14 (Cond.)

9. Managerial Remuneration (included in Schedule 6)

(Amount in Rupees)

Particulars	2006	2005
Salaries	4,500,000	4,500,000
Perquisites and other allowances	89,413	103,749
Sitting Fees	304,000	1,95,000
Total	**4,893,413**	**4,798,749**

10. Expenditure in Foreign Currency

(Amount in Rupees)

Particulars	2006	2005
Travelling Expenses	1,261,343	6,107,770
Consultancy Charges	731,947	–
O&M Mobilization Fee	21,367,777	–
Interest on Loans	29,638,651	–
Total	**52,999,718**	**6,107,770**

11. CIF value of imports

(Amount in Rupees)

Particulars	2006	2005
Capital goods	806,393,903	2,407,958,872

12. Previous year's figures have been regrouped and reclassified to confirm to those of the current year.

Cash flow statement for the year ended March 31,2006

(Amount in Rupees)

Particulars	2006	2005
A. CASH FLOW FROM/(USED IN) OPERATING ACTIVITIES		
Net Profit Before Tax and Extraordinary Items		
Operating Profit Before Working Capital Changes		
Adjustments for:		
Changes in Trade and Other Receivables	81,171,114	(36,813,325)
Changes in Trade Payables	(1,449,972,168)	409,015,028
Cash generated from Operations	(1,368,801,054)	372,201,703
Income Taxes paid	2,432,838	(1,845,491)
Net Cash Flow from/ (used in) Operating Activities	**(1,366,368,216)**	**370,356,212**
B. CASH FLOW FROM/ (USED IN) INVESTING ACTIVITIES		
Purchase of Fixed Assets (including capital work in progress and capital advances)	(3,147,013,773)	(4,334,708,205)
Sale / (Purchase) of Investments (net)	106,559,420	(106,500,000)
Dividend received	3,735,474	4,434,738
Interest received	7,917,676	8,410,575
Net Cash from/ (used in) Investing Activities	**(3,028,801,204)**	**(4,428,362,892)**
C. CASH FLOW FROM/(USED IN) FINANCING ACTIVITIES		
Proceeds from issue of Equity shares (including Share application money)	849,000,000	245,000,000
Proceeds/ (Repayment) of long term debt (Net)	3,395,755,845	3,917,306,571
Net Cash from Financing Activities	**4,244,755,845**	**4,162,306,571**
Net increase in Cash and Cash Equivalents	**(150,413,575)**	**104,299,891**
Cash and Cash Equivalents at the beginning of the year	**162,880,858**	**58,580,967**
Cash and Cash Equivalents at the end of the year	**12,467,285**	**162,880,858**

Note: 1. The above cash flow statement has been prepared under the 'Indirect Method' as set out in the Accounting Standard -3 on Cash Flow Statements issued by the Institute of Chartered Accountants of India.

2. Previous year's figures have been regrouped and reclassified to confirm to those of the current year.

This is the Cash Flow Statement referred to in our report of even date

For and on behalf of the Board

Sd/-
P. Rama Krishna
Partner
For and on behalf of
Price Waterhouse
Chartered Accountants

Sd/-
G. M. Rao
Chairman

Sd/-
Srinivas Bommidala
Director

Sd/-
V. Mohana
Company Secretary.

Place : Hyderabad
Date : May 5, 2006

Place : Bangalore
Date : May 5, 2006

Balance Sheet Abstract And Company's General Business Profile

1 Registration Details

Company Identification Number	U23201KA2003PLC032964
Balance Sheet Date	March 31, 2006

2 Capital Raised during the year (Amount in Rs.Millions)

Public Issue	Nil	Rights Issue	Nil
Bonus Issue	Nil	Private Placement	Nil

3 Position of Mobilisation and Development of Funds (Amount in Rupees)

Total Liabilities	**9,915,199,855**	**Total assets**	**9,915,199,855**
Sources of Funds			
Paid Up Capital	1,951,150,100	Reserves & Surplus	19,998,600
Share Application Money	560,000,000	Unsecured Loans	552,307,580
Secured Loans	6,831,743,575		
Application of Funds			
Net Fixed Assets	10,977,297,608	Investments	-
Net Current Assets	(1,063,677,748)	Misc. Expenditure	1,579,995
Accumulated Losses	-		

4 Performance of company (Amount in Rupees)

Gross Income	-	Total Expenditure	-
+ / - Profit / Loss Before Tax	-	+ / - Profit / Loss After Tax	-
Earning Per Share in Rs.(Basic & Diluted)	-	Dividend Rate %	-

5 Generic Names of Three Principal Products / Services of Company (as per monetary terms)

Item Code No:	N A	Product Description	N A

For and on behalf of the Board

Sd/-	**Sd/-**	**Sd/-**
G. M. Rao	**Srinivas Bommidala**	**V. Mohana**
Chairman	Director	Company Secretary.

Place : Bangalore
Date : May 5, 2006

GMR Mining & Energy Private Limited

Project Highlights of GMR Mining & Energy Private Limited

- GMR Mining was incorporated on September 23, 2005 in the State of Karnataka, at Bangalore.
- The main object of the Company to carry on business of coal mining and power generation.

  GMR Mining is yet to start its operations

Board of Directors

Mr. G.M.Rao	Chairman
Mr. Srinivas Bommidala	Director

Statutory Auditors

Girish Murthy & Kumar
Chartered Accountants
Bangalore

Bankers

ING Vysya Bank

Registered Office

Skip House, 25/1, Museum Road, Bangalore 560 025

Telephone : 080 22070100
Fax : 080 22073633
website : www.gmrgroup.co.in

Directors' Report

Dear Shareholders,

Your Directors have pleasure in presenting the First Annual Report and the Audited Accounts for the period ended March 31, 2006 together with the Auditors's Report thereon.

Incorporation

Your Company was incorporated on September 23, 2005.

Operations

The paid up Equity Share Capital of the Company is Rs. 2, 00,000/-. During the period under review the company has received Rs.3,30,000/- as Share Application money and has incurred an amount of Rs.3,36,000/- on account of various preoperative expenses. Rs.28,000/- was incurred towards miscellaneous expenses. The company is yet to start its operations.

Holding Company

Consequent to acquisition of 89% of equity shares of the Company by GMR Energy Limited, during the period, your Company has become subsidiary of GMR Energy Limited and also a subsidiary of GMR Infrastructure Limited by virtue of GMR Energy Limited being a subsidiary of GMR Infrastructure Limited.

Directors

The first Directors of the Company are Mr. G.M.Rao and Mr. Srinivas Bommidala.

Directors' Responsibility Statement

Pursuant to the requirement under Section 217 (2AA) of the Companies Act, 1956 with respect to Directors' responsibility Statement, it is hereby confirmed:

i) that in the preparation of the annual accounts for the financial year ended 31st March, 2006 the applicable accounting standards had been followed and there were no material departures if any;

ii) that the Directors had selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit or loss of the Company for that year;

iii) that the Directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;

iv) that the Directors have prepared the accounts for the period ended March 31, 2006 on a going concern basis.

Auditors

The auditors, M/s. Girish Murthy & Kumar, Chartered Accountants, Statutory Auditors of the Company shall hold office until the conclusion of the ensuing Annual General Meeting and are eligible for re-appointment.

Conservation Of Energy, Technology Absorption & Foreign Exchange Earnings & Outgo

The particulars as required under sub-section(1)(e) of Section 217 of the Companies Act, 1956, read with the Companies (Disclosure of particulars in the Report of the Board of Directors) Rules, 1988, are set out in the annexure 'A' included in this report.

Particulars Of Employees

There are no Employees whose particulars as required to be disclosed under section 217 (2A) of the Companies Act, 1956 read with Companies (Particulars of Employees) Rules, 1975.

Acknowledgements

Your Directors take this opportunity to express their sincere thanks and gratitude to ING Vysya Bank Limited for their continued support and also acknowledge the continued support extended by the Investors.

For and on behalf of the Board of Directors

Place : Bangalore
Date : May 3, 2006

G.M.Rao
Chairman

Annexure 'A' To The Director's Report

Information pursuant to Section 217 (1)(e) of the Companies Act, 1956 read with the Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules 1988 as amended and forming part of the Director's Report for the period ended 31st March, 2006.

1. **Conservation of Energy and Technology Absorption:**

   Since the Company is not engaged in any manufacturing activity the particulars are not applicable.

2. **Foreign Exchange Earnings or Outgo in Foreign Exchange during the period:**

   The particulars relating to Foreign Exchange Earnings or Outgo in Foreign Exchange incurred during the period are:

   i). There was no Foreign Exchange Earning during the year.

   ii). There was no Foreign Exchange Outgo during the year.

For and on behalf of the Board of Directors

Place : Bangalore
Date : May 3, 2006

G.M.Rao
Chairman

Auditors' Report

To
The Members,
GMR Mining & Energy Private Limited

We have audited the attached Balance Sheet of GMR MINING & ENERGY PRIVATE LIMITED as on 31st march 2006. and Cash Flow Statement for the period ended on that date annexed thereto. No Profit and Loss Account has been prepared, as the company is yet to commence commercial operations. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Further, we report that,

1. We have obtained all the information and explanations which to the best of Our Knowledge and belief, were necessary for the purpose of our audit.
2. In our opinion, proper books of account, as required by law have been kept by the company, so for as appears from our examination of the books.
3. The said Balance Sheet and the Cash Flow Statement are in agreement with books of account.
4. In our opinion, the Balance Sheet and Cash Flow Statement dealt with by this report complies with the mandatory Accounting Standards referred in Section 211 (3C) of the Companies Act, 1956, and
5. On the basis of written representations received from the directors as at 31st March 2006 and taken on record by the board of directors, we report that none of the directors is disqualified as on 31st March 2006 from being appointed as a director in terms of clause(g) of sub-section(1) of section 274 of the companies act,1956.

   In our opinion, and to the best of our information and according to the explanations given to us, the said financial statements, read together with notes annexed thereto, give the information required, by the Companies act, 1956 in the manner so required and give a give a true and fair view in conformity with the accounting principles generally accepted in India:

   a. In the case of balance sheet of the state of affairs of the company as at 31st March 2006; and
   b. In the case of the Cash Flow Statement, of the cash flows for the period ended on that date.

As required by the Companies (Auditors report) order, 2003 issued by the company law board, and on the basis of such checks as considered appropriate and according to the information and explanations given to us during the course of our audit, we report that:-

i) The company is yet to acquire fixed assets and therefore reporting requirement under this clause does not arise.

ii) The company has not taken any loans secured or unsecured from companies, firm or other parties listed in the register maintained under section 301 of the companies Act 1956.

iii) The company has not granted any loans, secured or unsecured to the companies, firms or other parties listed in the register maintained under section 301 of the Companies' Act 1956.

iv) The company has not given any loans or advances in the nature of loans during the year.

v) In our opinion and according to the information and explanations given to us, there are adequate internal control procedures commensurate with the size of the company and nature of its business for the purchase Fixed Assets. Further we have not noticed any evidence of persisting failures to correct major weakness in internal control.

vi) The company has not entered into any contract falling under Section 297 and therefore no particulars of transaction have been entered in the Register in pursuance of section 301 of the act.

Auditors' Report

vii) The company has not accepted deposits from the public during the year to which the provisions of section 58A and 58AA of the companies Act, 1956 and the rules framed thereunder are applicable.

viii) In our opinion, the company's present Internal Audit system is commensurate with the size and nature of its business.

ix) The central government has not prescribed the maintenance of cost records by the companies under section 209(i)(d) of the companies act, 1956.

x) We are informed by the company that the Provisions of the Employees State Insurance Scheme, Investor education and protection fund, sales tax, wealth tax, custom duty, excise duty, The Employees provident fund act and cess are not applicable to the Company.

xi) There are no undisputed amounts payable in respect of income tax, wealth tax, sales tax, customs duty, service tax and excise duty as at 31st march 2006, which are outstanding for a period of more the than six months from the date they become payable.

xii) The company has not taken any loan from financial institutions and from banks and as such question of default in repayment does not arise. The Company has not issued any debentures at any point of time.

xiii) The company has not granted any loans/advances on the basis of security by way of shares, debenture etc. As such no records and documents have been maintained.

xiv) The Company is not having any accumulated losses nor the company has incurred any cash loss for this year.

xv) The company is not dealing or trading in shares, debentures and other investments and as such no records have been maintained.

xvi) We have been informed by the company that it has not given any guarantee for any loans taken by the others from banks and financial institutions.

xvii) The company has not taken any term loans during this year and as such question of its appliacation for the purpose for which it is taken does not arise.

xviii) The company has not used any funds raised on short term basis for long term investment and long term funds for short term investment.

xix) No Preferential allotment of shares is made by the company to parties and companies covered in the registers maintained under section 301 of the act.

xx) The company has not issued any debentures and therefore no securities have been created.

xxi) The company has not raised any money by public issue and as such disclosure on the end use of money does not arise.

xxii) We have not noticed any fraud on or by the company during the year.

xxiii) The company is not covered under special statutory provisions applicable to the chit fund, nidhi or mutual benefit societies.

xxiv) According to the information and explanations given to us and based on such examination, we are of the opinion that other provisions of the Companies (Auditors' report Order) 2003 are not applicable for the year covered under this report.

For Girish Murthy & Kumar
Chartered Accountant

(A.V. Satish Kumar)
Partner

Place : Bangalore
Date : May 3, 2006

Balance Sheet as At 31st March, 2006

(Rs. In Lacs)

	Schedule Ref.	31st March 2006	
I. Sources of Funds			
1. Shareholders' Funds			
Capital	1		5.30
Total			**5.30**
II. Application of Funds			
Preoperative Expenses	2		3.36
Current Assets, Loans and Advances			
Cash and Bank balances	3	1.76	
Less: Current Liabilities & Provisions			
Current Liabilities		0.10	
Net Current Assets			1.66
Miscellaneous Expenditure			0.28
(to the extent not written off or adjusted)			
Preliminary Expenses			
Total			**5.30**
Statement on Significant Accounting Policies and Notes to the Accounts	4		

The Schedules referred to above form an integral part of the Balance Sheet

This is the Balance Sheet referred to in our report of even date

For and on behalf of the Board of Directors

Sd/-
A V Satish Kumar
Partner
For and on behalf of
Girish Murthy & Kumar
Chartered Accountants

Sd/-
G.M.Rao
Chairman

Sd/-
Srinivas Bommidala
Director

Place : Bangalore
Date : May 3, 2006

Schedules forming part of the Balance Sheet as at 31st March, 2006

(Rs. In Lacs)

Schedule 1	31st March, 2006
Capital	
Authorised:	
1,00,000 Equity Shares of Rs 10/- each	10.00
Issued, Subscribed and Paid-up:	
20,000 Equity Shares of Rs 10/- each	2.00
Share Application Money	3.30
Total	**5.30**

(Rs. In Lacs)

Schedule 2	31st March, 2006
Preoperative Expenses	
Professional & Consultancy Charges	1.11
Remuneration to Auditors - Audit Fees - 2005-06	0.10
Printing & Stationery	0.03
Miscellaneous Expenses	2.05
Bank /Other Finance Charges	0.07
Total	**3.36**

(Rs. In Lacs)

Schedule 3	31st March, 2006
Cash and Bank Balances	
Cash on hand	–
With Scheduled Banks:	
- On Current Accounts	1.76
Total	**1.76**

Schedule 4

Significant Accounting Policies And Notes To The Accounts

I. Significant Accounting Policies

1. Accounting Assumptions

These accounts have been prepared under the historical cost convention on the basis of a going concern, with revenues recognized and expenses accounted on their accrual and amounts determined as payable or receivable during the year, except those with significant uncertainties, and in accordance with the applicable Accounting Standards as issued by the Institute of Chartered Accountants of India.

2. Fixed Assets

Fixed Assets are stated at cost of acquisition less depreciation. Cost of acquisition is inclusive of freight, duties, levies and all incidental expenditure attributable to bringing the asset to its working condition

3. Depreciation

Depreciation is provided on straight line method at the rates specified in Schedule XIV of the Companies Act, 1956. Individual assets costing less than Rs. 5,000 are fully depreciated in the year of acquisition.

4. Expenditure during Construction Period

The expenditure incidental to the project other than the borrowing costs is accounted for in accordance with the Guidance Note on 'Treatment of Expenditure during Construction Period' issued by the Institute of Chartered Accountants of India.

5. Foreign Currency Transactions

All foreign currency transactions are accounted for at the exchange rates prevailing on the date of such transactions. Current assets and current liabilities are translated at the exchange rate prevailing on the balance sheet date and the resultant gain /loss is recognized in the financial statements.

6. Taxes on Income

Current tax is determined based on the amount of tax payable in respect of taxable income for the year. Deferred tax is recognised on timing differences being the difference between the taxable income and accounting income that originate in one year and are capable of reversal in one or more subsequent years. Deferred tax assets and liabilities have been computed on the timing differences applying the enacted tax rates.

II. Notes to the Accounts

1. GMR Energy Limited ('GEL') has acquired 89% stake in the company on October 25, 2005. Consequently, the company has become a subsidiary of GEL effective the said date.
2. The Company has been incorporated on September 23, 2005. The company has not commenced business operations and hence, no Profit and Loss Account has been drawn up. All the expenditure incurred (net of income earned) during the construction stage are grouped and disclosed under Expenditure During Construction Period, Pending Allocation (net) in Schedule 2.

For and on behalf of the Board of Directors

Sd/-
A V Satish Kumar
Partner
For and on behalf of
Girish Murthy & Kumar
Chartered Accountants

Sd/-
G.M.Rao
Chairman

Sd/-
Srinivas Bommidala
Director

Place : Bangalore
Date : May 3, 2006

Cash flow statement for the period ended March 31,2006

(Rs. in lacs)

Particulars	31st March 2006
CASH FLOW FROM/(USED IN) OPERATING ACTIVITIES	
Net Profit Before Tax and Extraordinary Items	-
Operating Profit Before Working Capital Changes	
Adjustments for :	
Changes in Trade and Other Receivables	-
Changes in Trade Payables	(3.54)
Cash generated from Operations	(3.54)
Income Taxes paid	-
Net Cash Flow from/ (used in) Operating Activities	(3.54)
CASH FLOW FROM/ (USED IN) INVESTING ACTIVITIES	
Purchase of Fixed Assets (including capital work in progress and capital advances)	-
Sale / (Purchase) of Investments (net)	-
Dividend received	-
Interest received	-
Net Cash from/ (used in) Investing Activities	-
CASH FLOW FROM/(USED IN) FINANCING ACTIVITIES	
Proceeds from issue of Equity shares (including Share application money)	5.30
Proceeds/ (Repayment) of long term debt (Net)	-
Net Cash from Financing Activities	5.30
Net increase in Cash and Cash Equivalents	1.76
Cash and Cash Equivalents at the beginning of the year	-
Cash and Cash Equivalents at the end of the year	1.76

Note: 1. The above cash flow statement has been prepared under the 'Indirect Method' as set out in the Accounting Standard -3 on Cash Flow Statements issued by the Institute of Chartered Accountants of India.

2. Since it is first year of operation, the cash flow statement for the previous year has not been prepared

This is the Cash Flow Statement referred to in our report of even date

For and on behalf of the Board of Directors

Sd/-
A V Satish Kumar
Partner
For and on behalf of
Girish Murthy & Kumar
Chartered Accountants

Sd/-
G.M.Rao
Chairman

Sd/-
Srinivas Bommidala
Director

Place : Bangalore
Date : May 3, 2006

Balance Sheet Abstract And Company's General Business Profile

1	**Registration Details**			
	Company Identification Number			U13100KA2005PTC037308
	Balance Sheet Date			March 31, 2006
2	**Capital Raised during the year (Amount in Rs. Thousands)**			
	Public Issue	NIL	Rights Issue	NIL
	Bonus Issue	NIL	Private Placement	NIL
3	**Position of Mobilisation and Development of Funds (Amount in Rs. Thousands)**			
	Total Liabilities	5.30	Total assets	5.30
	Sources of Funds			
	Paid - Up Capital	5.30	Reserves & Surplus	NIL
	Secured Loan	NIL	Unsecured Loans	NIL
	Application of Funds			
	Net Fixed Assets (Incl.Expenditure during Construction Period)	NIL	Investments	NIL
	Net Current Assets	1.66	Misc. Expenditure	–
	Accumulated Losses	–		
4	**Performance of company (Amount in Rs. Thousands)**			
	Total Income	NIL	Total Expenditure	NIL
	+ (-) Profit / (Loss) before Tax	NIL	+ (-) Profit / (Loss) after Tax	NIL
	Earnings (Loss) per Share (Rs.)	NIL	Dividend rate (%)	NIL
5	**Generic Names of Three Principal Products / Services of Company (as per monetary terms)**			
	Item Code No. :		Product Description	Mining & Power Generation

For and on behalf of the Board of Directors

Sd/-
G.M.Rao
Chairman

Sd/-
Srinivas Bommidala
Director

Place : Bangalore
Date : May 3, 2006

GMR Tuni-Anakapalli Expressways Private Limited

Project Highlights of GMR Tuni-Anakapalli Expressways Private Limited

Section	:	Tuni - Anakapalli on NH - 5 in the State of Andhra Pradesh
Length of the Project	:	59 kilometers
Type	:	Build, Operate and Transfer (BOT)
Basis	:	Annuity
Commercial Operation Date	:	24th December 2004
Concession Period	:	17.5 Years
Project Cost	:	Rs. 2,952.45 millions
Annuity Amount	:	Rs. 294.81 millions payable half yearly

Financial Performance of the Company for the year ended 31st March, 2006.

Rs. in million except share data

Total Income	655.60
Profit after Tax	13.68
Share Capital	787.80
Free Reserves	101.65
Earning Per Share (Rs.)	(59.66)

Board of Directors

Mr. G.M. Rao	Chairman
Mr. B.V. Nageswara Rao	Vice Chairman
Mr. O. Bangaru Raju	Managing Director
Mr. G. Kiran Kumar	Director
Mr. Ridza Adboh Hj Salleh	Director
Mr. Lee Soo Sin	Director
Mr. S. Rajagopal	Director
Mr. Udaya Holla	Director
Mr. G.B.S. Raju	- Alternate to Mr. G. Kiran Kumar
Mr. James Wong Tet Foh	- Alternate to Mr. Ridza Adboh H J Salleh

Company Secretary

Ms. Mangal Kulkarni

Statutory Auditors

M/s. I. S. Prasad & Setty Associates
Chartered Accountants
Bangalore

Bankers

Industrial Development Bank of India Limited
The Jammu & Kashmir Bank
Oriental Bank of Commerce
Indian Overseas Bank
State Bank of Mysore
Union Bank of India
Corporation Bank
Bank of Baroda
Andhra Bank
Canara Bank

Registered Office

6-3-866/1/G2, Greenlands, Begumpet, Hyderabad 500 016
Telephone : 040 23410191
Fax : 040 55624443

Site Office

27/94, Gandhi Nagar, Yelamanchili
Vishakapatnam, Andhra Pradhesh - 531 055.

Directors' Report

Dear Shareholders,

Your Directors have pleasure in presenting the Fifth Annual Report together with the audited Balance Sheet as on 31st March, 2006 and Profit and Loss Account of the Company for the period ended 31st March, 2006.

Financial Results

(Rupees in Lacs)

	31st March 2006	31st March 2005
Gross Income	6555.98	2333.88
Expenditure	4411.31	845.70
Profit before depreciation and tax	2144.67	1488.18
Depreciation	1987.33	533.57
Profit before Tax	157.34	954.61
Provision for Taxation	20.57	74.86
Profit after Tax	136.77	879.75
Amount available for appropriation	136.77	879.75
Appropriations:		
Surplus carried to Balance Sheet	136.77	879.75

During the year, your Company has earned net profit of Rs. 136.77 lacs. To augment the resources for the Company's business, your Directors have not recommended any dividend for the Financial Year 2005-2006.

Annuity

With effect from Financial Year 2005-06, the Company has started receiving regular annuities from Government of India, in terms of Concession Agreement entered into with NHAI. The first and second installments of Annuity were received during the period under review.

Review of Operations

During the period under review, the Operations of the Company were satisfactory.

Holding Company

Consequent to acquisition of 51 % of equity shares of the Company by GMR Power Corporation Private Limited, during the year, your company has become subsidiary of GMR Power Corporation Private Limited and also a subsidiary of GMR Energy Limited and GMR Infrastructure Limited by virtue of GMR Power Corporation Private Limited being the subsidiary of GMR Energy Limited and GMR Infrastructure Limited.

Directors

Mr. B.V. Nageswara Rao and Mr. Ridza Abdoh Hj Salleh were appointed as Additional Directors during the year.

The period of office as additional directors for these Directors expire at the ensuing Annual General Meeting and all these Directors being eligible, are offering themselves for re-appointment.

The Company has received notices from the members, proposing the appointment of Mr. B.V. Nageswara Rao and Mr. Ridza Abdoh Hj Salleh as Directors at the ensuing Annual General Meeting.

Keeping in view their vast expertise and knowledge, the above persons are appointed as Directors of the Company. The Board of Directors recommend the appointment of these Directors.

Mr. G. Kiran Kumar, and Mr. Udaya Holla, Directors of the Company are liable to retire by rotation and being eligible offer themselves for reappointment. The Board of directors recommend the appointment of these Directors.

Mr. Dato'Mohd Nor Bin Idrus. Director has resigned from the Board with effect from 15th December, 2005. Your Directors place on record their deep appreciation for the invaluable contribution made by Mr. Dato'Mohd Nor Bin Idrus during his tenure as Director of the Company.

Mr. G.B.S. Raju Vice Chairman has resigned from the Board with effect from 28th March, 2006. Your Directors place on record their deep appreciation for the invaluable contribution made by Mr. G.B.S. Raju during his tenure as Director of the Company.

Mr. James Wong Tet Foh has been appointed as Alternate Director to Mr. Ridza Abdoh Hj Salleh at the Board meeting held on 15th December, 2005

Mr. G.B.S. Raju has been appointed as Alternate Director to Mr. G. Kiran Kumar at the Board meeting held on 28th Mach, 2006.

Directors' Report

Directors' Responsibility Statement

Pursuant to the requirement under Section 217 (2AA) of the Companies Act, 1956 with respect to Directors' Responsibility Statement, it is hereby confirmed:

1. that in the preparation of the annual accounts for the year ended 31st March, 2006 the applicable accounting standards have been followed and proper explanations were provided for material departures if any.
2. that the Directors have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as at the end of the financial year and of the profit or loss of the company for that year.
3. that the Directors had taken proper and sufficient care for maintenance of adequate accounting records in accordance with the provisions of Companies Act, 1956 for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities.
4. that the Directors had prepared the accounts for the financial year ended 31st March, 2006 on a going concern basis.

Auditors

M/s I.S. Prasad and Setty Associates, Chartered Accountants, statutory auditors of the Company shall hold office until the conclusion of the ensuing Annual General Meeting and are eligible for re-appointment. The Company has received a letter from them, to the effect that their appointment, if made, would be within the prescribed limits under section 224 (1-B) of the Companies Act, 1956.

Auditors' Report

The Notes to Accounts forming part of Annual Accounts are self-explanatory and need no further elaboration. There are no issues raised in Auditors Report which require any clarification/explanation.

Conservation of Energy, Technical Absorption and Foreign Exchange Earnings, and outgo:

The particulars as required under sub-section (1) (e) of section 217 of the Companies Act, 1956, read with the Companies (Disclosure of particulars in the report of Board of Directors) Rules, 1988 , are set out in the annexure "A" included in this report.

Particulars of Employees

The Particulars as required under Section 217 (2A) of the Companies Act, 1956 read with Companies (Particulars of Employees) Rules, 1975, are set out in the annexure "B" included in this report.

Fixed Deposits

During the year under review, the Company has not accepted any deposits from public.

Acknowledgements

Your Directors take this opportunity to express their sincere thanks and gratitude to the Government of India, Government of Tamil Nadu, National Highway Authority of India and other Central and State Government Agencies.

The Directors express their appreciation of the valuable support and co-operation received from ICICI Bank Limited, IDBI Bank Limited, State Bank of India, Bank of India, Punjab National Bank, State Bank of Mysore, Union Bank of India, Indian Overseas Bank, Andhra Bank, Canara Bank, Corporation Bank, Oriental Bank of Commerce, The Jammu & Kashmir Bank Limited, Bank of Baroda, Industrial Investment Bank of India Limited and Western India Trustee and Executor Company Limited.

Your Directors place on record their sincere appreciation of the contributions made by the employees at all levels through their hard work, dedication, solidarity and support.

For and on behalf of the Board

Place : Bangalore
Date : May 6, 2006

G. M. Rao
Chairman

Annexure "A" To The Directors' Report

Information pursuant to Section 217(1)(e) of the Companies Act, 1956 read with the Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules 1988 as amended and forming part of the Directors' Report for the year ended 31st March, 2006.

1. **Conservation of energy and technology absorption:**

   Since the company is not engaged in any manufacturing activity the particulars are not applicable.

2. **Foreign Exchange earnings or outgo in Foreign Exchange during the period:**

   The particulars relating to Foreign Exchange Earnings or out go in foreign exchange incurred during the period are:

   i) There was no foreign exchange earning during the year.
   ii) There was no foreign exchange outgo during the year.

For and on behalf of the Board

Place : Bangalore
Date : May 6, 2006

G. M. Rao
Chairman

Annexure "B" To The Directors' Report

(A) Employed through out the year and were in receipt of remuneration aggregating not less than Rs. 24 lacs per annum.

Name and Age	Designation and Nature	Remuneration received (Rs.)	Qualification and Experience (in years)	Date of joining	Particulars of last employment
NIL	NIL	NIL	NIL	NIL	NIL

For and on behalf of the Board

Place : Bangalore
Date : May 6, 2006

G. M. Rao
Chairman

Auditors' Report

To

The Members

GMR TUNI-ANAKAPALLI EXPRESSWAYS PRIVATE LTD.,

We have audited the attached Balance Sheet of **M/s GMR TUNI- ANAKAPALLI EXPRESSWAYS PVT. LTD.,** # 6-3-866/1/G2, Opp: to Green lands Guest House, Greenlands, Begumpet, Hyderabad: 500 016, as at 31 March 2006 and the Profit & Loss Account for the year ended on that date. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We have conducted the audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

1. As required by the Companies (Auditor's Report) Order, 2003 issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Companies Act, 1956. We enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said order.
2. Further to our comments in the Annexure referred to above, We report that:
   a) We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;
   b) In our opinion, proper books of account as required by law have been kept by the company so far as appears from our examination of those books;
   c) The Balance Sheet and Profit & Loss Account dealt with by this report are in agreement with the books of account;
   d) In our opinion, the Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report comply with the accounting standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956
   e) On the basis of written representations received from the directors as on 31st March, 2006, and taken on record by the Board of Directors, we report that none of the directors are disqualified as on 31st March 2006 from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956;
   f) In our opinion and to the best of our information and according to the explanations given to us, the said financial statements together with notes thereon give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:
      (i) In the case of the Balance Sheet, of the state of affairs of the Company as at 31st march 2006:
      (ii) In the case of profit and Loss Account, of the Profit for the year ended on that date: and
      (iii) In the case of cash flow Statement, of the total cash flows for the year ended on that date.

For I.S.PRASAD & SETTY ASSOCIATES
CHARTERED ACCOUNTANTS

(I.S.PRASAD)
Partner

Place: Bangalore
Date : May 6, 2006

Annexure To Auditor's Report

Annexure Referred To In Paragraph 1 Of Our Report Of Even Date:

(i) The Company has maintained proper records showing full particulars, including quantitative details and location of fixed assets. We are informed that the management has physically verified the fixed assets of the company at reasonable intervals and no discrepancies have been noticed on such verification.

(ii) Since the Company is neither a Manufacturing Company nor Trading Company, the question of maintaining Inventory Records does not arise, hence we do not offer comments on this clause.

(iii) According to the information & explanations given to us, the Company has not granted any loans, secured or unsecured to/from companies, firms or other parties covered in the register maintained under section 301 of the Companies Act & the company has not taken any loans, secured or unsecured from companies, firms or other parties covered in the register maintained under section 301 of the Act.

(iv) In our opinion and according to the information and explanations given to us there are adequate internal control systems commensurate with the size of the company and the nature of its business, for the sale of goods and services, purchase of equipment and other fixed assets and there is no major weakness in the internal control system.

(v) a. According to the information & explanations given to us, the Company has duly entered the particulars of contracts or arrangements referred to in section 301 of the act in the register required to be maintained under the section.

b. In our opinion and according to the information and explanations given to us, the transactions for services, made in pursuance of contracts or arrangements entered in the register(s) maintained U/s 301 of Companies Act 1956 as aggregating during the financial year exceeding Rs. 5,00,000/- or more in respect of each party, have been made at prices which are reasonable having regard to the prevailing market prices for such services at the relevant time.

(vi) The Company has not accepted any deposit from the public as per the provisions of section 58A and section 58AA of the Companies Act 1956 and rules framed there under.

(vii) In our opinion, the Company has an adequate internal audit system commensurate with the size and nature of business.

(viii) According to the information & explanations given to us, the provisions of section 209(1) (d) of the Companies Act, 1956 relating to maintenance of the cost records do not apply to the company.

(ix) As per the information and explanations given to us, the Provisions of Employees State Insurance Act do not apply to the Company. The Company is regular in remitting the Provident Fund Contributions / Income tax, Sales tax, Wealth tax, Service tax, Customs Duty, Excise Duty, Cess to the appropriate authorities and there were no undisputed amounts payable in respect of income tax, wealth tax, Service tax, customs duty, excise duty and Cess which were outstanding as on 31st March, 2006 for a period of more than six months from the date on which they became payable.

(x) The Company has been registered for less than 5 years and there are no accumulated losses as on the date of report.

(xi) As per the information and explanations given to us and on our examination of records, the Company has not defaulted in repayment of dues to financial institutions or banks.

Annexure To Auditor's Report

(xii) According to the information and explanations given to us, the Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities.

(xiii) The Company is not a chit fund company.

(xiv) In our opinion and according to the information and explanations given to us, the Company is not dealing in shares, securities and debentures. However, the Company has maintained proper records in respect of investments made and also made entries from time to time, in respect of the investment held by the Company.

(xv) According to the information and explanations given to us, the Company has not given any guarantee for loans taken by others from bank or financial institutions.

(xvi) In our opinion and according to the information and explanations given to us and on our examination of records of the Company, the fresh term loans raised during the financial year were applied to repay the old term loans etc. and balance funds have been invested for short term till utilisation of funds for the purpose for which it is obtained .The details of Short Term Investments of Funds which are not immediately required for utilisation are stated in the *Annexure*.

(xvii) In our opinion and according to the information and explanations given to us, the Company has not raised any short term funds during the financial year.

(xviii) The Company has made preferential allotment of shares to parties and companies covered in the Register maintained under section 301 of the Companies Act and in our opinion the price at which shares have been issued is not prejudicial to the interest of the Company

(xix) The Company has not issued any Debentures during the Financial Year.

(xx) In our opinion, the Company being Private Limited not raised any funds by way of Public Issue

(xxi) According to the information and explanations given to us and on our examination of records of the Company, there is no fraud on or by the company has been noticed or reported during the year.

For I.S.PRASAD & SETTY ASSOCIATES
CHARTERED ACCOUNTANTS

(I.S.PRASAD)
Partner

Place: Bangalore
Date : May 6, 2006

Annexure To Auditor's Report

Annexure to paragraph 1 (xvi)

Short term investments during the year 2005 - 06

Scheme	Cost of Acquisition		Sale	
	Units	Amount in Rs.	Units	Amount in Rs.
JM High Liquidity Fund Super Institutional Plan Daily Dividend	49,929,575	500,119,584	49,929,575	500,119,584
ING Vysya Liquid Fund Super Institutional Daily Dividend Option	103,672,291	1,036,860,824	103,672,291	1,036,860,824
Chola Liquid Institutional Dividend Reinvestment Plan	64,436,620	645,550,471	64,436,620	645,550,471
Principal Cash Management Fund Liquid Option Institutional	25,065,710	250,674,651	25,065,710	250,674,651
Fixed Deposits (including interest accrued)	–	1,708,158,613	–	–
Total	**243,104,196**	**4,141,364,142**	**243,104,196**	**2,433,205,529**

Balance Sheet As At March 31, 2006

(Amount in Rupees)

	Schedule Ref	31st March 2006		31st March 2005	
I. Sources of Funds					
(1) Shareholders' funds					
Share Capital	A	787,800,000		787,800,000	
Reserves & Surplus	B	101,651,595		87,975,311	
			889,451,595		875,775,311
(2) Loan Funds					
Secured Loans	C		3,717,826,798		2,209,921,794
Total			**4,607,278,393**		**3,085,697,105**
II. Application of Funds					
(1) Fixed Assets	**D**				
(a) Gross Block		2,955,566,774		2,955,506,325	
(b) Less : Depreciation		252,567,422		53,834,495	
(c) Net Block			2,702,999,352		2,901,671,830
(2) Current Assets,Loans & Advances					
(a) Sundry Debtors	E	227,690,093		227,689,549	
(b) Cash and Bank Balances	F	1,714,397,505		29,571,488	
(c) Loans and Advances	G	67,105,880		21,184,722	
		2,009,193,478		278,445,759	
Less:Current Liabilities and Provisions	H				
(a) Liabilities		75,505,572		82,551,700	
(b) Provisions		29,408,865		11,868,784	
		104,914,437		94,420,484	
Net Current Assets			1,904,279,041		184,025,275
(3) Miscellaneous Expenditure	**I**				
(To the extent not written off or adjusted)			–		–
Total			**4,607,278,393**		**3,085,697,105**
Statement on Significant Accounting Policies and Notes to the Accounts	**P**				

Schedules A to I and P form an integral part of Balance Sheet.

As per our report of even date attached

for **I.S.Prasad & Setty Associates**
Chartered Accountants

For and on behalf of the Board

Sd/-
I.S Prasad
Partner

Sd/-
B. V. Nageswara Rao
Vice Chairman

Sd/-
O.Bangaru Raju
Managing Director

Sd/-
Mangal Kulkarni
Company Secretary

Place : Bangalore
Date : May 6, 2006

Profit And Loss Account for the year ended 31st March 2006

(Amount in Rupees)

	Schedule Ref	For the Year Ended 31st March 2006		For the Year Ended 31st March 2005	
Income					
Annuity and Bonus	J		589,620,000		232,916,188
Variation Works Certified			14,220,320		–
Other Income	K		51,757,440		471,658
Total			**655,597,760**		**233,387,846**
Expenditure					
Operating & Maintenance Expenses	L		35,928,499		8,960,781
Cost of Variation Works Certified			13,359,475		–
Interest & Finance Charges	M		347,234,279		64,647,171
Manpower Cost	N		14,209,155		3,672,096
Administrative Expenses	O		30,399,888		7,107,050
Preliminary Expenses written off	I		–		183,130
Total			**441,131,296**		**84,570,229**
Profit before Depreciation and Tax			**214,466,464**		**148,817,617**
Depreciation	D		198,732,927		53,357,000
Profit after Depreciation, before Tax			**15,733,537**		**95,460,617**
Tax Expense					
Current Tax		1,680,134		7,485,306	
Fringe Benefit Tax		377,119	2,057,253	–	7,485,306
Profit after Tax			**13,676,284**		**87,975,311**
Surplus brought forward from Previous Year			87,975,311		–
Available Surplus carried to Balance Sheet			**101,651,595**		**87,975,311**
Earnings per Share (Loss) - Rs. {Basic and Diluted} (Refer note no. 11 of Schedule P)			(59.66)		68.28
Statement on Significant Accounting Policies and Notes to the Accounts	**P**				

Schedules J to O, I, D and P form an integral part of Profit and Loss Account.

As per our report of even date attached

for **I.S.Prasad & Setty Associates**
Chartered Accountants

For and on behalf of the Board

Sd/-
I.S Prasad
Partner

Sd/-
B. V. Nageswara Rao
Vice Chairman

Sd/-
O.Bangaru Raju
Managing Director

Sd/-
Mangal Kulkarni
Company Secretary

Place : Bangalore
Date : May 6, 2006

Annexed to and forming part of the Balance Sheet

(Amount in Rupees)

Schedule A	31st March 2006	31st March 2005
Share Capital		
Authorised		
1,000,000 (Previous Year : 1,000,000) Equity Shares of Rs.10/- each	10,000,000	10,000,000
7,900,000 (Previous Year : 7,900,000) Preference Shares of Rs. 100/- each	790,000,000	790,000,000
	800,000,000	**800,000,000**
Issued, Subscribed & Paid Up		
Equity Shares		
1,000,000 (Previous Year:1,000,000) Equity Shares of Rs.10 each fully paid up	10,000,000	10,000,000
Preference Shares		
4,952,280, (Previous Year: 4,952,280) 9.5% (Tax free) Cumulative Redeemable Preference Shares (Series I) of Rs. 100 each, fully paid up (These Preference Shares are fully redeemable in five equal yearly installments at a premium of 20% on the face value commencing from 31st March, 2016.)	495,228,000	495,228,000
600,000, (Previous Year: 600,000) 9% (Tax free)/ 13% (Taxable) Cumulative Redeemable Preference Shares (Series II) of Rs. 100 each, fully paid up (These Preference Shares are fully redeemable in four equal yearly installments at a premium of 20% on the face value commencing from 31st March, 2017)	60,000,000	60,000,000
500,000, (Previous Year: 500,000) 9% (Tax free)/ 13% (Taxable) Cumulative Redeemable Preference Shares (Series III) of Rs. 100 each, fully paid up (These Preference Shares are fully redeemable in three equal yearly installments at a premium of 20% on the face value commencing from 31st March, 2016)	50,000,000	50,000,000
500,000 (Previous Year: 500,000), 9.5% (Tax free)/ 13% (Taxable) Cumulative Redeemable Preference Shares (Series IV) of Rs. 100 each, fully paid up (These Preference Shares are fully redeemable in four equal yearly installments at a premium of 20% on the face value commencing from 31st March, 2016)	50,000,000	50,000,000
1,225,720 (Previous Year: 1,225,720), 9.5% (Tax free)/ 13% (Taxable) Cumulative Redeemable Preference Shares (Series V) of Rs. 100 each, fully paid up (These Preference Shares are fully redeemable in five equal yearly installments at a premium of 20% on the face value commencing from 31st March, 2016)	122,572,000	122,572,000
	787,800,000	**787,800,000**

Annexed to and forming part of the Balance Sheet

(Amount in Rupees)

Schedule B	31st March 2006		31st March 2005	
Reserves and Surplus				
Profit and Loss Account				
Opening Balance	87,975,311			
Add: Profit for the year	13,676,284	101,651,595	87,975,311	87,975,311
Closing Balance		**101,651,595**		**87,975,311**

(Amount in Rupees)

Schedule C	31st March 2006		31st March 2005	
Secured Loans				
Rupee Term Loans				
From Banks	3,717,826,798		2,166,258,297	
Interest Accrued and Due	–	3,717,826,798	11,091,298	2,177,349,594
From Financial Institutions	–		32,220,000	
Interest Accrued and Due	–	–	352,200	32,572,200
(In respect of Term Loan outstanding as on 31st March 05, - Secured by Movable and immovable assets of the company by way of legal mortgage in English form and assignment of Bank guarantees and project contracts)				
(In respect of Term Loan outstanding as on 31st March 06, - Secured by Movable and immovable assets of the Company by way of deed of hypothecation and by way of legal mortgage in English form respectively)				
		3,717,826,798		**2,209,921,794**

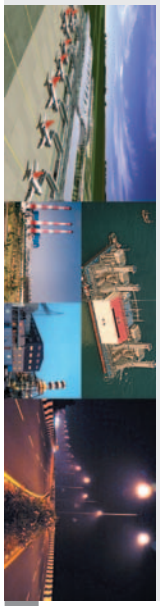
Annexed to and forming part of the Balance Sheet

Schedule D

Fixed Assets

(Amount in Rupees)

Description	Gross Block (at Cost)				Depreciation			Net Block	
	As at 01-Apr-05	Additions during the year	Deletions during the year	As at 31-Mar-06	As at 01-Apr-05	For the year Deductions/ Adjustments	As at 31-Mar-06	As at 31-Mar-06	As at 31-Mar-05
Tangible Assets									
Land	237,115	–	–	237,115	–	–	–	237,115	237,115
Carriage Way (Roads)	2,952,450,901	–	–	2,952,450,901	53,273,713	198,417,399	251,691,112	2,700,759,789	2,899,177,188
Furniture and fittings	332,931	22,500	–	355,431	56,613	37,588	94,200	261,231	276,318
Computers	494,200	34,500	–	528,700	205,148	86,506	291,654	237,046	289,052
Office equipments	1,668,161	3,449	–	1,671,610	209,045	139,883	348,927	1,322,683	1,459,116
Plant and Machinery	134,612	–	–	134,612	55,412	33,653	89,065	45,547	79,200
Vehicles	188,405	–	–	188,405	34,564	17,898	52,463	135,942	153,841
	2,955,506,325	**60,449**	**–**	**2,955,566,774**	**53,834,495**	**198,732,927**	**252,567,422**	**2,702,999,352**	**2,901,671,830**
Previous Year	**2,981,524**	**2,952,524,801**	**–**	**2,955,506,325**	**332,846**	**53,501,649**	**53,834,495**	**2,901,671,830**	**2,648,678**



Annexed to and forming part of the Balance Sheet

(Amount in Rupees)

Schedule E	31st March 2006	31st March 2005
Sundry Debtors		
Debts Outstanding for a period exceeding six months		
Considered Good	–	–
Considered Doubtful	–	–
Other Debts		
Considered Good	227,690,093	227,689,549
	227,690,093	**227,689,549**

(Amount in Rupees)

Schedule F	31st March 2006	31st March 2005
Cash and Bank Balances		
Cash on Hand	8,425	7,904
Balances with Scheduled Banks		
In Current Accounts	6,230,467	11,882,705
In Deposit Accounts	1,708,158,613	17,680,879
	1,714,397,505	**29,571,488**

(Amount in Rupees)

Schedule G	31st March 2006	31st March 2005
Loans & Advances		
Advances recoverable in cash or in kind or for value to be received		
Unsecured & Considered good	29,328,706	7,362,453
Prepaid Taxes	32,871,396	8,972,721
Prepaid Expenses	4,905,778	4,849,548
	67,105,880	**21,184,722**

Annexed to and forming part of the Balance Sheet

(Amount in Rupees)

Schedule H	31st March 2006	31st March 2005
Current Liabilities and Provisions		
a) Current Liabilities		
Sundry Creditors:		
Due to Small Scale Industrial Undertakings	–	–
Due to Others	73,005,179	80,562,029
Other Liablities	2,500,393	1,989,671
	75,505,572	**82,551,700**
b) Provisions		
For Income tax	9,165,455	7,485,321
For Fringe Benefit Tax	377,119	-
For Leave Encashment	605,615	276,615
For Superannuation	35,325	187
For LTA	118,375	79,264
For Periodic Maintenance	19,106,977	4,027,397
	29,408,865	**11,868,784**

(Amount in Rupees)

Schedule I	31st March 2006	31st March 2005
Miscellaneous Expenditure		
(to the extent not written off or adjusted)		
Opening Balance	–	183,130
Less : Written Off	–	183,130
	–	–

Annexed to and forming part of the Profit and Loss Account

(Amount in Rupees)

Schedule J	For the Year Ended 31st March 2006		For the Period Ended 31st March 2005	
Annuity and Bonus				
Annuity and Bonus		589,620,000		232,916,188
		589,620,000		**232,916,188**

(Amount in Rupees)

Schedule K	For the Year Ended 31st March 2006		For the Period Ended 31st March 2005	
Other Income				
Interest received/accrued from Investments		45,466,295		362,764
Dividend received from Investments		6,074,614		102,566
Profit on sale of Mutual Fund - Short Term		150,642		–
Provision no longer required written back		61,589		–
Miscellaneous Income		4,299		6,328
		51,757,440		**471,658**

(Amount in Rupees)

Schedule L	For the Year Ended 31st March 2006		For the Period Ended 31st March 2005	
Operating & Maintenance(O & M) Expenses				
O&M Monthly Maintenance Expenses		15,056,660		3,588,710
O&M Periodic Maintenance Expenses		15,174,017		4,027,397
O&M Insurance		5,697,822		1,344,674
		35,928,499		**8,960,781**

(Amount in Rupees)

Schedule M	For the Year Ended 31st March 2006		For the Period Ended 31st March 2005	
Interest and Finance Charges				
Interest		253,755,973		61,829,771
Other Finance Related Costs		93,478,306		2,817,400
		347,234,279		**64,647,171**

Annexed to and forming part of the Profit and Loss Account

(Amount in Rupees)

Schedule N	For the Year Ended 31st March 2006		For the Period Ended 31st March 2005	
Manpower Cost				
Managerial Remuneration		5,145,006		2,975,806
Staff Costs				
Salaries, Wages and Bonus		8,777,508		587,516
Contribution to Provident & Other Funds		136,123		9,673
Workmen and Staff Welfare Expenses		150,518		99,101
		14,209,155		**3,672,096**

(Amount in Rupees)

Schedule O	For the Year Ended 31st March 2006		For the Period Ended 31st March 2005	
Administrative Expenses				
Annual Operations Management Fees		16,530,000		3,750,000
Consultancy & Professional Charges		4,346,193		191,025
Movement Cost		3,414,324		753,384
Communication Charges		809,435		142,301
Rent		779,994		867,297
Directors' Sitting Fees		26,000		6,000
Auditor's Remuneration towards:				
Statutory Audit Fees	60,610		59,508	
Tax Audit Fees	55,610		–	
Other Certifications Fees	16,836		8,926	
Out of Pocket Expenses	–		–	
		133,056		68,434
Rates & Taxes		217,144		850
Charities & Donations		866,660		45,000
Other Administrative Expenses		3,277,081		1,282,759
		30,399,888		**7,107,050**

Annexed to and forming part of Accounts for the year ended March 31, 2006
Schedule P

I. Significant Accounting Policies

1. Accounting Assumptions
These accounts have been prepared under the historical cost convention on the basis of a going concern, with revenues recognised and expenses accounted on their accrual and amounts determined as payable or receivable during the year except those with significant uncertainties and in accordance with the applicable Accounting Standards as issued by the Institute of Chartered Accountants of India.

2. Revenue Recognition
Annuity is recognised on accrual basis in accordance with the provisions of the Concessionaire Agreement with National Highways Authority of India ('NHAI'). Revenue in respect of Variation Contracts has been recognised on percentage completion method. Claims arising from NHAI/Other contracts under concession agreement, shall be accounted for in the year of acceptance.

3. Fixed Assets
Fixed Assets are stated at cost of acquisition less depreciation. Cost of acquisition is inclusive of freight, duties, levies and all incidental expenditure attributable to bringing the asset to its working condition.

4. Depreciation
Depreciation on Fixed Assets other than Carriage Way (Roads) & Plant & Machinery is provided on straight line method at the rates prescribed in Schedule XIV of the Companies Act,1956. The cost of Carriage Way (Roads) is amortized over the period of 14.88 years as per the Concession Agreement with NHAI. Individual Assets costing less than Rs.5,000 are fully depreciated in the Financial year 2005-06.

5. Investments
Long-term investments are valued at cost until there is a permanent diminution in their value. Current investments are valued at cost or market value whichever is lower. Cost of acquisition is inclusive of expenditure incidental to acquisition. Income from Investments is recognised in the year in which it is accrued and stated at gross.

6. Retirement Benefits
Retirement Benefits are accounted for on accrual basis with contributions to Recognised Funds such as Provident Fund and Pension Fund. Liability for Gratuity and Superannuation is funded through a scheme administered by an insurer. Provision for Leave Encashment is made on actual basis based on balance leave as at the year end.

7. Borrowing Costs
Borrowing costs that are attributable to acquisition, construction or production of qualifying assets has been capitalized as a part of capital cost pertaining to Carriage Way (Roads). A qualifying asset is an asset that necessarily takes substantial time to get ready for its intended use. All other borrowing costs are recognized as an Expense in the period in which they are incurred.

8. Foreign Currency Transaction
All foreign Currency transactions are accounted at the exchange rate prevailing on the date of transactions. Current Assets and Current Liabilities are translated at the exchange rate prevailing on the balance sheet date and the resultant gain / loss if any, is recognised in the financial statements.

9. Taxes on income
Provision for Current Tax has been made in accordance with the prevailing Income Tax Laws.

Deferred Tax arising on timing differences between book profits and tax profits is not accounted as the same will be reversed during Tax holiday period.

10. Preliminary Expenses
Preliminary Expenses is written off in its entirety during the first year of operation of the project.

Annexed to and forming part of Accounts for the year ended March 31, 2006
Schedule P (Contd.)

II. Notes on Accounts

	Financial Year Ended Mar' 06 (Amount in Rs)	Mar' 05
A. Contingencies:		
Performance Guarantee from Indian Bank favoring National Highway Authority of India (NHAI).	NIL	65,800,000
B. Capital Commitments		
Capital Commitments comprises of Contractual Commitments for Capital Expenditure.	NIL	
Capital Commitments comprises of Contractual Commitments for Capital Expenditure under EPC Agreement with M/s UEDI.		20,983,034
C. Arrears of Dividends		
Arrears of dividend (Taxfree) on various classes of Cumulative Preference Shares from the date of COD (24th Dec' 2004) to 31.03.2006 is Rs.93,032,556 (up to Prev. Year: 19,691,556) and not provided for in the books of accounts. Details are as follows:		
4,952,280, (Previous Year: 4,952,280) 9.5% (Tax free) Cumulative Redeemable Preference Shares (Series I) of Rs. 100 each, fully paid up	59,678,366	12,631,706
600,000, (Previous Year: 600,000) 9% (Tax free)/13% (Taxable) Cumulative Redeemable Preference Shares (Series II) of Rs. 100 each, fully paid up	6,849,863	1,449,863
500,000, (Previous Year: 500,000) 9% (Tax free)/13% (Taxable) Cumulative Redeemable Preference Shares (Series III) of Rs. 100 each, fully paid up	5,708,219	1,208,219
500,000 (Previous Year: 500,000), 9.5% (Tax free)/13% (Taxable) Cumulative Redeemable Preference Shares (Series IV) of Rs. 100 each, fully paid up	6,025,342	1,275,342
1,225,720 (Previous Year: 1,225,720), 9.5% (Tax free)/13% (Taxable) Cumulative Redeemable Preference Shares (Series V) of Rs. 100 each, fully paid up	14,770,766	3,126,426
	93,032,556	**19,691,556**
2 Managerial Remuneration		
a. Remuneration	4,145,006	7,935,000
b. Allowances	1,000,000	3,000,000
c. Less: Capitalised during the year	–	7,959,194
	5,145,006	**2,975,806**
3 Payment to Auditors		
a. As Auditors		
For Statutory Audit	60,610	59,508
For Tax Audit	55,610	–
b. Other Services	16,836	8,926
c. Out of Pocket Expenses	–	–
	133,056	**68,434**
4 Expenditure in Foreign Currency		
a. Travel Expenditure	–	–
b. Professional Charges	–	–
c. Others	–	–
5 Interest		
On Fixed loans	253,755,973	192,943,527
Less: Capitalised during the year	–	131,113,756
	253,755,973	**61,829,771**

Annexed to and forming part of Accounts for the year ended March 31, 2006

6 Related Party Disclosures

A. List of related parties along with the nature of relationship

i) Shareholders having substantial interest

UE Development India (P) Ltd.
GMR Power Corporation Private Ltd.
GMR Infrastructure Limited

ii) Common Control

GMR Tambaram Tindivanam Expressways Private Limited

iii) Key Management Personnel

Mr G M Rao, Chairman
Mr G B S Raju, Vice Chairman
Mr O Bangaru Raju, Managing Director

iv) Common Key Management Personnel (Chairman of the Companies is Common)

GMR Energy Ltd
GMR Hyderabad International Airport Ltd
GMR Tambaram Tindivanam Expressways (P) Ltd.
GMR Ambala Chandigarh Expressways (P) Ltd.
GMR Jadcharla Expressways (P) Ltd.
GMR Pochanpalli Expressways (P) Ltd.
GVL Investments (P) Ltd.

Note: In respect of the above parties, there is no doubtful debts as on 31.03.2006 and no amount has been written off or written back during the year in respect of debts due from them/to them.

B. Summary of transactions with the related parties

Managerial Remuneration	Financial Year Ended	
	Mar' 06	Mar' 05
a) Remuneration	4,145,006	7,935,000
b) Allowances	1,000,000	3,000,000
c) Less: Capitalised during the year	–	7,959,194
	5,145,006	**2,975,806**

	Transactions for the year 2005-06				Transactions for the year 2004-05			
	Shareholders having substantial interest	Common Control	Key Mgt Personnel	Total	Share Holders having substantial interest	Common Control	Key Mgt Personnel	Total
Contract Payments	28,380,259	NIL	NIL	28,380,259	1,053,330,512	NIL	NIL	1,053,330,512
Advances	22,486,766	NIL	(820)	22,485,946	4,143,848	NIL	30,873	4,174,721
Creditors	(168,513)	(6,737,392)	(81,481)	(6,987,386)	66,378,031	8,037,554	87,481	74,503,066
Provisions	15,060,411	NIL	NIL	15,060,411	4,027,397	NIL	NIL	4,027,397
Share Application Money	–	1,110,000,000 (1,110,000,000)	–	–	–	–	–	–

Annexed to and forming part of Accounts for the year ended March 31, 2006

7 Details of Purchase and Sale of Investments During the year 2005 - 06.

Scheme	Cost of Acquisition		Sale	
	Units	Amount in Rs.	Units	Amount in Rs.
JM High Liquidity Fund				
Super Institutional Plan Daily Dividend	49,929,575	500,119,584	49,929,575	500,119,584
ING Vysya Liquid Fund				
Super Institutional Daily Dividend Option	103,672,291	1,036,860,824	103,672,291	1,036,860,824
Chola Liquid Institutional Dividend Reinvestment Plan	64,436,620	645,550,471	64,436,620	645,550,471
Principal Cash Management Fund Liquid Option				
Institutional Premium Plan Dividend				
Reinvestment Daily	25,065,710	250,674,651	25,065,710	250,674,651
Total	**243,104,196**	**2,433,205,529**	**243,104,196**	**2,433,205,529**

Details of Purchase and Sale of Investments During the year 2004 - 05

Scheme	Cost of Acquisition		Sale	
	Units	Amount in Rs.	Units	Amount in Rs.
JM High Liquidity Fund Daily Dividend Scheme	19,770,814	197,868,000	19,770,814	197,868,000
Birla Mutual Fund (Daily Dividend Reinvestment Scheme)	11,329,087	122,191,000	11,329,087	122,191,000
Chola Liquid Fund Institutional Plus	13,485,212	135,000,000	13,485,212	135,000,000
Total	**44,585,113**	**455,059,000**	**44,585,113**	**455,059,000**

Dividend received and profit on sale of investment are recognised in the books of accounts.

8 Current Year provision for Tax/MAT has been computed in accordance with the provisions of the Income Tax Act 1961 and provided in the books of account. The Company is eligible to avail of tax holiday under Sec.80 IA of the Inome Tax Act, 1961, so the management has decided to opt for tax holiday in subsequent years.

9 Provision for Fringe Benefit Tax (FBT) has been computed in accordance with the provisions of the Income Tax Act 1961 and provided for in the books of account.

10 The Company has changed the accounting policy on treatment of depreciation on asset costing less than Rs. 5000/-. These assets would be fully depreciated in the year it is incurred. The Management believes that the change in the Accounting Policy would result in a more appropriate presentation of the result of the company. Accordingly a sum of Rs. 78,704/- towards additional depreciation has been charged to Profit & Loss Account as on 31st March' 2006.

If the Company continued to follow the old accounting policy on treatment of the depreciation, the profit for the year & the accumulated reserve as at 31st March 2006 would have been higher by Rs. 78,704/-.

Annexed to and forming part of Accounts for the year ended March 31, 2006

11 Earning per share (EPS) is calculated in accordance with Accounting Standard 20 issued by Institute of Chartered Accountants of India by dividing the Profit attributable to the Equity shareholders by the weighted average number of Equity Shares outstanding during the year:

	Amount in Rs.	
	31-Mar-06	31-Mar-05
Profit after Tax for the year / Period	13,676,284	87,975,311
Less Dividend payable to Preference Shareholders for the current year	73,341,000	19,691,556
Profit after Preference Dividend	**(59,664,716)**	**68,283,755**
Weighted average number of Equity Shares outstanding during the year	1,000,000	1,000,000
Earnings per Share (Loss) {Basic and Diluted}	**(59.66)**	**68.28**

12 Deferred Tax arising on timing differences between book profits and tax profits is not accounted as the same will be reversed during Tax holiday period as mentioned in AS 22 issued by Institute of Chartered Accountants of India.

13 Annuity is a fixed periodic payment (half yearly rests) receivable from NHAI as per Schedule J of the Concession Agreement. The first & second installment of annuity were due on 09th May 2005 & 9th Nov' 2005 respectively were received. The revenue till 31st Mar' 2006, has been recognised and accounted on prorata basis.

14 The Department of Mines and Geology, Government of Andhra Pradesh (DOM&G) has raised demand notices on the Company levying seigniorage fee amounting to Rs. 157,831,039/- (including penalty). An appeal has been filed by the Company and the Engineering Procurement and Construction (EPC) Contractor, jointly, with the DOM&G against such demand notices, pending settlement/finalisation of this matter, no effect has been considered in these financial statements. In terms of the EPC contract, any liability arising on Cystallisation of such matter will be borne by the EPC contractor.

15 The Company does not have more than one segment to be reported and hence, the Accounting Standard 17 for Segment Reporting as prescribed by Institute of Chartered Accountants of India is not applicable to the Company.

16 The Company is not engaged in any manufacturing activity . Additional information pursuant to paras 3,4,4-C,and 4-D of part II of Schedule VI to the Companies Act, 1956 to the extent either 'Nil' or 'Not Applicable' has not been furnished.

17 Previous period figures have been regrouped / reclassified wherever necessary to confirm to current year presentation. Comparison can not be made between current year figures and previous period figures as that corresponds to different periods.

As per our report of even date attached

for **I.S.Prasad & Setty Associates**
Chartered Accountants

For and on behalf of the Board

Sd/-
I.S Prasad
Partner

Sd/-
B. V. Nageswara Rao
Vice Chairman

Sd/-
O.Bangaru Raju
Managing Director

Sd/-
Mangal Kulkarni
Company Secretary

Place : Bangalore
Date : May 6, 2006

Cash Flow Statement as at 31st March 2006

(Amount in Rupees)

	Particulars		As at 31st March 2006	As at 31st March 2005
A	**CASH FLOW FROM OPERATING ACTIVITIES**			
	Net Profit before Tax and Extraordinary Items		15,733,537	95,460,617
	Adjustment for			
	Depreciation		198,732,927	53,357,000
	Interest and other finance related costs		347,234,279	64,647,171
	Interest received/accrued from Investments		(45,466,295)	(362,764)
	Dividend received from Investments		(6,074,614)	(102,566)
	Profit on Sale of Mutual Fund - Short Term		(150,642)	–
	Operating Profit before Working Capital Changes		**510,009,192**	**212,999,458**
	(Increase)/Decrease in Loans and Advances		(22,022,484)	(6,884,513)
	(Increase)/Decrease in Debtors		(544)	(227,689,549)
	Increase/(Decrease) in Current Liabilities and Provisions		8,436,700	(159,219,694)
	(Increase)/Decrease in Miscellaneous Expenditure to the extent not written off or adjusted		–	183,130
	Cash Generated from Operations		**496,422,864**	**(180,611,168)**
	Income Taxes paid		(23,898,675)	(8,470,619)
	Net Cash from Operating Activities	A	**472,524,190**	**(189,081,787)**
B	**CASH FLOW FROM INVESTING ACTIVITIES**			
	(Increase)/Decrease in Fixed Capital Expenditure		(60,449)	(981,020,959)
	Interest received/accrued from Investments		45,466,295	362,764
	Dividend received from Investments		6,074,614	102,566
	Profit on Sale of Mutual Fund - Short Term		150,642	–
	Net Cash from Investing Activities	B	**51,631,102**	**(980,555,629)**
C	**CASH FLOW FROM FINANCING ACTIVITIES**			
	Increase/(Decrease) in Share Capital including Share Appln Money		–	272,556,000
	Increase/(Decrease) in Secured Loans		1,507,905,004	864,774,983
	Interest Paid		(347,234,279)	(64,647,171)
	Net Cash from Financing Activities	C	**1,160,670,724**	**1,072,683,812**
D	**Net Increase/(Decrease) in Cash and Cash Equivalents**	A+B+C	**1,684,826,016**	**(96,953,604)**
	Cash And Cash Equivalents - Beginning Of Year		**29,571,488**	**126,525,093**
	Cash And Cash Equivalents - End Of Year		**1,714,397,505**	**29,571,488**
	Cash & Cash Equivalents			
	Cash in Hand & Balance with Banks		1,714,397,505	29,571,488
			1,714,397,505	**29,571,488**

Note: 1. The above Cash Flow Statement has been prepared under the 'Indirect Method' as set out in the Accounting Standard 3 on Cash Flow Statements issued by the Institute of Chartered Accountants of India.

2. Pervious period figures have been regrouped and reclassified to confirm to those of the current year. Comparison can not be made between current year figures and previous period figures as that corresponds to different periods.

As per our report of even date attached

for **I.S.Prasad & Setty Associates**
Chartered Accountants

For and on behalf of the Board

Sd/-
I.S Prasad
Partner

Sd/-
B. V. Nageswara Rao
Vice Chairman

Sd/-
O.Bangaru Raju
Managing Director

Sd/-
Mangal Kulkarni
Company Secretary

Place : Bangalore
Date : May 6, 2006

Balance Sheet Abstract And Company's General Business Profile

1	**Registration Details**			
	Registration Number	37198	State Code	01
	Balance Sheet Date	March 31, 2006		
2	**Capital Raised during the year (Amount in Rs. Thousands)**			
	Public Issue	NIL	Rights Issue	NIL
	Bonus Issue	NIL	Private Placement	–
3	**Position of Mobilisation and Development of Funds (Amount in Rs. Thousands)**			
	Total Liabilities	4,607,278	Total assets	4,607,278
	Sources of Funds			
	Paid - Up Capital	787,800	Reserves & Surplus	101,652
	Secured Loan	3,717,827	Unsecured Loans	NIL
	Application of Funds			
	Net Fixed Assets	2,702,999	Investments	NIL
	Net Current Assets	1,904,279	Misc. Expenditure	NIL
	Accumulated Losses	NIL		
4	**Performance of company (Amount in Rs. Thousands)**			
	Total Income	655,598	Total Expenditure	441,131
	+ (-) Profit / (Loss) before Tax	15,734	+ (-) Profit / (Loss) after Tax	13,676
	Earnings (Loss) per Share (Rs.)	(59.66)	Dividend rate (%)	NIL
5	**Generic Names of Three Principal Products / Services of Company (as per monetary terms)**			
	Item Code No. (ITC Code) :	N.A	Product Description	N.A

For and on behalf of the Board

Sd/-	**Sd/-**	**Sd/-**
B. V. Nageswara Rao	**O.Bangaru Raju**	**Mangal Kulkarni**
Vice Chairman	Managing Director	Company Secretary

Place : Bangalore
Date : May 6, 2006

GMR Tambaram - Tindivanam Expressways Private Limited

Project Highlights of GMR Tambaram - Tindivanam Expressways Private Limited

Section	:	Tambaram - Tindivanam on NH - 45 in the State of Tamil Nadu
Length of the Project	:	93 kilometers
Type	:	Build, Operate and Transfer (BOT)
Basis	:	Annuity
Commercial Operation Date	:	11th October 2004
Concession Period	:	17.5 Years
Project Cost	:	Rs. 3,619.53 millions
Bonus for Early Completion	:	Rs. 65.11millions
Annuity Amount	:	Rs. 4,18.56 millions (Gross) payable half yearly

Financial Performance of the Company for the year ended 31st March, 2006.

Rs. in million except share data

Total Income	975.85
Profit after Tax	48.38
Share Capital	1,070.40
Free Reserves	126.97
Earning Per Share (Rs.)	(51.80)

Board of Directors

Mr. G.M.Rao	Chairman
Mr. B.V. Nageswara Rao	Vice Chairman
Mr. O. Bangaru Raju	Managing Director
Mr. G. Kiran Kumar	Director
Mr. Ridza Adboh Hj Salleh	Director
Mr. Lee Soo Sin	Director
Mr. S. Rajagopal	Director
Mr. Udaya Holla	Director
Mr. G.B.S. Raju	- Alternate to Mr. G. Kiran Kumar
Mr. James Wong Tet Foh	- Alternate to Mr. Ridza Adboh H J Salleh

Company Secretary

Mr. M. Mohan Rao

Statutory Auditors

M/s. I. S. Prasad & Setty Associates
Chartered Accountants
Bangalore

Bankers

Industrial Development Bank of India Limited
The Jammu & Kashmir Bank
Oriental Bank of Commerce
Indian Overseas Bank
State Bank of Mysore
Union Bank of India
Corporation Bank
Bank of Baroda
Andhra Bank
Canara Bank

Registered Office

6-3-866/1/G2, Greenlands, Begumpet, Hyderabad 500 016
Telephone : 040 23410191
Fax : 040 55624443

Site Office

No. 1, C/B, Rajeshwari Vedachalam Road,
First Floor, Chengalpattu, Tamil Nadu - 603 001.

Directors' Report

Dear Shareholders,

Your Directors have pleasure in presenting the Fifth Annual Report together with the audited Balance Sheet as on 31st March, 2006 and Profit and Loss Account of the Company for the period ended 31st March, 2006.

Financial Results

(Rupees in Lacs)

	31st March 2006	31st March 2005
Gross Income	9758.47	6373.73
Expenditure	6815.02	4389.66
Profit before depreciation and tax	2943.45	1984.07
Depreciation	2402.67	1131.29
Profit before Tax	540.78	852.78
Provision for Taxation	56.94	66.87
Profit after Tax	483.83	785.91
Amount available for appropriation	483.83	785.91
Appropriations:		
Surplus carried to Balance Sheet	483.83	785.91

During the year, your Company has earned net profit of Rs. 483.83 lacs.

To augment the resources for the Company's business, your Directors have not recommended any dividend for the Financial Year 2005-2006.

Annuity

With effect from Financial Year 2005-06, the Company has started receiving regular annuities from Government of India, in terms of Concession Agreement entered into with NHAI. The first and second installments of Annuity were received during the period under review.

Review of Operations

During the period under review, the Operations of the Company were satisfactory.

Holding Company

Consequent to acquisition of 51% of equity shares of the Company by GMR Power Corporation Private Limited, during the year, your company has become subsidiary of GMR Power Corporation Private Limited and also a subsidiary of GMR Energy Limited and GMR Infrastructure Limited by virtue of GMR Power Corporation Private Limited being the subsidiary of GMR Energy Limited and GMR Infrastructure Limited.

Directors

Mr. B.V. Nageswara Rao and Mr. Ridza Abdoh Hj Salleh were appointed as Additional Directors during the year.

The period of office as additional directors for these Directors expire at the ensuing Annual General Meeting and all these Directors being eligible, are offering themselves for re-appointment.

The Company has received notices from the members, proposing the appointment of Mr. B.V. Nageswara Rao and Mr. Ridza Abdoh Hj Salleh as Directors at the ensuing Annual General Meeting.

Keeping in view their vast expertise and knowledge, the above persons are appointed as Directors of the Company. The Board of Directors recommend the appointment of these Directors.

Mr. G. Kiran Kumar, and Mr. Udaya Holla, Directors of the Company are liable to retire by rotation and being eligible offer themselves for reappointment. The Board of directors recommend the appointment of these Directors.

Mr. Dato'Mohd Nor Bin Idrus. Director has resigned from the Board with effect from 15th December, 2005. Your Directors place on record their deep appreciation for the invaluable contribution made by Mr. Dato'Mohd Nor Bin Idrus during his tenure as Director of the Company.

Mr. G.B.S. Raju Vice Chairman has resigned from the Board with effect from 28th March, 2006. Your Directors place on record their deep appreciation for the invaluable contribution made by Mr. G.B.S. Raju during his tenure as Director of the Company.

Mr. James Wong Tet Foh has been appointed as Alternate Director to Mr. Ridza Abdoh Hj Salleh at the Board meeting held on 15th December, 2005

Mr. G.B.S. Raju has been appointed as Alternate Director to Mr. G. Kiran Kumar at the Board meeting held on 28th Mach, 2006.

Directors' Report

Directors' Responsibility Statement

Pursuant to the requirement under Section 217 (2AA) of the Companies Act, 1956 with respect to Directors' Responsibility Statement, it is hereby confirmed:

1. that in the preparation of the annual accounts for the year ended 31st March, 2006 the applicable accounting standards have been followed and proper explanations were provided for material departures if any.
2. that the Directors have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as at the end of the financial year and of the profit or loss of the company for that year.
3. that the Directors had taken proper and sufficient care for maintenance of adequate accounting records in accordance with the provisions of Companies Act, 1956 for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities.
4. that the Directors had prepared the accounts for the financial year ended 31st March, 2006 on a going concern basis.

Auditors

M/s I.S. Prasad and Setty Associates, Chartered Accountants, statutory auditors of the Company shall hold office until the conclusion of the ensuing Annual General Meeting and are eligible for re-appointment. The Company has received a letter from them, to the effect that their appointment, if made, would be within the prescribed limits under section 224 (1-B) of the Companies Act, 1956.

Auditors' Report

The Notes to Accounts forming part of Annual Accounts are self-explanatory and need no further elaboration. There are no issues raised in Auditors Report which require any clarification/explanation.

Conservation of Energy, Technical Absorption and Foreign Exchange Earnings, and outgo:

The particulars as required under sub-section (1) (e) of section 217 of the Companies Act, 1956, read with the Companies (Disclosure of particulars in the report of Board of Directors) Rules, 1988 , are set out in the annexure "A" included in this report.

Particulars of Employees

The Particulars as required under Section 217 (2A) of the Companies Act, 1956 read with Companies (Particulars of Employees) Rules, 1975, are set out in the annexure "B" included in this report.

Fixed Deposits

During the year under review, the Company has not accepted any deposits from public.

Acknowledgements

Your Directors take this opportunity to express their sincere thanks and gratitude to the Government of India, Government of Tamil Nadu, National Highway Authority of India and other Central and State Government Agencies.

The Directors express their appreciation of the valuable support and co-operation received from ICICI Bank Limited, IDBI Bank Limited, State Bank of India, Bank of India, Punjab National Bank, State Bank of Mysore, Union Bank of India, Indian Overseas Bank, Andhra Bank, Canara Bank, Corporation Bank, Oriental Bank of Commerce, The Jammu & Kashmir Bank Limited, Bank of Baroda, Industrial Investment Bank of India Limited and Western India Trustee and Executor Company Limited.

Your Directors place on record their sincere appreciation of the contributions made by the employees at all levels through their hard work, dedication, solidarity and support.

For and on behalf of the Board

Place : Bangalore
Date : May 6, 2006

G. M. Rao
Chairman

Annexure "A" To The Directors' Report

Information pursuant to Section 217(1)(e) of the Companies Act, 1956 read with the Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules 1988 as amended and forming part of the Directors' Report for the year ended 31st March, 2005.

1. **Conservation of energy and technology absorption:**

   Since the company is not engaged in any manufacturing activity the particulars are not applicable.

2. **Foreign Exchange earnings or outgo in Foreign Exchange during the period:**

   The particulars relating to Foreign Exchange Earnings or out go in foreign exchange incurred during the period are:

   i) There was no foreign exchange earning during the year.
   ii) Foreign exchange outgo - Travel Rs. 1.76 lacs.

For and on behalf of the Board

Place : Bangalore
Date : May 6, 2006

G. M. Rao
Chairman

Annexure "B" To The Directors' Report

(A) Employed through out the year and were in receipt of remuneration aggregating not less than Rs. 24 lacs per annum.

Name and Age	Designation and Nature	Remuneration received (Rs.)	Qualification and Experience (in years)	Date of joining	Particulars of last employment
NIL	NIL	NIL	NIL	NIL	NIL

For and on behalf of the Board

Place : Bangalore
Date : May 6, 2006

G. M. Rao
Chairman

Auditors' Report

To

The Members

GMR TAMBARAM - TINDIVANAM EXPRESSWAYS PRIVATE LTD.,

We have audited the attached Balance Sheet of **M/s GMR TAMBARAM - TINDIVANAM EXPRESSWAYS PVT. LTD.**, # 6-3-866/1/G2, Opp: to Green lands Guest House, Greenlands, Begumpet, Hyderabad - 500 016, as at 31 March 2006 and the Profit & Loss Account for the year ended on that date. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We have conducted the audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

1. As required by the Companies (Auditor's Report) Order, 2003 issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Companies Act, 1956. We enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said order.
2. Further to our comments in the Annexure referred to above, We report that:
   a) We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;
   b) In our opinion, proper books of account as required by law have been kept by the company so far as appears from our examination of those books;
   c) The Balance Sheet and Profit and loss account dealt with by this report are in agreement with the books of account;
   d) In our opinion, the Balance Sheet , Profit and loss account and cash flow statement dealt with by this report comply with the accounting standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956
   e) On the basis of written representations received from the directors as on 31st March, 2006, and taken on record by the Board of Directors, we report that none of the directors are disqualified as on 31st March 2006 from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956;
   f) In our opinion and to the best of our information and according to the explanations given to us, the said financial statements together with notes thereon give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:
      (i) In the case of the Balance Sheet, of the state of affairs of the Company as at 31st march 2006.
      (ii) In the case of Profit and Loss Account, of the Profit for the year ended on that date
      (iii) In the case of cash flow Statement, of the total cash flows for the year ended on that date;

For I.S.PRASAD & SETTY ASSOCIATES
Chartered Accountants

(I.S.PRASAD)
Partner

Place : Bangalore
Date : May 6, 2006

Annexure To Auditor's Report

Annexure referred to in paragraph 1 of our report of even date

(i) The Company has maintained proper records showing full particulars, including quantitative details and location of fixed assets. We are informed that the management has physically verified the fixed assets of the company at reasonable intervals and no discrepancies have been noticed on such verification.

(ii) Since the Company is neither a Manufacturing Company nor Trading Company, the question of maintaining Inventory Records does not arise, hence we do not offer comments on this clause.

(iii) According to the information & explanations given to us, the Company has not granted any loans, secured or unsecured to/from companies, firms or other parties covered in the register maintained under section 301 of the Companies Act & the company has not taken any loans, secured or unsecured from companies, firms or other parties covered in the register maintained under section 301 of the Act.

(iv) In our opinion and according to the information and explanations given to us there are adequate internal control system commensurate with the size of the company and the nature of its business for the sale of goods and services, purchase of equipment and other fixed assets and there is no major weakness in the internal control system.

(v) a. According to the information & explanations given to us, the Company has duly entered the particulars of contracts or arrangements referred to in section 301 of the act in the register required to be maintained under the section.

b. In our opinion and according to the information and explanations given to us, the transactions for services, made in pursuance of contracts or arrangements entered in the register(s) maintained U/s 301 of Companies Act 1956 as aggregating during the financial year exceeding Rs. 5, 00,000/- or more in respect of each party, have been made at prices which are reasonable having regard to the prevailing market prices for such services at the relevant time.

(vi) The Company has not accepted any deposit from the public as per the provisions of section 58A and section 58AA of the Companies Act 1956 and rules framed there under.

(vii) In our opinion, the Company has an adequate internal audit system commensurate with the size and nature of business.

(viii) According to the information & explanations given to us, the provisions of section 209(1) (d) of the Companies Act, 1956 relating to maintenance of the cost records do not apply to the company.

(ix) As per the information and explanations given to us the Provisions of Employees State Insurance Act and Employees Provident Fund and Miscellaneous Provisions Act do not apply to the Company. The Company is regular in remitting the Income tax and Cess to the appropriate authorities and there were no undisputed amounts payable in respect of income tax, sales tax, wealth tax, service tax, customs duty, excise duty and Cess which were outstanding as on 31st March, 2006 for a period of more than six months from the date on which they became payable.

(x) The Company has been registered for less than 5 years and there are no accumulated losses as on the date of report.

(xi) As per the information and explanations given to us and on our examination of records, the Company has not defaulted in repayment of dues to financial institutions or banks.

Annexure To Auditor's Report

(xii) According to the information and explanations given to us, the Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities.

(xiii) The Company is not a chit fund company.

(xiv) In our opinion and according to the information and explanations given to us, the Company is not dealing in shares, securities and debentures. However, the Company has maintained proper records in respect of investments made and also made entries from time to time, in respect of the investment held by the Company.

(xv) According to the information and explanations given to us, the Company has not given any guarantee for loans taken by others from bank or financial institutions.

(xvi) In our opinion and according to the information and explanations given to us and on our examination of records of the Company, the fresh term loans raised during the financial year were applied to repay the old term loans etc. and balance funds have been invested for short term till utilisation of funds for the purpose for which it is obtained. The details of Short Term Investments of Funds which are not immediately required for utilisation are stated in the *Annexure*.

(xvii) In our opinion and according to the information and explanations given to us, the Company has not raised any short term funds during the financial year.

(xviii) The Company has made preferential allotment of shares to parties and companies covered in the Register maintained under section 301 of the Companies Act and in our opinion the price at which shares have been issued is not prejudicial to the interest of the Company

(xix) The Company has not issued any Debentures during the Financial Year.

(xx) In our opinion, the Company being Private Limited not raised any funds by way of Public Issue

(xxi) According to the information and explanations given to us and on our examination of records of the Company, there is no fraud on or by the company has been noticed or reported during the year.

For I.S.PRASAD & SETTY ASSOCIATES
Chartered Accountants

(I.S.PRASAD)
Partner

Place : Bangalore
Date : May 6, 2006

Annexure To Auditor's Report

Annexure to paragraph 1 (xvi)

Short Term Investments during the year 2005-06

Scheme	Cost of Acquisition		Sale	
	Units	Amount in Rs.	Units	Amount in Rs.
JM High Liquidity Fund Super Institutional Plan Daily Dividend	127,048,556	1,272,581,861	127,048,556	1,272,581,861
ING Vysya Liquid Fund Super Institutional Daily Dividend Option	105,953,847	1,059,703,352	105,953,847	1,059,703,352
Chola Liquid Institutional Dividend Reinvestment Plan	128,202,322	1,284,225,847	128,202,322	1,284,225,847
Alliance Cash Manager Weekly Dividend	1,151,388	11,517,099	1,151,388	11,517,099
Alliance Cash Manager Daily Dividend	41,500,417	415,008,316	41,500,417	415,008,316
Fixed Deposits (including Interest Accrued)	–	2,457,281,587	–	–
Total	**403,856,529**	**6,500,318,062**	**403,856,529**	**4,043,036,475**

Balance Sheet As At March 31, 2006

(Amount in Rupees)

	Schedule Ref	31st March 2006		31st March 2005	
I. Sources of Funds					
(1) Shareholders' funds					
Share Capital	A	1,070,400,000		1,070,400,000	
Reserves & Surplus	B	126,974,521		78,591,159	
			1,197,374,521		1,148,991,159
(2) Loan Funds					
Secured Loans	C		4,786,021,783		2,680,449,464
Total			**5,983,396,304**		**3,829,440,623**
II. Application of Funds					
(1) Fixed Assets	D				
(a) Gross Block		3,623,659,658		3,622,337,154	
(b) Less : Depreciation		353,806,174		113,539,839	
(c) Net Block			3,269,853,484		3,508,797,315
(2) Current Assets, Loans & Advances					
(a) Sundry Debtors	E	383,275,860		383,780,090	
(b) Cash and Bank Balances	F	2,450,765,066		91,319,002	
(c) Loans and Advances	G	102,731,708		40,985,728	
		2,936,772,634		516,084,820	
Less:Current Liabilities and Provisions	H				
(a) Liabilities		119,717,735		159,550,080	
(b) Provisions		103,512,080		35,891,432	
		223,229,814		195,441,512	
Net Current Assets			2,713,542,820		320,643,308
(3) Miscellaneous Expenditure	I				
(To the extent not written off or adjusted)			–		–
Total			**5,983,396,304**		**3,829,440,623**
Statement on Significant Accounting Policies and Notes to the Accounts	P				

Schedules A to I and P form an integral part of Balance Sheet.

As per our report of even date attached

for **I.S.Prasad & Setty Associates**
Chartered Accountants

For and on behalf of the Board

Sd/-	**Sd/-**	**Sd/-**	**Sd/-**
I.S Prasad	**B. V. Nageswara Rao**	**O.Bangaru Raju**	**M. Mohan Rao**
Partner	Vice Chairman	Managing Director	AVP & Company Secretary

Place : Bangalore
Date : May 6, 2006

Profit And Loss Account for the year ended 31st March 2006

(Amount in Rupees)

	Schedule Ref	For the Year Ended 31st March 2006		For the Year Ended 31st March 2005	
Income					
Annuity and Bonus	J		802,828,601		392,589,805
Variation Works Certified			97,634,377		244,065,616
Other Income	K		75,384,075		717,839
Total			**975,847,053**		**637,373,260**
Expenditure					
Operating & Maintenance Expenses	L		90,596,505		42,997,587
Cost of Variation Works Certified			88,700,117		232,513,828
Interest & Finance Charges	M		437,528,973		137,713,829
Manpower Cost	N		19,336,043		8,819,551
Administrative Expenses	O		45,340,602		16,738,111
Preliminary Expenses written off	I		–		183,130
Total			**681,502,240**		**438,966,036**
Profit before Depreciation and Tax			**294,344,814**		**198,407,225**
Depreciation	D		240,267,186		113,129,203
Profit after Depreciation, before Tax			**54,077,628**		**85,278,022**
Tax Expense					
Current Tax		5,031,514		6,686,863	
Fringe Benefit Tax		662,752	5,694,266	–	6,686,863
Profit after Tax			**48,383,362**		**78,591,159**
Surplus brought forward from Previous Year			78,591,159		–
Available Surplus carried to Balance Sheet			**126,974,521**		**78,591,159**
Earnings per Share (Loss) - Rs. {Basic and Diluted} (Refer note no. 11 of Schedule P)			(51.80)		31.38
Statement on Significant Accounting Policies and Notes to the Accounts	P				

Schedules J to O, I, D and P form an integral part of Profit and Loss Account

As per our report of even date attached

for **I.S.Prasad & Setty Associates**
Chartered Accountants

For and on behalf of the Board

Sd/-	**Sd/-**	**Sd/-**	**Sd/-**
I.S Prasad	**B. V. Nageswara Rao**	**O.Bangaru Raju**	**M. Mohan Rao**
Partner	Vice Chairman	Managing Director	AVP & Company Secretary

Place : Bangalore
Date : May 6, 2006

Annexed to and forming part of the Balance Sheet

(Amount in Rupees)

Schedule A	31st March 2006	31st March 2005
Share Capital		
Authorised		
1,000,000 (Previous Year :1,000,000) Equity Shares of Rs.10/- each	10,000,000	10,000,000
10,700,000 (Previous Year :10,700,000) Preference Shares of Rs.100/- each	1,070,000,000	1,070,000,000
	1,080,000,000	**1,080,000,000**
Issued, Subscribed & Paid Up		
Equity Shares		
1,000,000 (Previous Year : 1,000,000) Equity Shares of Rs.10 each fully paid up	10,000,000	10,000,000
Preference Shares		
6,762,040, (Previous Year: 6,762,040) 9.5% (Tax free) Cumulative Redeemable Preference Shares (Series I) of Rs. 100 each, fully paid up (These Preference Shares are fully redeemable in five equal yearly installments at a premium of 20% on the face value commencing from 31st March, 2016.)	676,204,000	676,204,000
600,000, (Previous Year: 600,000) 9% (Tax free)/ 13% (Taxable) Cumulative Redeemable Preference Shares (Series II) of Rs. 100 each, fully paid up (These Preference Shares are fully redeemable in four equal yearly installments at a premium of 20% on the face value commencing from 31st March, 2017)	60,000,000	60,000,000
500,000, (Previous Year: 500,000) 9% (Tax free) / 13% (Taxable) Cumulative Redeemable Preference Shares (Series III) of Rs. 100 each, fully paid up (These Preference Shares are fully redeemable in three equal yearly installments at a premium of 20% on the face value commencing from 31st March, 2016)	50,000,000	50,000,000
1,000,000 (Previous Year: 1,000,000) 9.5% (Tax free)/ 13% (Taxable) Cumulative Redeemable Preference Shares (Series IV) of Rs. 100 each, fully paid up (These Preference Shares are fully redeemable in four equal yearly installments at a premium of 20% on the face value commencing from 31st March, 2016)	100,000,000	100,000,000
1,741,960 (Previous Year: 1,741,960), 9.5% (Tax free)/ 13% (Taxable) Cumulative Redeemable Preference Shares (Series V) of Rs. 100 each, fully paid up (These Preference Shares are fully redeemable in five equal yearly installments at a premium of 20% on the face value commencing from 31st March, 2016)	174,196,000	174,196,000
	1,070,400,000	**1,070,400,000**

Annexed to and forming part of the Balance Sheet

(Amount in Rupees)

Schedule B	31st March 2006		31st March 2005	
Reserves and Surplus				
Profit and Loss Account				
Opening Balance	78,591,159		–	
Add: Profit for the year	48,383,362	126,974,521	78,591,159	78,591,159
Closing Balance		**126,974,521**		**78,591,159**

(Amount in Rupees)

Schedule C	31st March 2006		31st March 2005	
Secured Loans				
Rupee Term Loans				
From Banks	4,786,021,783		2,627,550,298	
Interest Accrued and Due	–	4,786,021,783	15,282,435	2,642,832,733
From Financial Institutions	–		37,210,000	
Interest Accrued and Due	–	–	406,731	37,616,731
(In respect of Term Loan outstanding as on 31st March 05, - Secured by Movable and immovable assets of the company by way of legal mortgage in English form and assignment of Bank guarantees and project contracts)				
(In respect of Term Loan outstanding as on 31st March 06, - Secured by Movable and immovable assets of the Company by way of deed of hypothecation and by way of legal mortgage in English form respectively)				
		4,786,021,783		**2,680,449,464**

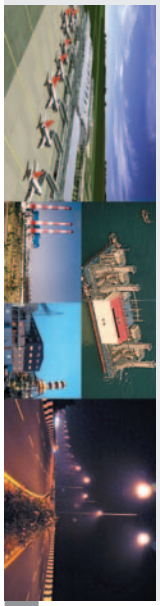
Annexed to and forming part of the Balance Sheet

Schedule D

Fixed Assets

(Amount in Rupees)

Description	Gross Block (at Cost)				Depreciation			Net Block	
	As at 01-Apr-05	Additions during the year	Deletions during the year	As at 31-Mar-06	As at 01-Apr-05	For the year Deductions/ Adjustments	As at 31-Mar-06	As at 31-Mar-06	As at 31-Mar-05
Tangible Assets									
Land	229,150	–	–	229,150	–	–	–	229,150	229,150
Carriage Way (Roads)	3,619,531,159	–	–	3,619,531,159	113,031,284	239,862,900	352,894,184	3,266,636,975	3,506,499,875
Furniture and Fixtures	352,406	33,750	–	386,156	61,171	33,953	95,124	291,032	291,235
Computers	780,650	976,051	–	1,756,701	284,875	240,322	525,196	1,231,505	495,775
Office Equipments	1,344,054	318,203	5,500	1,656,757	141,197	119,685	260,883	1,395,874	1,202,857
Vehicles	99,735	–	–	99,735	21,312	9,475	30,787	68,948	78,423
	3,622,337,154	**1,328,004**	**5,500**	**3,623,659,658**	**113,539,839**	**240,266,335**	**353,806,174**	**3,269,853,484**	**3,508,797,315**
Previous Year	**2,688,606**	**3,619,662,839**	**14,291**	**3,622,337,154**	**302,305**	**113,237,534**	**113,539,839**	**3,508,797,315**	**2,386,301**



Annexed to and forming part of the Balance Sheet

(Amount in Rupees)

Schedule E	31st March 2006	31st March 2005
Sundry Debtors		
Debts Outstanding for a period exceeding six months		
Considered Good	63,648,280	–
Considered Doubtful	–	–
Other Debts		
Considered Good	319,627,580	383,780,090
	383,275,860	**383,780,090**

(Amount in Rupees)

Schedule F	31st March 2006	31st March 2005
Cash and Bank Balances		
Cash on Hand	8,895	3,042
Balances with Scheduled Banks		
In Current Accounts	(6,525,416)	76,074,415
In Deposit Accounts	2,457,281,587	15,241,545
	2,450,765,066	**91,319,002**

(Amount in Rupees)

Schedule G	31st March 2006	31st March 2005
Loans & Advances		
Advances recoverable in cash or in kind or for value to be received		
Unsecured & Considered good	43,774,566	16,821,536
Prepaid Taxes	53,941,252	18,855,427
Prepaid Expenses	5,015,890	5,308,765
	102,731,708	**40,985,728**

Annexed to and forming part of the Balance Sheet

(Amount in Rupees)

Schedule H	31st March 2006		31st March 2005	
Current Liabilities and Provisions				
a) Current Liabilities				
Sundry Creditors:				
Due to Small Scale Industrial Undertakings		-		-
Due to Others		115,703,394		155,469,616
Other Liablities		4,014,340		4,080,464
		119,717,735		**159,550,080**
b) Provisions				
For Income tax		11,718,392		6,686,878
For Fringe Benefit Tax		662,752		-
For Leave Encashment		605,838		399,838
For Superannuation		113,208		2,787
For LTA		385,570		56,724
For Periodic Maintenance		90,026,320		28,745,205
		103,512,080		**35,891,432**

(Amount in Rupees)

Schedule I	31st March 2006		31st March 2005	
Miscellaneous Expenditure				
(to the extent not written off or adjusted)				
Opening Balance		–		183,130
Less : Written Off		–		183,130
		–		–

Annexed to and forming part of the Profit and Loss Account

(Amount in Rupees)

Schedule J	For the Year Ended 31st March 2006	For the Period Ended 31st March 2005
Annuity and Bonus		
Annuity and Bonus	837,120,000	398,120,192
Less: Reduction in Bonus received from NHAI on final settlement.	2,325,333	
Less: Reduction in Annuity subsequent to reduction in scope of work	31,966,065	5,530,387
Net Annuity Income	802,828,601	392,589,805

(Amount in Rupees)

Schedule K	For the Year Ended 31st March 2006	For the Period Ended 31st March 2005
Other Income		
Interest received/accrued from Investments	65,868,266	571,539
Dividend received from Investments	8,077,230	138,298
Profit on sale of Mutual Fund - Short Term	162,476	–
Profit/(Loss) on Exchange Fluctuation	(874)	–
Profit (Loss) on Sale of Assets	(4,050)	73
Provision no longer required written back	985,971	–
Miscellaneous Income	295,055	7,929
	75,384,075	**717,839**

(Amount in Rupees)

Schedule L	For the Year Ended 31st March 2006	For the Period Ended 31st March 2005
Operating & Maintenance (O & M) Expenses		
O&M Monthly Maintenance Expenses	20,061,432	9,428,800
O&M Periodic Maintenance Expenses	61,563,998	28,745,205
O&M Insurance	8,971,075	4,823,582
	90,596,505	**42,997,587**

(Amount in Rupees)

Schedule M	For the Year Ended 31st March 2006	For the Period Ended 31st March 2005
Interest and Finance Charges		
Interest on Secured Loan	319,002,488	129,923,036
Other Finance Related Costs	118,526,485	7,790,793
	437,528,973	**137,713,829**

Annexed to and forming part of the Profit and Loss Account

(Amount in Rupees)

Schedule N	For the Year Ended 31st March 2006		For the Period Ended 31st March 2005	
Manpower Cost				
Managerial Remuneration		6,938,436		7,687,886
Staff Costs				
Salaries, Wages and Bonus		11,878,020		1,050,535
Contribution to Provident & Other Funds		139,614		2,787
Workmen and Staff Welfare Expenses		379,973		78,343
		19,336,043		**8,819,551**

(Amount in Rupees)

Schedule O	For the Year Ended 31st March 2006		For the Period Ended 31st March 2005	
Administrative Expenses				
Annual Operations Management Fees		22,040,000		8,331,000
Consultancy & Professional Charges		9,235,068		1,122,418
Movement Cost		5,748,848		1,510,536
Communication Charges		1,547,616		462,073
Rent		933,161		1,932,561
Directors' Sitting Fees		26,000		6,000
Auditor's Remuneration towards:				
Statutory Audit Fees	60,610		54,000	
Tax Audit Fees	55,610		–	
Other Certifications Fees	16,836		8,100	
Out of Pocket Expenses	–		–	
		133,056		62,100
Rates & Taxes		38,097		900
Charities & Donations		850,000		116,066
Other Administrative Expenses		4,788,756		3,194,456
		45,340,602		**16,738,111**

Annexed to and forming part of Accounts for the year ended March 31, 2006
Schedule P (Contd.)
II. Notes on Accounts

	Financial Year Ended Mar' 06	Mar' 05
	(Amount in Rupees)	
A. Contingencies:		
Performance Guarantee from Indian Overseas Bank favoring National Highway Authority of India (NHAI).	NIL	85,000,000
B. Capital Commitments		
Capital Commitments comprises of Contractual Commitments for Capital Expenditure with M/s Etech Engineers & M/s Grandhe Constructions	105,700,812	
Capital Commitments comprises of Contractual Commitments for Capital Expenditure under EPC Agreement with M/s UEDI.		73,934,798
C. Arrears of Dividends		
Arrears of dividend (Taxfree) on various classes of Cumulative Preference Shares from the date of COD (11th Oct' 2004) to 31.03.2006 is Rs.147,399,879 (Up to Prev. Year: Rs.47,211,879) and not provided for in the books of accounts. Details are as follows:		
6,762,040, (Previous Year: 6,762,040) 9.5% (Tax free) Cumulative Redeemable Preference Shares (Series I) of Rs. 100 each, fully paid up	94,511,088	30,271,708
600,000, (Previous Year: 600,000) 9% (Tax free)/13% (Taxable) Cumulative Redeemable Preference Shares (Series II) of Rs. 100 each, fully paid up	7,944,658	2,544,658
500,000, (Previous Year: 500,000) 9% (Tax free) /13% (Taxable) Cumulative Redeemable Preference Shares (Series III) of Rs. 100 each, fully paid up	6,620,548	2,120,548
1,000,000 (Previous Year: 1,000,000) 9.5% (Tax free)/13% (Taxable) Cumulative Redeemable Preference Shares (Series IV) of Rs. 100 each, fully paid up	13,976,712	4,476,712
1,741,960 (Previous Year: 1,741,960), 9.5% (Tax free)/13% (Taxable) Cumulative Redeemable Preference Shares (Series V) of Rs. 100 each, fully paid up	24,346,874	7,798,254
	147,399,879	**47,211,879**
2 Managerial Remuneration		
a. Remuneration	4,946,216	10,461,075
b. Allowances	1,992,220	5,861,739
c. Less: Capitalised during the year	–	8,634,928
	6,938,436	**7,687,886**
3 Payment to Auditors		
a As Auditors		
For Statutory Audit	60,610	54,000
For Tax Audit	55,610	–
b Other Services	16,836	8,100
c. Out of Pocket Expenses	–	–
	133,056	**62,100**
4 Expenditure in Foreign Currency		
a. Travel Expenditure	176,600	–
b. Professional Charges	–	–
c. Others	–	–
	176,600	**–**
5 Interest		
On Fixed loans	319,002,488	254,220,326
Less: Capitalised during the year	–	124,297,290
	319,002,488	**129,923,036**

Annexed to and forming part of Accounts for the year ended March 31, 2006

6 Related Party Disclosures

A. List of related parties along with the nature of relationship

i) Shareholders having substantial interest

UE Development India (P) Ltd.
GMR Power Corporation Ltd.
GMR Infrastructure Limited

ii) Common Control

GMR Tuni Anakapalli Expressways Private Limited

iii) Key Management Personnel

Mr G M Rao, Chairman
B. V. Nageswara Rao, Vice Chairman
Mr O. Bangaru Raju, Managing Director

iv) Common Key Management Personnel (Chairman of the Companies is Common)

GMR Energy Ltd
GMR Hyderabad International Airport Ltd
GMR Tuni Anakapalli Expressways (P) Ltd.
GMR Ambala Chandigarh Expressways (P) Ltd.
GMR Jadcharla Expressways (P) Ltd.
GMR Pochanpalli Expressways (P) Ltd.
GVL Investments (P) Ltd.

Note: In respect of the above parties, there is no doubtful debts as on 31.03.2006 and no amount has been written off or written back during the year in respect of debts due from them/to them.

B. Summary of transactions with the related parties

Managerial Remuneration	Financial Year Ended	
	Mar' 06	Mar' 05
a) Remuneration	4,946,216	10,461,075
b) Allowances	1,992,220	5,861,739
c) Less: Capitalised during the year	–	8,634,928
	6,938,436	**7,687,886**

	Transactions for the year 2005-06				Transactions for the year 2004-05			
	Shareholders having substantial interest	Common Control	Key Mgt Personnel	Total	Share Holders having substantial interest	Common Control	Key Mgt Personnel	Total
Contract Payments	23,936,112	NIL	NIL	23,936,112	1,149,710,535	NIL	NIL	1,149,710,535
Advances	25,952,365	(801,532)	(184,810)	24,966,023	12,478,275	816,050	440,126	13,734,451
Creditors	(17,033,987)	(7,921,477)	(22,523)	(24,977,987)	117,385,259	9,655,107	46,829	127,087,195
Provisions	58,284,731	NIL	NIL	58,284,731	31,891,652	NIL	NIL	31,891,652
Share Application Money	–	1,530,000,000 (1,530,000,000)	–	–	–	–	–	–

Annexed to and forming part of Accounts for the year ended March 31, 2006

7 Details of Purchase and Sale of Investments During the year 2005 - 06.

Scheme	Cost of Acquisition		Sale	
	Units	Amount in Rs.	Units	Amount in Rs.
JM High Liquidity Fund Super Institutional Plan Daily Dividend	127,048,556	1,272,581,861	127,048,556	1,272,581,861
ING Vysya Liquid Fund Super Institutional Daily Dividend Option	105,953,847	1,059,703,352	105,953,847	1,059,703,352
Chola Liquid Institutional Dividend Reinvestment Plan	128,202,322	1,284,225,847	128,202,322	1,284,225,847
Alliance Cash Manager Weekly Dividend	1,151,388	11,517,099	1,151,388	11,517,099
Alliance Cash Manager Daily Dividend	41,500,417	415,008,316	41,500,417	415,008,316
Total	**403,856,529**	**4,043,036,475**	**403,856,529**	**4,043,036,475**

Details of Purchase and Sale of Investments During the year 2004 - 05.

Scheme	Cost of Acquisition		Sale	
	Units	Amount in Rs.	Units	Amount in Rs.
JM High Liquidity Fund Daily Dividend Scheme	15,128,885	151,424,000	15,128,885	151,424,000
Birla Mutual Fund (Daily Dividend Reinvestment Scheme)	16,092,753	173,570,000	16,092,753	173,570,000
Chola Liquid Fund Institutional Plus	8,989,378	90,000,000	8,989,378	90,000,000
Total	**40,211,016**	**414,994,000**	**40,211,016**	**414,994,000**

Dividend received and profit on sale of investment are recognised in the books of accounts.

8 Current Year provision for Tax/MAT has been computed in accordance with the provisions of the Income Tax Act 1961 and provided in the books of account. The Company is eligible to avail of tax holiday under Sec.80 IA of the Inome Tax Act, 1961, so the management has decided to opt for tax holiday in subsequent years.

9 Provision for Fringe Benefit Tax (FBT) has been computed in accordance with the provisions of the Income Tax Act 1961 and provided for in the books of account.

10 The Company has changed the accounting policy on treatment of depreciation on asset costing less than Rs. 5000/-. These assets would be fully depreciated in the year it is incurred. The Management believes that the change in the Accounting Policy would result in a more appropriate presentation of the result of the company. Accordingly a sum of Rs. 62,605/- towards additional depreciation has been charged to Profit & Loss Account as on 31st March' 2006.

If the Company continued to follow the old accounting policy on treatment of the depreciation, the profit for the year & the accumulated reserve as at 31st March 2006 would have been higher by Rs. 62,605/-.

11 Earning per share (EPS) is calculated in accordance with Accounting Standard 20 issued by Institute of Chartered Accountants of India by dividing the Profit attributable to the Equity shareholders by the weighted average number of Equity Shares outstanding during the year:

	Amount in Rs.	
	31-Mar-06	31-Mar-05
Profit after Tax for the year / Period	48,383,362	78,591,159
Less Dividend payable to Preference Shareholders for the current year	100,188,000	47,211,879
Profit after Preference Dividend	**(51,804,638)**	**31,379,279**
Weighted average number of Equity Shares outstanding during the year	1,000,000	1,000,000
Earnings per Share (Loss) {Basic and Diluted}	**(51.80)**	**31.38**

Annexed to and forming part of Accounts for the year ended March 31, 2006

12 Deferred Tax arising on timing differences between book profits and tax profits is not accounted as the same will be reversed during Tax holiday period as mentioned in AS 22 issued by Institute of Chartered Accountants of India.

13 Annuity is a fixed periodic payment (half yearly rests) receivable from NHAI as per Schedule J of the Concession Agreement. The first & second installment of annuity due on 9th May 2005 & 9th Nov' 2005 respectively were received. The revenue till 31st Mar' 2006, has been recognised and accounted on prorata basis.

14 The Company has recognised a sum of Rs. 67,434,667/- as bonus in Financial Year 2004-05. Bonus received from NHAI in April' 2006 is Rs. 65,109,333/-. Accordingly, the Company has reduced its Income by Rs. 2,325,333/- from Current year's Annuity Income in the Financial Year 2005-06.

15 The Company does not have more than one segment to be reported and hence, the Accounting Standard 17 for Segment Reporting as prescribed by Institute of Chartered Accountants of India is not applicable to the Company.

16 The Company is not engaged in any manufacturing activity. Additional information pursuant to paras 3,4,4-C,and 4-D of part II of Schedule VI to the Companies Act, 1956 to the extent either 'Nil' or 'Not Applicable' has not been furnished.

17 Previous period figures have been regrouped / reclassified wherever necessary to confirm to current year presentation. Comparison can not be made between current year figures and previous period figures as that corresponds to different periods.

As per our report of even date attached

for **I.S.Prasad & Setty Associates**
Chartered Accountants

For and on behalf of the Board

Sd/-	**Sd/-**	**Sd/-**	**Sd/-**
I.S Prasad	**B. V. Nageswara Rao**	**O.Bangaru Raju**	**M. Mohan Rao**
Partner	Vice Chairman	Managing Director	AVP & Company Secretary

Place : Bangalore
Date : May 6, 2006

Cash Flow Statement as at 31st March 2006

(Amount in Rupees)

	Particulars		As at 31st March 2006	As at 31st March 2005
A	**CASH FLOW FROM OPERATING ACTIVITIES**			
	Net Profit before Tax and Extraordinary Items		54,077,628	85,278,022
	Adjustment for			
	Depreciation		240,267,186	113,129,203
	Interest and other finance related costs		437,528,973	137,713,829
	Interest received/accrued from Investments		(65,868,266)	(571,539)
	Dividend received from Investments		(8,077,230)	(138,298)
	Profit on Sale of Mutual Fund - Short Term		(162,476)	–
	Forein Exchange Loss		874	–
	Profit on sale of Fixed Assets		–	(73)
	Loss on sale of Fixed Assets		4,050	6,525
	Operating Profit before Working Capital Changes		**657,770,738**	**335,417,668**
	(Increase)/Decrease in Loans and Advances		(26,660,155)	(12,579,451)
	(Increase)/Decrease in Debtors		504,230	(383,780,090)
	Increase/(Decrease) in Current Liabilities and Provisions		22,094,036	(110,359,336)
	(Increase)/Decrease in Miscellaneous Expenditure to the extent not written off or adjusted		–	183,130
	Cash Generated from Operations		**653,708,849**	**(171,118,080)**
	Income Taxes paid		(35,085,825)	(18,381,369)
	Net Cash from Operating Activities	A	**618,623,024**	**(189,499,449)**
B	**CASH FLOW FROM INVESTING ACTIVITIES**			
	(Increase)/Decrease in Fixed Capital Expenditure		(1,328,004)	(901,944,131)
	Interest received/accrued from Investments		65,868,266	571,539
	Dividend received from Investments		8,077,230	138,298
	Profit on Sale of Mutual Fund - Short Term		162,476	–
	Sale Proceeds from disposal of assets		600	7,049
	Net Cash from Investing Activities	B	**72,780,569**	**(901,227,245)**
C	**CASH FLOW FROM FINANCING ACTIVITIES**			
	Increase/(Decrease) in Share Capital including Share Appln Money		–	342,496,000
	Increase/(Decrease) in Secured Loans		2,105,572,319	760,023,984
	Interest Paid		(437,528,973)	(137,713,829)
	Net Cash from Financing Activities	C	**1,668,043,346**	**964,806,155**
D	**Net Increase/(Decrease) in Cash and Cash Equivalents**	A+B+C	**2,359,446,939**	**(125,920,539)**
	Cash And Cash Equivalents - Beginning Of Year		**91,319,001**	**217,239,539**
	Cash And Cash Equivalents - end of year		**2,450,765,940**	**91,319,001**
	Cash & Cash Equivalents			
	Cash in Hand & Balance with Banks		2,450,765,066	91,319,002
	Effect of Exchange rate change		874	–
			2,450,765,940	**91,319,002**

Note: 1. The above Cash Flow Statement has been prepared under the 'Indirect Method' as set out in the Accounting Standard 3 on Cash Flow Statements issued by the Institute of Chartered Accountants of India.

2. Pervious period figures have been regrouped and reclassified to confirm to those of the current year. Comparison can not be made between current year figures and previous period figures as that corresponds to different periods.

As per our report of even date attached

for **I.S.Prasad & Setty Associates**
Chartered Accountants

For and on behalf of the Board

Sd/-	**Sd/-**	**Sd/-**	**Sd/-**
I.S Prasad	**B. V. Nageswara Rao**	**O.Bangaru Raju**	**M. Mohan Rao**
Partner	Vice Chairman	Managing Director	AVP & Company Secretary

Place : Bangalore
Date : May 6, 2006

Balance Sheet Abstract And Company's General Business Profile

1	**Registration Details**			
	Registration Number	37199	State Code	01
	Balance Sheet Date	31-3-2006		
2	**Capital Raised during the year (Amount in Rs. Thousands)**			
	Public Issue	NIL	Rights Issue	NIL
	Bonus Issue	NIL	Private Placement	–
3	**Position of Mobilisation and Development of Funds (Amount in Rs. Thousands)**			
	Total Liabilities	5,983,396	Total assets	5,983,396
	Sources of Funds			
	Paid - Up Capital	1,070,400	Reserves & Surplus	126,975
	Secured Loan	4,786,022	Unsecured Loans	NIL
	Application of Funds			
	Net Fixed Assets	3,269,853	Investments	NIL
	Net Current Assets	2,713,543	Misc. Expenditure	NIL
	Accumulated Losses	NIL		
4	**Performance of company (Amount in Rs. Thousands)**			
	Total Income	975,847	Total Expenditure	681,502
	+ (-) Profit / (Loss) before Tax	54,078	+ (-) Profit / (Loss) after Tax	48,383
	Earnings (Loss) per Share (Rs.)	(51.80)	Dividend rate (%)	NIL
5	**Generic Names of Three Principal Products / Services of Company (as per monetary terms)**			
	Item Code No. (ITC Code) :	N.A	Product Description	N.A

For and on behalf of the Board

Sd/-	**Sd/-**	**Sd/-**
B. V. Nageswara Rao	**O.Bangaru Raju**	**M. Mohan Rao**
Vice Chairman	Managing Director	AVP & Company Secretary

Place : Bangalore
Date : May 6, 2006

GMR Ambala Chandigarh Expressways Private Limited

Project Highlights of GMR Ambala Chandigarh Expressways Private Limited

Section	:	Ambala - Chandigarh on NH - 21 & NH - 22 in the States of Haryana & Punjab
Length of the Project	:	35 Kilometers
Type	:	Build, Operate and Transfer (BOT)
Basis	:	Toll
Concession Agreement Date	:	16th November 2005
Concession Period	:	20 Years
Estimated Project Cost	:	Rs. 3,911.36 millions
Financial Closure Date	:	11th May 2006

Board of Directors

Mr. G.M. Rao	Chairman
Mr. Srinivas Bommidala	Director
Mr. G.B.S. Raju	Director
Mr. B.V. Nageswara Rao	Director
Mr. O. Bangaru Raju	Director
Mr. Rajan Krishnan	Director
Mr. K.R. Ramamoorthy	Director
Mr. N.C. Sarabeswaran	Director

Company Secretary

Mr. Shrikant Sharma

Statutory Auditors

Price Waterhouse
Chartered Accountants
6-3-550, IInd Floor, L B Bhavan, Somajiguda, Hyderabad - 500082

Bankers

ING Vysya Bank
Bank of Baroda

Registered Office

25/1, Skip House, Museum Road, Bangalore - 560 025.
Telephone : 080 22270100
Fax : 080 22273633

Site Office

Ranjan Plaza,
Chandigarh Road, Zirakpur, Patiala, Punjab.

Directors' Report

Dear Shareholders,

Your Directors have pleasure in presenting the First Annual Report and the Audited Accounts for the period ended 31st March, 2006 together with the Auditors' Report thereon

Incorporation

Your Company was incorporated on 14th July, 2005 as a Special Purpose Vehicle to implement Highway Project of 35.1 km stretch on Ambala & Chandigarh Section on NH-21 and NH-22 in the States of Punjab & Haryana.

The project was awarded through a competitive bidding process of National Highways Authority of India under National Highways Development Project called NHDP Phase III on BOT basis.

Review of Operations

During the period under review, considerable progress was made on many fronts in the directions of implementing the project as stated below.

Project

Your Company has entered into Concession Agreement with National Highways Authority of India on 16th November, 2005, for implementing the project envisaging improvement, operation and maintenance of rehabilitation and strengthening of existing 2-lane road and widening to 4-lane Dual Carriageway from i) Km 5+735 - Km 39+960 of NH-22 and ii) Km 0+000 - Km 0+871 of NH-21 (Ambala - Chandigarh Section) on Build Operate and Transfer (BOT) Toll basis.

Project Finance

The project cost will be financed by equity and debt components. The Company has received overwhelming response from Lending Institutions and Banks sanctioning the debt requirement. The management is in the process of finalizing the terms of utilization of sanctioned amounts to part finance its project cost.

Your Company is approaching its promoters / sponsors for financial assistance by way of equity / subordinated debt / guarantees to meet the equity requirement of project cost.

The financial closure is expected to be completed by May 2006.

Project Progress

Preliminary project works such as soil survey, investigation, designing etc have been completed. Soil Investigation Agency, Designing consultants, Structure Contractors have been appointed. State Support Agreements have been entered with the Government of Punjab and the Government of Haryana.

Your company is in the process of acquiring necessary permits, consents from the State Authorities from both Punjab and Haryana and other statutory authorities for forest clearance, utilities shifting, evacuation of people from encroached areas etc.

For the project implementation, your Company has appointed the Engineering, Procurement and Construction (EPC) Contractor in terms of Concession Agreement.

Management's endeavor is to execute the works for the implementation of the project as per NHAI schedule.

Finance

During the period upto 31st March 2006 the Company has received Rs.4.79 Crores towards Equity Share Capital (including Rs. 4.78 crores as Share Application money) and incurred an amount of Rs. 4.27 crores on account of various expenses during Construction and Rs. 0.54 crores towards purchase of Fixed Assets and Capital work-in-progress.

Directors' Report

Holding Company

Consequent to acquisition of 51 % of equity shares of the Company by GMR Energy Limited, during the period, your Company has become subsidiary of GMR Energy Limited and also a subsidiary of GMR Infrastructure Limited by virtue of GMR Energy Limited being a subsidiary of GMR Infrastructure Limited.

Directors

The first Directors of the Company are Mr. G Mallikarjuna Rao and Mr. G.B.S Raju and Mr. Srinivas Bommidala.

Mr. O. B. Raju, Mr. B.V. Nageswara Rao and Mr. Rajan Krishnan, Mr. K. R. Ramamoorthy and Mr. N.C. Sarabeswaran were appointed as Additional Directors during the period.

The period of office as Additional Directors for all these Directors expire at the ensuing Annual General Meeting and all these Directors being eligible, are offering themselves for re-appointment.

The Company has received notices from the members, proposing the appointment of Mr. O.B. Raju, Mr. B.V. Nageswara Rao, Mr. Rajan Krishnan, Mr. K.R. Ramamoorthy and Mr. N.C. Sarabeswaran, as Directors at the ensuing Annual General Meeting.

Keeping in view their vast expertise and knowledge, it will be in the interest of the Company that the above persons are appointed as Directors of the Company. The Board of Directors recommend the appointment of these Directors.

Mr. G. M. Rao and Mr. G.B.S. Raju, the Directors of the Company retire by rotation at the ensuing Annual General Meeting and being eligible, offer themselves for re-appointment. The Board of Directors recommend the appointment of these Directors.

Directors' Responsibility Statement

Pursuant to the requirement under Section 217 (2AA) of the Companies Act, 1956 with respect to Directors' Responsibility Statement, it is hereby confirmed:

1. that in the preparation of the annual accounts for the period ended March 31, 2006, the applicable accounting standards have been followed and proper explanations were provided for material departures if any.
2. that the Directors have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as at the end of the period.
3. that the Directors had taken proper and sufficient care for maintenance of adequate accounting records in accordance with the provisions of Companies Act, 1956 for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities.
4. that the Directors had prepared the accounts for the period ended 31st March, 2006 on a going concern basis.

Audit Committee

The Board of the Company has constituted an Audit Committee comprising of Mr. K. R. Ramamoorthy, Chairman of the Committee and Mr. N. C. Sarabeswaran and Mr. B.V. Nageswara Rao as Members.

Auditors

M/s Price Waterhouse, Chartered Accountants, Hyderabad, Statutory Auditors of the Company shall hold office until the conclusion of the ensuing Annual General Meeting and are eligible for re-appointment. The Company has received a letter from them, to the effect that their appointment, if made, would be within the prescribed limits under section 224 (1-B) of the Companies Act, 1956.

Directors' Report

Auditors' Report

The Notes to Accounts forming part of Annual Accounts are self-explanatory and need no further elaboration. There are no issues raised in Auditors' Report which require any clarification/explanation.

Conservation of Energy, Technical Absorption and Foreign Exchange Earnings, and outgo

The particulars as required under sub-section (1)(e) of section 217 of the Companies Act, 1956, read with the Companies (Disclosure of particulars in the report of Board of Directors) Rules, 1988, are set out in the annexure "A" as part of this report.

Particulars of Employees

There are no Employees whose Particulars as required to be disclosed under Section 217 (2A) of the Companies Act, 1956 read with Companies (Particulars of Employees) Rules, 1975.

Fixed Deposits

During the year under review, the Company has not accepted any deposits from public.

Acknowledgements

Your Directors take this opportunity to express their sincere thanks and gratitude to the Government of India, Government of Punjab & Government of Haryana, National Highways Authority of India and other Central and State Government Agencies and Bank of Baroda, UTI Bank Limited and ING Vysya Bank Limited for their support.

Your Directors place on record their sincere appreciation of the contributions made by the employees at all levels through their hard work, dedication, solidarity and support.

For and on behalf of the Board

Place : Bangalore
Date : April 25, 2006

G. M. Rao
Chairman

Annexure "A" To The Directors' Report

Information pursuant to Section 217(1)(e) of the Companies Act, 1956 read with the Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules 1988 as amended and forming part of the Directors' Report for the period ended 31st March , 2006.

1. Conservation of energy and technology absorption:

Since the company is not engaged in any manufacturing activity the particulars are not applicable.

2. Foreign Exchange earnings or outgo in Foreign Exchange during the period:

The particulars relating to Foreign Exchange Earnings or out go in foreign exchange incurred during the period are:

i) There was no foreign exchange earning during the year.

ii) Foreign Exchange Outgo - Consultancy Charges - Rs. 4.46 lacs

For and on behalf of the Board

Place : Bangalore
Date : April 25, 2006

G. M. Rao
Chairman

Auditors' Report

To

The Members

GMR Ambala Chandigarh Expressways Private Limited

1. We have audited the attached Balance Sheet of **GMR Ambala Chandigarh Expressways Private Limited** ("the Company"), as at March 31, 2006, and the related Cash Flow Statement for the period ended on that date annexed thereto, which we have signed under reference to this report. No Profit and Loss Account has been prepared for the reason stated in Note II(4) of Schedule 7. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with the auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) Order, 2003, as amended by the Companies (Auditor's Report) (Amendment) Order, 2004, issued by the Central Government of India in terms of sub-section (4A) of Section 227 of 'The Companies Act, 1956' of India (the 'Act') and on the basis of such checks of the books and records of the company as we considered appropriate and according to the information and explanations given to us, we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.
4. Further to our comments in the Annexure referred to in paragraph 3 above, we report that:
   (a) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit;
   (b) In our opinion, proper books of account as required by law have been kept by the company so far as appears from our examination of those books;
   (c) The Balance Sheet and Cash Flow Statement dealt with by this report are in agreement with the books of account;
   (d) In our opinion, the Balance Sheet and Cash Flow Statement dealt with by this report comply with the accounting standards referred to in sub-section (3C) of Section 211 of the Act;
   (e) On the basis of written representations received from the directors, as on March 31, 2006 and taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2006 from being appointed as a director in terms of clause (g) of sub-section (1) of Section 274 of the Act;
   (f) In our opinion and to the best of our information and according to the explanations given to us, the said financial statements together with the notes thereon and attached thereto give in the prescribed manner the information required by the Act and give a true and fair view in conformity with the accounting principles generally accepted in India:
      (i) in the case of the Balance Sheet, of the state of affairs of the company as at March 31, 2006;
      (ii) in the case of the Cash Flow Statement, of the cash flows for the period ended on that date.

P. Rama Krishna
Partner
Membership Number 22795

For and on behalf of
Price Waterhouse
Chartered Accountants

Place : Bangalore
Date : April 25, 2006

Annexure To Auditors' Report

[Referred to in paragraph 3 of the Auditors' Report of even date to the members of GMR Ambala Chandigarh Expressways Private Limited on the financial statements for the period ended March 31, 2006]

1. (a) The company is maintaining proper records showing full particulars including quantitative details and situation of fixed assets.

   (b) The fixed assets of the company have been physically verified by the management during the period and no material discrepancies between the book records and the physical inventory have been noticed. In our opinion, the frequency of verification is reasonable.

2. The company has neither granted nor taken any loan, secured or unsecured, to/from companies, firms or other parties covered in the register maintained under Section 301 of the Act.

3. In our opinion and according to the information and explanations given to us, there is an adequate internal control system commensurate with the size of the company and the nature of its business for the purchase of fixed assets. The activities of the company did not involve purchase of inventory and sale of goods and services during the period. Further, on the basis of our examination of the books and records of the company, and according to the information and explanations given to us, we have neither come across nor have been informed of any continuing failure to correct major weaknesses in the aforesaid internal control system.

4. According to the information and explanations given to us, there have been no contracts or arrangements referred to in Section 301 of the Act during the period to be entered in the register required to be maintained under that Section. Accordingly, commenting on transactions made in pursuance of such contracts or arrangements does not arise.

5. The company has not accepted any deposits from the public within the meaning of Sections 58A and 58AA of the Act and the rules framed there under.

6. As the company is not listed on any stock exchange or the paid-up capital and reserves as at the commencement of the financial year did not exceed Rupees Fifty Lakhs or the average annual turnover for a period of three consecutive financial years immediately preceding the financial year did not exceed Rupees Five Crores, the requirement of the internal audit system as per the clause (vii) of paragraph 4 of the Companies (Auditor's Report) Order, 2003, as amended by the Companies (Auditor's Report) Order, 2004 is not applicable to the company for the current period.

7. The Central Government of India has not prescribed the maintenance of cost records under clause (d) of sub-section (1) of Section 209 of the Act for any of the products of the company.

8. (a) According to the information and explanations given to us and the records of the company examined by us, in our opinion, the company is generally regular in depositing the undisputed statutory dues including provident fund, income-tax, wealth tax and other material statutory dues as applicable with the appropriate authorities. According to the information and explanations given to us and the records of the company examined by us, investor education and protection fund, employees' state insurance, sales-tax, service tax, customs duty, excise duty and cess are not applicable to the company in the current period.

   (b) According to the information and explanations given to us and the records of the company examined by us, there are no dues of income-tax and wealth tax which have not been deposited on account of any dispute. According to the information and explanations given to us and the records of the company examined by us, sales tax, service tax, customs duty, excise duty and cess are not applicable to the company for the current period.

Annexure To Auditors' Report

9. As the company is registered for a period less than five years, clause (x) of paragraph 4 of the Companies (Auditor's Report) Order, 2003, as amended by the Companies (Auditor's Report) (Amendment) Order, 2004, regarding the erosion of 50% or more of net worth and the cash losses in the current and immediately preceding financial years, is not applicable to the company for the current period.
10. The company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
11. The provisions of any special statute applicable to chit fund / nidhi / mutual benefit fund/societies are not applicable to the company.
12. In our opinion, the company is not a dealer or trader in shares, securities, debentures and other investments.
13. In our opinion and according to the information and explanations given to us, the company has not given any guarantee for loans taken by others from banks or financial institutions during the period.
14. The company has not obtained any term loans.
15. On the basis of an overall examination of the balance sheet of the company, in our opinion and according to the information and explanations given to us, there are no funds raised on a short-term basis which have been used for long-term investment.
16. The company has not raised any money by public issues during the period.
17. During the course of our examination of the books and records of the company, carried out in accordance with the generally accepted auditing practices in India, and according to the information and explanations given to us, we have neither come across any instance of fraud on or by the company, noticed or reported during the period, nor have we been informed of such case by the management.
18. The other clauses, (i)(c); (ii); (iii)(b), (iii)(c), (iii)(d), (iii)(f) and (iii)(g); (v)(b); (xi); (xviii) and (xix) of paragraph 4 of the Companies (Auditor's Report) Order 2003, as amended by the Companies (Auditor's Report) (Amendment) Order, 2004, are not applicable in the case of the company for the current period, since in our opinion there is no matter which arises to be reported in the aforesaid order.

P. Rama Krishna
Partner
Membership Number 22795

For and on behalf of
Price Waterhouse
Chartered Accountants

Place : Bangalore
Date : April 25, 2006

Balance Sheet As At March 31, 2006

(Amount in Rupees)

	Schedule Ref	31st March 2006	
I. Sources of Funds			
1. Shareholders' Funds			
Share Capital	1		100,000
2. Share Application Money pending allotment			47,750,000
Total			**47,850,000**
II. Application of Funds			
1. Fixed Assets	2		
(a) Gross Block		5,342,339	
(b) Less : Depreciation		307,875	
(c) Net Block		5,034,464	
(d) Capital Work in Progress		84,388	
			5,118,852
2. Expenditure during construction period, pending allocation	3		42,747,874
3. Current Assets, Loans and Advances			
(a) Cash and Bank Balances	4	2,205,632	
(b) Loans and Advances	5	1,384,510	
		3,590,142	
Less : Current Liabilities and Provisions	6		
(a) Liabilities		3,387,272	
(b) Provisions		219,596	
		3,606,868	
Net Current Assets			(16,726)
Total			**47,850,000**
Statement on Significant Accounting Policies and Notes to the Accounts	7		

The Schedules referred to above form an integral part of the Balance Sheet.

This is the Balance Sheet referred to in our report of even date.

For and on behalf of the Board

Sd/-
P.Rama Krishna
Partner
For and on behalf of
Price Waterhouse
Chartered Accountants

Sd/-
G. M. Rao
Chairman

Sd/-
B. V. Nageswara Rao
Director

Sd/-
Shrikant Sharma
Company Secretary

Place : Bangalore
Date : April 25, 2006

Schedules forming part of the Balance Sheet as at March 31, 2006

(Amount in Rupees)

Schedule 1	31st March 2006
Share Capital	
Authorised	
10,000 Equity Shares of Rs.10 each	100,000
Issued, Subscribed & Paid Up	
10,000 Equity Shares of Rs.10 each Fully paid up	100,000
Of the above:	
(i) 5,100 Equity Shares are held by GMR Energy Limited, the Holding Company.	
(ii) 4,800 Equity Shares are held by GMR Infrastructure Limited, the ultimate Holding Company.	
Total	**100,000**

Schedules forming part of the Balance Sheet as at March 31, 2006

Schedule 2

Fixed Assets

(Amount in Rupees)

Description	Gross block			Depreciation		Net Block
	Additions	Withdrawals	As at March 31, 2006	For the Year	As at March 31, 2006	As at March 31, 2006
Office Equipment	4,287,092	–	4,287,092	222,022	222,022	4,065,070
Furniture and Fixtures	471,369	–	471,369	85,594	85,594	385,775
Capitalised Software (Note 1)	583,878	–	583,878	259	259	583,619
Total	**5,342,339**	–	**5,342,339**	**307,875**	**307,875**	**5,034,464**
Capital Work in Progress	84,388	–	84,388	–	–	84,388
Grand Total	**5,426,727**	–	**5,426,727**	**307,875**	**307,875**	**5,118,852**

Note: 1. The Capitalised software have useful lives ranging from 6-7 years. Amortisation of these assets is based on straight line method.

Schedules forming part of the Balance Sheet as at March 31, 2006

(Amount in Rupees)

Schedule 3	31st March 2006
Expenditure During Construction Period, Pending Allocation (From July 14, 2005 to March 31, 2006)	
Salaries, allowances and benefits to employees	16,834,754
Contribution to provident and other funds	158,122
Staff welfare expenses	632,113
Rent	2,086,415
Rates and taxes	4,811
Repairs and maintenance	
- Buildings	4,044
- Others	169,603
Consultancy and professional charges	6,183,330
Director's sitting fees	10,000
Remuneration to Auditors	
- Audit fees	335,190
Travelling and conveyance	3,693,852
Communication expenses	384,548
Preoperative project expenses	6,766,829
Recruitment expenses	2,455,410
Fringe Benefit Tax	463,815
Depreciation	307,875
Bank/other finance charges	550,367
Loss on exchange fluctuation	76
Miscellaneous expenses	1,696,256
Preliminary expenses	10,464
The above expenditure includes reimbursement to GMR Infrastructure Limited aggregating to Rs.17,835,874.	
Total	**42,747,874**

Schedules forming part of the Balance Sheet as at March 31, 2006

(Amount in Rupees)

Schedule 4	31st March 2006
Cash and Bank Balances	
Cash on hand	69,602
Balances with scheduled banks	
- On Current accounts	2,136,030
Total	**2,205,632**

(Amount in Rupees)

Schedule 5	31st March 2006
Loans and Advances	
(Unsecured, Considered Good)	
Advances recoverable in cash or in kind or for value to be received*	1,383,510
Deposits with Government Authorities	1,000
Total	**1,384,510**

* Includes amount due from directors as at March 31, 2006 - Rs. 5,00,000.
Maximum amount due at any time during the year was Rs. 5,00,000.

(Amount in Rupees)

Schedule 6	31st March 2006
Current Liabilities and Provisions	
A) Sundry Creditors	
Dues to small scale industrial undertakings	–
Dues to other than small scale industrial undertakings	2,883,377
Other Liabilities	503,895
	3,387,272
B) Provisions	
Provision for Employee Benefits	151,544
Provision for Taxation (Net of Advance Tax)	68,052
	219,596

Schedules forming part of the Balance Sheet as at March 31, 2006
Schedule 7

Statement on Significant Accounting Policies and Notes to the Accounts

I. Significant Accounting Policies

1. Accounting Assumptions

These accounts have been prepared under the historical cost convention on the basis of a going concern, with revenues recognised and expenses accounted on their accrual and amounts determined as payable or receivable during the year except those with significant uncertainities and in accordance with the applicable Accounting Standards as issued by the Institute of Chartered Accountants of India.

2. Fixed Assets

Fixed Assets are stated at cost of acquisition less depreciation. Cost of acquisition is inclusive of freight, duties, levies and all incidental expenditure attributable to bringing the asset to its working condition. Assets under installation or under construction as at the Balance Sheet date are shown as Capital Work in Progress.

3. Expenditure during Construction Period

The expenditure incidental to the project other than the borrowing costs is accounted for in accordance with the Guidance Note on "Treatment of expenditure during construction period" issued by the Institute of Chartered Accountants of India. Such expenditure will be allocated to fixed assets on commencement of commercial operations. Any income accrued upon short term investments of funds during construction period is reduced from the Expenditure during Construction Period.

4. Depreciation

Depreciation is provided on straight line method at the rates specified in Schedule XIV of the Companies Act,1956. Individual Assets costing less than Rs.5,000 are fully depreciated in the year of acquisition.

5. Retirement Benefits

Retirement Benefits are accounted for on accrual basis with contributions to recognised funds such as provident fund and pension fund charged against revenue each year. Liability for Gratuity and Superannuation is funded through a scheme administered by an insurer. Provision for Leave Encashment is made on actual basis based on balance leave as at the year end.

6. Foreign Currency Transaction

All foreign Currency transactions are accounted for at the exchange rate prevailing on the date of transactions. Current Assets and Current Liabilities are translated at the exchange rate prevailing on the balance sheet date and the resultant gain / loss if any, is recognised in the financial statements.

Schedules forming part of the Balance Sheet as at March 31, 2006
Schedule 7 (Contd.)

II. Notes on Accounts

1. **Contingent Liabilities**
   Performance guarantee issued by Bank : Rs. 149,000,000.

2. The Company has been incorporated for the purpose of design, construction, development, improvement, operation and maintenance including strengthening and widening of Ambala - Chandigarh Section on National Highway 21 and 22 in the states of Haryana and Punjab on Build, Operate and Transfer (BOT) basis and the project is under implementation.

3. The Company has not commenced business operation. Consequently no Profit and Loss Account has been drawn up. All the expenditure incurred (net of income earned) during the construction stage are grouped and disclosed under expenditure during construction period pending allocation in Schedule-3.

4. **Related Party Transactions:**
   a) Names of related parties and description of relationship

(i) Enterprise that Controls the Company	GMR Energy Limited (Holding Company) GMR Infrastructure Limited GMR Holdings Private Limited
(ii) Fellow Subsidiaries	GMR Power Corporation Private Limited Vemagiri Power Generation Limited GMR Mining and Energy Private Limited GMR Tambaram Tindivanam Expressways Private Limited GMR Tuni Anakapalli Expressways Private Limited GMR Hyderabad International Airport Limited GMR Pochanpalli Expressways Private Limited GMR Jadcherla Expressways Private Limited
(ii) Key Management Personnel and relatives	Mr.G.M.Rao Mr.G.B.S.Raju Mr.Srinivas Bommidala

   b) Summary of Transactions with the above related parties is as follows:

(Amount in Rupees)

Nature of Transaction	Holding Company	Balance Payable/ (Receivable)
Share Application Money	47,750,000	–

Notes:
(i) Transactions and outstanding balances in the nature of reimbursement of expenses incurred by one company on behalf of the other have not been considered.

Schedules forming part of the Balance Sheet as at March 31, 2006

5 The Company has entered into certain operating lease agreements and an amount of Rs.686,400 paid under such agreements has been disclosed as rent under Schedule 3 "Expenditure during construction period, pending allocation". These agreements are cancellable in nature.

6 Since the Project is in development stage, Profit and Loss Account has not been prepared, deferred taxes as per the Accounting Standard (AS-22) on "Accounting For Taxes on Income", issued by the Institute of Chartered Accountants of India has not been recognised.

7 Expenditure in Foreign Currency
a). Consultancy & Professional Charges : Rs. 446,308.

8 Additional information pursuant to paras 3, 4, 4-A, 4-B, 4-C and 4-D of part II of Schedule VI to the Companies Act, 1956 to the extent "Nil" or "Not Applicable" has not been furnished.

9 The Company was incorporated on 14th July, 2005. This being the first financial year of the company, the disclosure of the previous year figures are not applicable.

As per our report of even date attached

for **Price Waterhouse**
Chartered Accountants

For and on behalf of the Board

Sd/-
P.Rama Krishna
Partner

Sd/-
G. M. Rao
Chairman

Sd/-
B. V. Nageswara Rao
Director

Sd/-
Shrikant Sharma
Company Secretary

Place : Bangalore
Date : April 25, 2006

Cash Flow Statement for the year ended March 31, 2006

(Amount in Rupees)

Particulars	As at 31st March 2006
A Cash Flow From/(Used In) Operating Activities	
Net Profit Before Tax and Extraordinary Items	–
Operating Profit Before Working Capital Changes	–
Adjustments for:	
Changes in Trade and Other Receivables	(1,384,510)
Changes in Trade Payables	3,538,816
Cash generated from Operations	**2,154,306**
Income Taxes paid	(395,763)
Net Cash from Operating Activities	**1,758,543**
B Cash Flow From/(Used In) Investing Activities	
Purchase of Fixed Assets/Preoperative Expenditure Pending Allocation (including capital work in progress and capital advances)	(47,402,911)
Net Cash used in Investing Activities	**(47,402,911)**
C Cash Flow From/(Used In) Financing Activities	
Proceeds from Share Capital including Share application Money	47,850,000
Net Cash from Financing Activities	**47,850,000**
Net Increase in Cash and Cash Equivalents	**2,205,632**
Cash and Cash Equivalents at the beginning of the year	–
Cash and Cash Equivalents at the end of the year	**2,205,632**

Note:

1. The above Cash Flow Statement has been prepared under the 'Indirect Method' as set out in the Accounting Standard 3 on Cash Flow Statements issued by the Institute of Chartered Accountants of India.

This is the Cash Flow Statement referred to in our report of even date.

For and on behalf of the Board

Sd/-
P.Rama Krishna
Partner
For and on behalf of
Price Waterhouse
Chartered Accountants

Sd/-
G. M. Rao
Chairman

Sd/-
B. V. Nageswara Rao
Director

Sd/-
Shrikant Sharma
Company Secretary

Place : Bangalore
Date : April 25, 2006

Balance Sheet Abstract And Company's General Business Profile

1	**Registration Details**			
	Registration Number	36773	State Code	08
	Balance Sheet Date	March 31, 2006		
2	**Capital Raised during the year (Amount in Rs. Thousands)**			
	Public Issue	NIL	Rights Issue	NIL
	Bonus Issue	NIL	Private Placement	NIL
3	**Position of Mobilisation and Development of Funds (Amount in Rs. Thousands)**			
	Total Liabilities	47,850.00	Total assets	47,850.00
	Sources of Funds			
	Paid - Up Capital	100.00	Share Appl. Money/Calls in advance	47,750.00
	Reserves & Surplus	NIL	Unsecured Loans	NIL
	Secured Loan	NIL		
	Application of Funds			
	Net Fixed Assets (Incl.Expenditure during Construction Period)	47,866.73	Investments	NIL
	Net Current Assets	(16.73)	Misc. Expenditure	NIL
	Accumulated Losses	–		
4	**Performance of company (Amount in Rs. Thousands)**			
	Total Income	N.A	Total Expenditure	N.A
	+ (-) Profit / (Loss) before Tax	N.A	+ (-) Profit / (Loss) after Tax	N.A
	Earnings (Loss) per Share (Rs.)	N.A	Dividend rate (%)	N.A
5	**Generic Names of Three Principal Products / Services of Company (as per monetary terms)**			
	Item Code No. :	N.A	Product Description	N.A

For and on behalf of the Board

Sd/-	**Sd/-**	**Sd/-**
G. M. Rao	**B. V. Nageswara Rao**	**Shrikant Sharma**
Chairman	Director	Company Secretary.

Place : Bangalore
Date : April 25, 2006

GMR Jadcherla Expressways Private Limited

Project Highlights of GMR Jadcherla Expressways Private Limited

Section	:	Thondapalli - Jadcherla on NH - 7 in the State of Andhra Pradesh
Length of the Project	:	58 Kilometers
Type	:	Build, Operate and Transfer (BOT)
Basis	:	Toll
Concession Agreement Date	:	20th February 2006
Concession Period	:	20 Years
Estimated Project Cost	:	Rs. 4, 713 Millions

Board of Directors

Mr. G.M.Rao	Chairman
Mr. Srinivas Bommidala	Director
Mr. G.B.S. Raju	Director
Mr. B.V. Nageswara Rao	Director
Mr. N.C. Sarabeswaran	Director

Statutory Auditors

Price Waterhouse
Chartered Accountants
6-3-550, IInd Floor, L B Bhavan, Somajiguda, Hyderabad - 500082

Bankers

ING Vysya Bank

Registered Office

6-3-866/1/G3, Greenlands, Begumpet, Hyderabad 560 016 A.P. India
Telephone : 040 23410191
Fax : 040 55624443

Site Office

Ayshwarya Nilayam
D.No. 2-161, Solipur, Shadnagar, Mahaboobnagar District, Andhra Pradesh

Directors' Report

Dear Shareholders,

Your Directors have pleasure in presenting the First Annual Report and the Audited Accounts for the period ended 31st March, 2006, together with the Auditors Report thereon.

Incorporation

Your Company was incorporated on 18th October, 2005 as a Special Purpose Vehicle to implement Highway Project of 57.75 km stretch connecting Thondapalli & Jadcherla in the State of Andhra Pradesh.

The project was awarded through International Competitive bidding process of National Highways Authority of India under National Highways Development Project called NHDP Phase II, under North-South Corridor, on BOT basis

Review of Operations

During the period under review, considerable progress was made on many fronts in the directions of implementing the project as stated below.

Project

Your Company has entered into Concession Agreement with National Highways Authority of India on 20th February, 2006, for implementing the highway project envisaging Design, Construction, Development, Finance, Operation & Maintenance of 'Km 34.14 (Farukhnagar) to Km 80.05 (Jadcherla) on NH 7 in the state of Andhra Pradesh" and Improvement, Operation and Maintenance of Km 22.3 (Thondapalli) to Km 34.14 (Farukhnagar) on NH-7 on BOT Toll basis.

Project Finance

The project cost will be financed by equity and debt components. Negotiations are on with Lending Institutions and Banks and the financial closure is expected to be completed by August, 2006.

Project Progress

Preliminary project works have been initiated and your company is in the process of acquiring necessary permits, consents such as Forest clearances for tree cutting, Utility Shifting, etc, from the State Authorities of Andhra Pradesh and other statutory authorities. Your management's endeavor is to execute the works for the implementation of the project as per NHAI schedule.
For the project implementation, your Company is in the process of finalizing the Engineering, Procurement and Construction (EPC) Contractor in terms of Concession Agreement.

Finance

During the period upto 31st March,2006 the Company has received Rs.1.44 Crores towards Equity Share Capital (including Rs. 1.43 crores as Share Application money) and incurred an amount of Rs. 1.51 crores on account of Expenditure (part of expenditure is in Current Liabilities) during Construction and Rs. 0.08 crores towards purchase of Fixed Assets and Capital work-in-progress.

Holding Company

Consequent to acquisition of equity shares of the Company by GMR Infrastructure Limited during the period, your company has become subsidiary of GMR Infrastructure Limited.

Directors

The First Directors of the Company are Mr. G. Mallikarjuna Rao and Mr. G.B.S Raju and Mr. Srinivas Bommidala.

Mr. B.V. Nageswara Rao and Mr. N.C. Sarabeswaran were co-opted as Additional Directors during the period and they shall hold the office of Directors upto the date of ensuing Annual General Meeting.

Being eligible, Mr. B.V. Nageswara Rao and Mr. N.C. Sarabeswaran have offered themselves for re-appointment.

The Company has received notices from the members, proposing the appointment of Mr. B.V. Nageswara Rao and Mr. N.C. Sarabeswaran, as Directors at the ensuing Annual General Meeting.

Directors' Report

Keeping in view their vast expertise and knowledge, it will be in the interest of the Company that the above persons are appointed as Directors of the Company. The Board of Directors recommend the appointment of these Directors.

Mr. G.M. Rao and Mr. G.B.S. Raju, the Directors of the Company retire by rotation at the ensuing Annual General Meeting and being eligible, offer themselves for re-appointment. The Board of Directors recommend the appointment of these Directors.

Directors' Responsibility Statement

Pursuant to the requirement under Section 217 (2AA) of the Companies Act, 1956 with respect to Directors' Responsibility Statement, it is hereby confirmed:

1. that in the preparation of the annual accounts for the period ended March 31, 2006 the applicable accounting standards have been followed and proper explanations were provided for material departures if any.
2. that the Directors have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as at the end of the period.
3. that the Directors had taken proper and sufficient care for maintenance of adequate accounting records in accordance with the provisions of Companies Act, 1956 for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities.
4. that the Directors had prepared the accounts for the period ended 31st March, 2006 on a going concern basis.

Auditors

M/s Price Waterhouse, Chartered Accountants, Hyderabad Statutory Auditors of the Company shall hold office until the conclusion of the ensuing Annual General Meeting and are eligible for re-appointment. The Company has received a letter from them, to the effect that their appointment, if made, would be within the prescribed limits under section 224 (1-B) of the Companies Act, 1956.

Auditors' Report

The Notes to Accounts forming part of Annual Accounts are self-explanatory and need no further elaboration. There are no issues raised in Auditors' Report which require any clarification/explanation.

Conservation of Energy, Technical Absorption and Foreign Exchange Earnings, and outgo

The particulars as required under sub-section (1)(e) of section 217 of the Companies Act, 1956, read with the Companies (Disclosure of particulars in the report of Board of Directors) Rules, 1988 , are set out in the annexure "A" as part of this report.

Particulars of Employees

There are no Employees whose Particulars as required to be disclosed under Section 217 (2A) of the Companies Act, 1956 read with Companies (Particulars of Employees) Rules, 1975.

Fixed Deposits

During the year under review, the Company has not accepted any deposits from public.

Acknowledgements

Your Directors take this opportunity to express their sincere thanks and gratitude to the Government of India, Government of Andhra Pradesh, National Highways Authority of India and other Central and State Government Agencies and ING Vysya Bank Limited and ICICI Bank Limited for their support.

Your Directors place on record their sincere appreciation of the contributions made by the employees at all levels through their hard work, dedication, solidarity and support.

For and on behalf of the Board

Place : Bangalore
Date : April 25, 2006

G. M. Rao
Chairman

Annexure "A" To The Directors' Report

Information pursuant to Section 217(1)(e) of the Companies Act, 1956 read with the Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules 1988 as amended and forming part of the Directors' Report for the period ended 31st March, 2006.

1. Conservation of energy and technology absorption:

Since the company is not engaged in any manufacturing activity the particulars are not applicable.

2. Foreign Exchange earnings or outgo in Foreign Exchange during the period:

The particulars relating to Foreign Exchange Earnings or out go in foreign exchange incurred during the period are:

i) There was no foreign exchange earning during the year.

ii) There was no foreign exchange Outgo during the year.

For and on behalf of the Board

Place : Bangalore
Date : April 25, 2006

G. M. Rao
Chairman

Auditors' Report

To
The Members
GMR Jadcherla Expressways Private Limited

1. We have audited the attached Balance Sheet of **GMR Jadcherla Expressways Private Limited** ("the Company"), as at March 31, 2006, and the related Cash Flow Statement for the period ended on that date annexed thereto, which we have signed under reference to this report. No Profit and Loss Account has been prepared for the reason stated in Note II(4) of Schedule 7. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with the auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) Order, 2003, as amended by the Companies (Auditor's Report) (Amendment) Order, 2004, issued by the Central Government of India in terms of sub-section (4A) of Section 227 of 'The Companies Act, 1956' of India (the 'Act') and on the basis of such checks of the books and records of the company as we considered appropriate and according to the information and explanations given to us, we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.
4. Further to our comments in the Annexure referred to in paragraph 3 above, we report that:
   (a) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit;
   (b) In our opinion, proper books of account as required by law have been kept by the company so far as appears from our examination of those books;
   (c) The Balance Sheet and Cash Flow Statement dealt with by this report are in agreement with the books of account;
   (d) In our opinion, the Balance Sheet and Cash Flow Statement dealt with by this report comply with the accounting standards referred to in sub-section (3C) of Section 211 of the Act;
   (e) On the basis of written representations received from the directors, as on March 31, 2006 and taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2006 from being appointed as a director in terms of clause (g) of sub-section (1) of Section 274 of the Act;
   (f) In our opinion and to the best of our information and according to the explanations given to us, the said financial statements together with the notes thereon and attached thereto give in the prescribed manner the information required by the Act and give a true and fair view in conformity with the accounting principles generally accepted in India:
      (i) in the case of the Balance Sheet, of the state of affairs of the company as at March 31, 2006;
      (ii) in the case of the Cash Flow Statement, of the cash flows for the period ended on that date.

P. Rama Krishna
Partner
Membership Number 22795
For and on behalf of
Price Waterhouse
Chartered Accountants

Place : Bangalore
Date : April 25, 2006

Annexure To Auditors' Report

[Referred to in paragraph 3 of the Auditors' Report of even date to the members of GMR Jadcherla Expressways Private Limited on the financial statements for the period ended March 31, 2006]

1. (a) The company is maintaining proper records showing full particulars including quantitative details and situation of fixed assets.

   (b) The fixed assets of the company have been physically verified by the management during the period and no material discrepancies between the book records and the physical inventory have been noticed. In our opinion, the frequency of verification is reasonable.

2. The company has neither granted nor taken any loan, secured or unsecured, to/from companies, firms or other parties covered in the register maintained under Section 301 of the Act.

3. In our opinion and according to the information and explanations given to us, there is an adequate internal control system commensurate with the size of the company and the nature of its business for the purchase of fixed assets. The activities of the company did not involve purchase of inventory and sale of goods and services during the period. Further, on the basis of our examination of the books and records of the company, and according to the information and explanations given to us, we have neither come across nor have been informed of any continuing failure to correct major weaknesses in the aforesaid internal control system.

4. According to the information and explanations given to us, there have been no contracts or arrangements referred to in Section 301 of the Act during the period to be entered in the register required to be maintained under that Section. Accordingly, commenting on transactions made in pursuance of such contracts or arrangements does not arise.

5. The company has not accepted any deposits from the public within the meaning of Sections 58A and 58AA of the Act and the rules framed there under.

6. As the company is not listed on any stock exchange or the paid-up capital and reserves as at the commencement of the financial year did not exceed Rupees Fifty Lakhs or the average annual turnover for a period of three consecutive financial years immediately preceding the financial year did not exceed Rupees Five Crores, the requirement of the internal audit system as per the clause (vii) of paragraph 4 of the Companies (Auditor's Report) Order, 2003, as amended by the Companies (Auditor's Report) Order, 2004 is not applicable to the company for the current period.

7. The Central Government of India has not prescribed the maintenance of cost records under clause (d) of sub-section (1) of Section 209 of the Act for any of the products of the company.

8. (a) According to the information and explanations given to us and the records of the company examined by us, in our opinion, the company is generally regular in depositing the undisputed statutory dues including provident fund, income-tax, wealth tax and other material statutory dues as applicable with the appropriate authorities. According to the information and explanations given to us and the records of the company examined by us, investor education and protection fund, employees' state insurance, sales-tax, service tax, customs duty, excise duty and cess are not applicable to the company in the current period.

   (b) According to the information and explanations given to us and the records of the company examined by us, there are no dues of income-tax and wealth tax which have not been deposited on account of any dispute. According to the information and explanations given to us and the records of the company examined by us, sales tax, service tax, customs duty, excise duty and cess are not applicable to the company for the current period.

Annexure To Auditors' Report

9. As the company is registered for a period less than five years, clause (x) of paragraph 4 of the Companies (Auditor's Report) Order, 2003, as amended by the Companies (Auditor's Report) (Amendment) Order, 2004, regarding the erosion of 50% or more of net worth and the cash losses in the current and immediately preceding financial years, is not applicable to the company for the current period.

10. The company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities.

11. The provisions of any special statute applicable to chit fund / nidhi / mutual benefit fund/societies are not applicable to the company.

12. In our opinion, the company is not a dealer or trader in shares, securities, debentures and other investments.

13. In our opinion and according to the information and explanations given to us, the company has not given any guarantee for loans taken by others from banks or financial institutions during the period.

14. The company has not obtained any term loans.

15. On the basis of an overall examination of the balance sheet of the company, in our opinion and according to the information and explanations given to us, there are no funds raised on a short-term basis which have been used for long-term investment.

16. The company has not raised any money by public issues during the period.

17. During the course of our examination of the books and records of the company, carried out in accordance with the generally accepted auditing practices in India, and according to the information and explanations given to us, we have neither come across any instance of fraud on or by the company, noticed or reported during the period, nor have we been informed of such case by the management.

18. The other clauses, (i)(c); (ii); (iii)(b), (iii)(c), (iii)(d), (iii)(f) and (iii)(g); (v)(b); (xi); (xviii) and (xix) of paragraph 4 of the Companies (Auditor's Report) Order 2003, as amended by the Companies (Auditor's Report) (Amendment) Order, 2004, are not applicable in the case of the company for the current period, since in our opinion there is no matter which arises to be reported in the aforesaid order.

P. Rama Krishna
Partner
Membership Number 22795
For and on behalf of
Price Waterhouse
Chartered Accountants

Place : Bangalore
Date : April 25, 2006

Balance Sheet As At March 31, 2006

(Amount in Rupees)

	Schedule Ref	31st March 2006	
I. Sources of Funds			
1. Shareholders' Funds			
Share Capital	1		100,000
2. Share Application Money, pending allotment			14,300,000
Total			**14,400,000**
II. Application of Funds			
1. **Fixed Assets**	2		
(a) Gross Block		813,730	
(b) Less : Depreciation		15,828	
(c) Net Block			797,902
2. **Expenditure during construction period, pending allocation**	3		15,109,417
3. **Current Assets, Loans and Advances**			
(a) Cash and Bank Balances	4	680,737	
(b) Loans and Advances	5	275,197	
		955,934	
Less : Current Liabilities and Provisions	6		
(a) Liabilities		2,350,248	
(b) Provisions		113,005	
		2,463,253	
Net Current Assets			(1,507,319)
Total			**14,400,000**
Statement on Significant Accounting Policies and Notes to the Accounts	7		

The Schedules referred to above form an integral part of the Balance Sheet.

This is the Balance Sheet referred to in our report of even date.

For and on behalf of the Board

Sd/-
P.Rama Krishna
Partner
For and on behalf of
Price Waterhouse
Chartered Accountants

Place : Bangalore
Date : April 25, 2006

Sd/-
G. M. Rao
Chairman

Sd/-
B. V. Nageswara Rao
Director

Schedules forming part of the Balance Sheet as at March 31, 2006

(Amount in Rupees)

Schedule 1	31st March 2006
Share Capital	
Authorised	
10,000 Equity Shares of Rs.10 each	100,000
Issued, Subscribed & Paid Up	
10,000 Equity Shares of Rs.10 each Fully paid up	100,000
Of the above:	
(i) 5,100 Equity Shares are held by GMR Infrastructure Limited, the Holding Company.	
(ii) 1,000 Equity Shares are held by GMR Energy Limited, subsidiary of the Holding Company.	
Total	**100,000**

Schedules forming part of the Balance Sheet as at March 31, 2006

Schedule 2

Fixed Assets

(Amount in Rupees)

Description	Gross block			Depreciation		Net Block
	Additions	Withdrawals	As at March 31, 2006	For the Year	As at March 31, 2006	As at March 31, 2006
Office Equipment	229,852	–	229,852	15,569	15,569	214,283
Capitalised Software (Note 1)	583,878	–	583,878	259	259	583,619
Total	**813,730**	**–**	**813,730**	**15,828**	**15,828**	**797,902**

Note: 1. The Capitalised software have useful lives ranging from 6-7 years. Amortisation of these assets is based on straight line method.

Schedules forming part of the Balance Sheet as at March 31, 2006

(Amount in Rupees)

Schedule 3	31st March 2006
Expenditure During Construction Period, Pending Allocation (From October 18, 2005 to March 31, 2006)	
Salaries, allowances and benefits to employees	3,527,366
Contribution to provident and other funds	73,413
Staff welfare expenses	279,432
Rent	1,746,002
Rates and taxes	940
Repairs and maintenance	
- Others	140,365
Consultancy and professional charges	614,037
Remuneration to Auditors	
- Audit fees	224,480
Travelling and conveyance	670,245
Communication expenses	81,427
Preoperative project expenses	6,757,786
Recruitment expenses	392,678
Fringe Benefit Tax	121,576
Depreciation	15,828
Bank/other finance charges	220,775
Miscellaneous expenses	229,418
Preliminary expenses	13,649
The above expenditure includes reimbursement to GMR Infrastructure Limited aggregating to Rs.6,865,365.	
Total	**15,109,417**

Schedules forming part of the Balance Sheet as at March 31, 2006

(Amount in Rupees)

Schedule 4	31st March 2006
Cash and Bank Balances	
Cash on hand	25,127
Balances with scheduled banks	
- On Current accounts	655,610
Total	**680,737**

(Amount in Rupees)

Schedule 5	31st March 2006
Loans and Advances	
(Unsecured, Considered Good)	
Advances recoverable in cash or in kind or for value to be received	275,197
Total	**275,197**

(Amount in Rupees)

Schedule 6	31st March 2006
Current Liabilities and Provisions	
A) Sundry Creditors	
Dues to small scale industrial undertakings	–
Dues to other than small scale industrial undertakings	2,098,991
Other Liabilities	251,257
	2,350,248
B) Provisions	
Provision for Employee Benefits	42,368
Provision for Taxation (Net of Advance Tax)	70,637
	113,005

Schedules forming part of the Balance Sheet as at March 31, 2006
Schedule 7

Statement on Significant Accounting Policies and Notes to the Accounts

I. Significant Accounting Policies

1. Accounting Assumptions

These accounts have been prepared under the historical cost convention on the basis of a going concern, with revenues recognised and expenses accounted on their accrual and amounts determined as payable or receivable during the year except those with significant uncertainities and in accordance with the applicable Accounting Standards as issued by the Institute of Chartered Acountants of India.

2. Fixed Assets

Fixed Assets are stated at cost of acquisition less depreciation. Cost of acquisition is inclusive of freight, duties, levies and all incidental expenditure attributable to bringing the asset to its working condition.

3. Expenditure during Construction Period

The expenditure incidental to the project other than the borrowing costs is accounted for in accordance with the Guidance Note on "Treatment of expenditure during construction period" issued by the Institute of Chartered Accountants of India. Such expenditure will be allocated to fixed assets on commencement of commercial operations. Any income accrued upon short term investments of funds during construction period is reduced from the Expenditure during Construction period.

4. Depreciation

Depreciation is provided on straight line method at the rates specified in Schedule XIV of the Companies Act,1956. Individual Assets costing less than Rs.5,000 are fully depreciated in the year of acquisition.

5. Retirement Benefits

Retirement Benefits are accounted for on accrual basis with contributions to recognised funds such as provident fund and pension fund charged against revenue each year. Liability for Gratuity and Superannuation is funded through a scheme administered by an insurer. Provision for Leave Encashment is made on actual basis on balance leave as at the year end.

Schedules forming part of the Balance Sheet as at March 31, 2006
Schedule 7 (Contd.)

II. Notes on Accounts

1. **Contingent Liabilities**
   Performance guarantee issued by Bank : Rs. 133,590,000.

2. The Company has been incorporated for the purpose of design, construction, development, finance, operation and maintenance of Farukhnagar to Jadcherla section and improvement, operation and maintenance of Thondapalli to Farukhnagar section on National Highway 7 in the state of Andhra Pradesh on Build Operate and Transfer (BOT) Basis and project is under implementation.

3. The Company has not commenced business operation. Consequently no Profit and Loss Account has been drawn up. All the expenditure incurred (net of income earned) during the construction stage are grouped and disclosed under expenditure during construction period, pending allocation in Schedule-3.

4. **Details of transcations with Related Parties:**

   a) Names of related parties and description of relationship

(i) Enterprise that Controls the Company	GMR Infrastructure Limited (Holding Company) GMR Holdings Private Limited
(ii) Fellow Subsidiaries	GMR Energy Limited GMR Hyderabad International Airport Limited GMR Pochanpalli Expressways Private Limited GMR Ambala Chandigarh Expressways Private Limited GMR Power Corporation Private Limited Vemagiri Power Generation Limited GMR Mining and Energy Private Limited GMR Tamabaram Tindivanam Expressways Private Limited GMR Tuni Anakapalli Expressways Private Limited
(ii) Key Management Personnel and relatives	Mr.G.M.Rao Mr.G.B.S.Raju Mr.Srinivas Bommidala

   b) Summary of Transactions with the above related parties is as follows:

(Amount in Rupees)

Nature of Transaction	Holding Company	Balance Payable/ (Receivable)
Share Application Money	14,300,000	–

Notes:

(i) Transactions and outstanding balances in the nature of reimbursement of expenses incurred by one company on behalf of the other have not been considered.

Schedules forming part of the Balance Sheet as at March 31, 2006
Schedule 7 (Contd.)

5. The Company has entered into certain operating lease agreements and an amount of Rs.346,000 paid under such agreements has been disclosed as rent under Schedule 3 "Expenditure during construction period, pending allocation". These agreements are cancellable in nature.

6. Since the Project is in development stage, Profit and Loss Account has not been prepared, deferred taxes as per the Accounting Standard (AS-22) on "Accounting For Taxes on Income", issued by the Institute of Chartered Accountants of India has not been recognised.

7. Additional information pursuant to paras 3, 4, 4-A, 4-B, 4-C and 4-D of part II of Schedule VI to the Companies Act, 1956 to the extent "Nil" or "Not Applicable" has not been furnished.

8. The Company was incorporated on 18th October, 2005. This being the first financial year of the company, the disclosure of the previous year figures are not applicable.

As per our report of even date attached

for **Price Waterhouse**
Chartered Accountants

For and on behalf of the Board

Sd/-
P.Rama Krishna
Partner

Sd/-
G. M. Rao
Chairman

Sd/-
B. V. Nageswara Rao
Director

Place : Bangalore
Date : April 25, 2006

Cash Flow Statement for the year ended March 31, 2006

(Amount in Rupees)

Particulars	31st March 2006
A Cash Flow From/(Used In) Operating Activities	
Net Profit Before Tax and Extraordinary Items	–
Operating Profit Before Working Capital Changes	–
Adjustments for:	
Changes in Trade and Other Receivables	(275,197)
Changes in Trade Payables	2,392,616
Cash generated from Operations	**2,117,419**
Income Taxes paid	(50,939)
Net Cash from Operating Activities	**2,066,480**
B Cash Flow From/(Used In) Investing Activities	
Purchase of Fixed Assets/Preoperative Expenditure Pending Allocation	(15,785,743)
Net Cash used in Investing Activities	**(15,785,743)**
C Cash Flow From/(Used In) Financing Activities	
Proceeds from Share Capital including Share application Money	14,400,000
Net Cash from Financing Activities	**14,400,000**
Net Increase in Cash and Cash Equivalents	**680,737**
Cash and Cash Equivalents at the beginning of the year	**-**
Cash and Cash Equivalents at the end of the year	**680,737**

Note:

1. The above Cash Flow Statement has been prepared under the 'Indirect Method' as set out in the Accounting Standard 3 on Cash Flow Statements issued by the Institute of Chartered Accountants of India.

This is the Cash Flow Statement referred to in our report of even date.

For and on behalf of the Board

Sd/-
P.Rama Krishna
Partner
For and on behalf of
Price Waterhouse
Chartered Accountants

Place : Bangalore
Date : April 25, 2006

Sd/-
G. M. Rao
Chairman

Sd/-
B. V. Nageswara Rao
Director

Balance Sheet Abstract And Company's General Business Profile

1	**Registration Details**			
	Registration Number	47800	State Code	01
	Balance Sheet Date	March 31, 2006		
2	**Capital Raised during the year (Amount in Rs. Thousands)**			
	Public Issue	NIL	Rights Issue	NIL
	Bonus Issue	NIL	Private Placement	NIL
3	**Position of Mobilisation and Development of Funds (Amount in Rs. Thousands)**			
	Total Liabilities	14,400.00	Total assets	14,400.00
	Sources of Funds			
	Paid - Up Capital	100.00	Share Appl. Money/Calls in advance	14,300.00
	Reserves & Surplus	NIL	Unsecured Loans	NIL
	Secured Loan	NIL		
	Application of Funds			
	Net Fixed Assets (Incl.Expenditure during Construction Period)	15,907.32	Investments	NIL
	Net Current Assets	(1,507.32)	Misc. Expenditure	NIL
	Accumulated Losses	–		
4	**Performance of company (Amount in Rs. Thousands)**			
	Total Income	N.A	Total Expenditure	N.A
	+ (-) Profit / (Loss) before Tax	N.A	+ (-) Profit / (Loss) after Tax	N.A
	Earnings (Loss) per Share (Rs.)	N.A	Dividend rate (%)	N.A
5	**Generic Names of Three Principal Products / Services of Company (as per monetary terms)**			
	Item Code No. :	N.A	Product Description	N.A

For and on behalf of the Board

Sd/-	**Sd/-**
G. M. Rao	**B. V. Nageswara Rao**
Chairman	Director

Place : Bangalore
Date : April 25, 2006

GMR Pochanpalli Expressways Private Limited

Project Highlights of GMR Pochanpalli Expressways Private Limited

Section	:	Adloor Yella Reddy - Gundla Pochanpalli on NH - 7 in the State of Andhra Pradesh
Length of the Project	:	98 Kilometers
Type	:	Build, Operate and Transfer (BOT)
Basis	:	Annuity
Concession Agreement Date	:	31st March 2006
Concession Period	:	20 Years
Estimated Project Cost	:	Rs. 6,900 Millions

Board of Directors

Mr. G.M.Rao	Chairman
Mr. Srinivas Bommidala	Director
Mr. G.B.S. Raju	Director
Mr. B. V. Nageswara Rao	Director
Mr. N.C. Sarabeswaran	Director

Statutory Auditors

Price Waterhouse
Chartered Accountants
6-3-550, IInd Floor, L B Bhavan, Somajiguda, Hyderabad - 500082

Bankers

ING Vysya Bank

Registered Office

6-3-866/1/G3, Greenlands, Begumpet, Hyderabad 560 016 A.P. India
Telephone : 040 23410191
Fax : 040 55624443

Directors' Report

Dear Shareholders,

Your Directors have pleasure in presenting the First Annual Report and the Audited Accounts for the period ended 31st March, 2006, together with the Auditors Report thereon.

Incorporation

Your Company was incorporated on 18th October, 2005 as a Special Purpose Vehicle to implement Highway Project of 97.75 km stretch connecting Adloor Yellareddy & Gundla Pochanpalli in the State of Andhra Pradesh.

The project was awarded through International Competitive bidding process of National Highways Authority of India under National Highways Development Project called NHDP Phase II, under North-South Corridor, on BOT basis.

Review of Operations

During the period under review, considerable progress was made on many fronts in the directions of implementing the project as stated below.

Project

Your Company has entered into Concession Agreement with National Highways Authority of India on 31st March, 2006, for implementing the highway project envisaging Design, Construction, Development, Finance, Operation and Maintenance of 'Km 367.000 (Adloor Yellareddy) to Km 447.000 (Kalkallu) covering 80.745 kilometres and Improvement, Operation and Maintenance of Km 447.000 (Kalkallu) - Km 464.000 (Gundla Pochan Palli) covering 17.000 kilometres on NH-7 in the state of Andhra Pradesh on BOT - Annuity basis.

Project Finance

The project cost will be financed by equity and debt components. Negotiations are in final stage with Lenders and the financial closure is expected to be completed by September, 2006.

Project Progress

Preliminary project works have been initiated and your company is in the process of acquiring necessary permits, consents such as Forest clearances for tree cutting, Utility Shifting, etc, from the State Authorities of Andhra Pradesh and other statutory authorities. Your management's endeavor is to execute the works for the implementation of the project as per NHAI schedule.

For the project implementation, your Company is in the process of finalizing the Engineering, Procurement and Construction (EPC) Contractor in terms of Concession Agreement.

Finance

During the period upto 31st March, 2006 the Company has received Rs.1.19 Crores towards Equity Share Capital (including Rs. 1.18 crores as Share Application money) and incurred an amount of Rs. 1.15 crores on account of Expenditure) during Construction and Rs. 0.06 crores towards purchase of Fixed Assets and Capital work-in-progress.

Holding Company

Consequent to acquisition of equity shares of the Company by GMR Infrastructure Limited, during the period, your company has become subsidiary of GMR Infrastructure Limited.

Directors

The First Directors of the Company are Mr. G. Mallikarjuna Rao and Mr. G.B.S Raju and Mr. Srinivas Bommidala.

Mr. B.V. Nageswara Rao and Mr. N.C. Sarabeswaran were co-opted as Additional Directors during the period and they shall hold the office of Directors upto the date of ensuing Annual General meeting.

Being eligible, Mr. B.V. Nageswara Rao and Mr. N.C. Sarabeswaran have offered themselves for re-appointment.

The Company has received notices from the members, proposing the appointment of Mr. B.V. Nageswara Rao and Mr. N.C. Sarabeswaran, as Directors at the ensuing Annual General Meeting.

Directors' Report

Keeping in view their vast expertise and knowledge, it will be in the interest of the Company that the above persons are appointed as Directors of the Company. The Board of Directors recommend the appointment of these Directors.
Mr. G.M. Rao and Mr. G.B.S. Raju, the Directors of the Company retire by rotation at the ensuing Annual General Meeting and being eligible, offer themselves for re-appointment. The Board of Directors recommend the appointment of these Directors.

Directors' Responsibility Statement

Pursuant to the requirement under Section 217 (2AA) of the Companies Act, 1956 with respect to Directors' Responsibility Statement, it is hereby confirmed:

1. that in the preparation of the annual accounts for the period ended March 31, 2006 the applicable accounting standards have been followed and proper explanations were provided for material departures if any.
2. that the Directors have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as at the end of the period.
3. that the Directors had taken proper and sufficient care for maintenance of adequate accounting records in accordance with the provisions of Companies Act, 1956 for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities.
4. that the Directors had prepared the accounts for the period ended 31st March, 2006 on a going concern basis.

Auditors

M/s Price Waterhouse, Chartered Accountants, Hyderabad Statutory Auditors of the Company shall hold office until the conclusion of the ensuing Annual General Meeting and are eligible for re-appointment. The Company has received a letter from them, to the effect that their appointment, if made, would be within the prescribed limits under section 224 (1-B) of the Companies Act, 1956.

Auditors' Report

The Notes to Accounts forming part of Annual Accounts are self-explanatory and need no further elaboration. There are no issues raised in Auditors' Report which require any clarification/explanation.

Conservation of Energy, Technical Absorption and Foreign Exchange Earnings, and outgo

The particulars as required under sub-section (1) (e) of section 217 of the Companies Act, 1956, read with the Companies (Disclosure of particulars in the report of Board of Directors) Rules, 1988 , are set out in the annexure "A" as part of this report.

Particulars of Employees

There are no Employees whose Particulars as required to be disclosed under Section 217 (2A) of the Companies Act, 1956 read with Companies (Particulars of Employees) Rules, 1975.

Fixed Deposits

During the year under review, the Company has not accepted any deposits from public.

Acknowledgements

Your Directors take this opportunity to express their sincere thanks and gratitude to the Government of India, Government of Andhra Pradesh, National Highways Authority of India and other Central and State Government Agencies and ING Vysya Bank Limited and ICICI Bank Limited for their support.

Your Directors place on record their sincere appreciation of the contributions made by the employees at all levels through their hard work, dedication, solidarity and support.

For and on behalf of the Board

Place : Bangalore
Date : April 25 ,2006

G. M. Rao
Chairman

Annexure "A" To The Directors' Report

Information pursuant to Section 217(1)(e) of the Companies Act, 1956 read with the Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules 1988 as amended and forming part of the Directors' Report for the period ended 31st March , 2006.

1. Conservation of energy and technology absorption:

Since the company is not engaged in any manufacturing activity the particulars are not applicable.

2. Foreign Exchange earnings or outgo in Foreign Exchange during the period:

The particulars relating to Foreign Exchange Earnings or out go in foreign exchange incurred during the period are:

i) There was no foreign exchange earning during the year.

ii) There was no foreign exchange Outgo during the year.

For and on behalf of the Board

Place : Bangalore
Date : April 25 ,2006

G. M. Rao
Chairman

Auditors' Report

To
The Members
GMR Pochanpalli Expressways Private Limited

1. We have audited the attached Balance Sheet of **GMR Pochanpalli Expressways Private Limited** ("the Company"), as at March 31, 2006, and the related Cash Flow Statement for the period ended on that date annexed thereto, which we have signed under reference to this report. No Profit and Loss Account has been prepared for the reason stated in Note II(4) of Schedule 7. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with the auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) Order, 2003, as amended by the Companies (Auditor's Report) (Amendment) Order, 2004, issued by the Central Government of India in terms of sub-section (4A) of Section 227 of 'The Companies Act, 1956' of India (the 'Act') and on the basis of such checks of the books and records of the company as we considered appropriate and according to the information and explanations given to us, we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.
4. Further to our comments in the Annexure referred to in paragraph 3 above, we report that:
   (a) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit;
   (b) In our opinion, proper books of account as required by law have been kept by the company so far as appears from our examination of those books;
   (c) The Balance Sheet and Cash Flow Statement dealt with by this report are in agreement with the books of account;
   (d) In our opinion, the Balance Sheet and Cash Flow Statement dealt with by this report comply with the accounting standards referred to in sub-section (3C) of Section 211 of the Act;
   (e) On the basis of written representations received from the directors, as on March 31, 2006 and taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2006 from being appointed as a director in terms of clause (g) of sub-section (1) of Section 274 of the Act;
   (f) In our opinion and to the best of our information and according to the explanations given to us, the said financial statements together with the notes thereon and attached thereto give in the prescribed manner the information required by the Act and give a true and fair view in conformity with the accounting principles generally accepted in India:
      (i) in the case of the Balance Sheet, of the state of affairs of the company as at March 31, 2006;
      (ii) in the case of the Cash Flow Statement, of the cash flows for the period ended on that date.

P. Rama Krishna
Partner
Membership Number 22795
For and on behalf of
Price Waterhouse
Chartered Accountants

Place : Bangalore
Date : April 25 ,2006

Annexure To Auditors' Report

[Referred to in paragraph 3 of the Auditors' Report of even date to the members of GMR Pochanpalli Expressways Private Limited on the financial statements for the period ended March 31, 2006]

1. (a) The company is maintaining proper records showing full particulars including quantitative details and situation of fixed assets.

   (b) The fixed assets of the company have been physically verified by the management during the period and no material discrepancies between the book records and the physical inventory have been noticed. In our opinion, the frequency of verification is reasonable.

2. The company has neither granted nor taken any loan, secured or unsecured, to/from companies, firms or other parties covered in the register maintained under Section 301 of the Act.

3. In our opinion and according to the information and explanations given to us, there is an adequate internal control system commensurate with the size of the company and the nature of its business for the purchase of fixed assets. The activities of the company did not involve purchase of inventory and sale of goods and services during the period. Further, on the basis of our examination of the books and records of the company, and according to the information and explanations given to us, we have neither come across nor have been informed of any continuing failure to correct major weaknesses in the aforesaid internal control system.

4. According to the information and explanations given to us, there have been no contracts or arrangements referred to in Section 301 of the Act during the period to be entered in the register required to be maintained under that Section. Accordingly, commenting on transactions made in pursuance of such contracts or arrangements does not arise.

5. The company has not accepted any deposits from the public within the meaning of Sections 58A and 58AA of the Act and the rules framed there under.

6. As the company is not listed on any stock exchange or the paid-up capital and reserves as at the commencement of the financial year did not exceed Rupees Fifty Lakhs or the average annual turnover for a period of three consecutive financial years immediately preceding the financial year did not exceed Rupees Five Crores, the requirement of the internal audit system as per the clause (vii) of paragraph 4 of the Companies (Auditor's Report) Order, 2003, as amended by the Companies (Auditor's Report) Order, 2004 is not applicable to the company for the current period.

7. The Central Government of India has not prescribed the maintenance of cost records under clause (d) of sub-section (1) of Section 209 of the Act for any of the products of the company.

8. (a) According to the information and explanations given to us and the records of the company examined by us, in our opinion, the company is generally regular in depositing the undisputed statutory dues including provident fund, income-tax, wealth tax and other material statutory dues as applicable with the appropriate authorities. According to the information and explanations given to us and the records of the company examined by us, investor education and protection fund, employees' state insurance, sales-tax, service tax, customs duty, excise duty and cess are not applicable to the company in the current period.

   (b) According to the information and explanations given to us and the records of the company examined by us, there are no dues of income-tax and wealth tax which have not been deposited on account of any dispute. According to the information and explanations given to us and the records of the company examined by us, sales tax, service tax, customs duty, excise duty and cess are not applicable to the company for the current period.

Annexure To Auditors' Report

9. As the company is registered for a period less than five years, clause (x) of paragraph 4 of the Companies (Auditor's Report) Order, 2003, as amended by the Companies (Auditor's Report) (Amendment) Order, 2004, regarding the erosion of 50% or more of net worth and the cash losses in the current and immediately preceding financial years, is not applicable to the company for the current period.

10. The company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities.

11. The provisions of any special statute applicable to chit fund / nidhi / mutual benefit fund/societies are not applicable to the company.

12. In our opinion, the company is not a dealer or trader in shares, securities, debentures and other investments.

13. In our opinion and according to the information and explanations given to us, the company has not given any guarantee for loans taken by others from banks or financial institutions during the period.

14. The company has not obtained any term loans.

15. On the basis of an overall examination of the balance sheet of the company, in our opinion and according to the information and explanations given to us, there are no funds raised on a short-term basis which have been used for long-term investment.

16. The company has not raised any money by public issues during the period.

17. During the course of our examination of the books and records of the company, carried out in accordance with the generally accepted auditing practices in India, and according to the information and explanations given to us, we have neither come across any instance of fraud on or by the company, noticed or reported during the period, nor have we been informed of such case by the management.

18. The other clauses, (i)(c); (ii); (iii)(b), (iii)(c), (iii)(d), (iii)(f) and (iii)(g); (v)(b); (xi); (xviii) and (xix) of paragraph 4 of the Companies (Auditor's Report) Order 2003, as amended by the Companies (Auditor's Report) (Amendment) Order, 2004, are not applicable in the case of the company for the current period, since in our opinion there is no matter which arises to be reported in the aforesaid order.

P. Rama Krishna
Partner
Membership Number 22795
For and on behalf of
Price Waterhouse
Chartered Accountants

Place : Bangalroe
Date : April 25 ,2006

Balance Sheet As At March 31, 2006

(Amount in Rupees)

	Schedule Ref	31st March 2006	
I. Sources of Funds			
1. Shareholders' Funds			
Share Capital	1		100,000
2. Share Application Money, pending allotment			11,800,000
Total			**11,900,000**
II. Application of Funds			
1. Fixed Assets	2		
(a) Gross Block		583,878	
(b) Less : Depreciation		259	
(c) Net Block			583,619
2. Expenditure during construction period, pending allocation	3		11,486,694
3. Current Assets, Loans and Advances			
(a) Cash and Bank Balances	4	895,816	
(b) Loans and Advances	5	33,153	
		928,969	
Less : Current Liabilities and Provisions	6		
(a) Liabilities		1,089,139	
(b) Provisions		10,143	
		1,099,282	
Net Current Assets			(170,313)
Total			**11,900,000**
Statement on Significant Accounting Policies and Notes to the Accounts	7		

The Schedules referred to above form an integral part of the Balance Sheet.

This is the Balance Sheet referred to in our report of even date.

For and on behalf of the Board

Sd/-
P.Rama Krishna
Partner
For and on behalf of
Price Waterhouse
Chartered Accountants

Sd/-
G. M. Rao
Chairman

Sd/-
B. V. Nageswara Rao
Director

Place : Bangalore
Date : April 25 ,2006

Schedules forming part of the Balance Sheet as at March 31, 2006

(Amount in Rupees)

Schedule 1	31st March 2006
Share Capital	
Authorised	
10,000 Equity Shares of Rs.10 each	100,000
Issued, Subscribed & Paid Up	
10,000 Equity Shares of Rs.10 each Fully paid up	100,000
Of the above:	
(i) 5,100 Equity Shares are held by GMR Infrastructure Limited, the Holding Company.	
(ii) 1,000 Equity Shares are held by GMR Energy Limited, subsidiary of the Holding Company.	
Total	**100,000**

Schedules forming part of the Balance Sheet as at March 31, 2006

Schedule 2

Fixed Assets

(Amount in Rupees)

Description	Gross block			Depreciation		Net Block
	Additions	Withdrawals	As at March 31, 2006	For the Year	As at March 31, 2006	As at March 31, 2006
Capitalised Software (Note 1)	583,878	-	583,878	259	259	583,619
Total	**583,878**	**-**	**583,878**	**259**	**259**	**583,619**

Note: 1. The Capitalised software have useful lives ranging from 6-7 years. Amortisation of these assets is based on straight line method.

Schedules forming part of the Balance Sheet as at March 31, 2006

(Amount in Rupees)

Schedule 3	31st March 2006
Expenditure During Construction Period, Pending Allocation (From October 18, 2005 to March 31, 2006)	
Salaries, allowances and benefits to employees	2,428,000
Staff welfare expenses	399
Rent	1,400,002
Rates and taxes	200
Repairs and maintenance	
- Others	140,365
Consultancy and professional charges	17,580
Remuneration to Auditors	
- Audit fees	224,480
Travelling and conveyance	87,097
Communication expenses	2,087
Preoperative project expenses	6,757,786
Fringe Benefit Tax	23,349
Depreciation	259
Bank/other finance charges	228,126
Miscellaneous expenses	163,316
Preliminary expenses	13,649
The above expenditure includes reimbursement to GMR Infrastructure Limited aggregating to Rs.6,865,365.	
Total	**11,486,694**

Schedules forming part of the Balance Sheet as at March 31, 2006

(Amount in Rupees)

Schedule 4	31st March 2006
Cash and Bank Balances	
Balances with scheduled banks	
- On Current accounts	895,816
Total	**895,816**

(Amount in Rupees)

Schedule 5	31st March 2006
Loans and Advances	
(Unsecured, Considered Good)	
Advances recoverable in cash or in kind or for value to be received	33,153
Total	**33,153**

(Amount in Rupees)

Schedule 6	31st March 2006
Current Liabilities and Provisions	
A) Sundry Creditors	
Dues to small scale industrial undertakings	–
Dues to other than small scale industrial undertakings	1,034,722
Other Liabilities	54,417
	1,089,139
B) Provisions	
Provision for Taxation (Net of Advance Tax)	10,143
	10,143

Schedules forming part of the Balance Sheet as at March 31, 2006
Schedule 7

Statement on Significant Accounting Policies and Notes to the Accounts

I. Significant Accounting Policies

1. Accounting Assumptions

These accounts have been prepared under the historical cost convention on the basis of a going concern, with revenues recognised and expenses accounted on their accrual and amounts determined as payable or receivable during the year except those with significant uncertainities and in accordance with the applicable Accounting Standards as issued by the Institute of Chartered Accountants of India.

2. Fixed Assets

Fixed Assets are stated at cost of acquisition less depreciation. Cost of acquisition is inclusive of freight, duties, levies and all incidental expenditure attributable to bringing the asset to its working condition.

3. Expenditure during Construction Period

The expenditure incidental to the project other than the borrowing costs is accounted for in accordance with the Guidance Note on "Treatment of expenditure during construction period" issued by the Institute of Chartered Accountants of India. Such expenditure will be allocated to fixed assets on commencement of commercial operations. Any income accrued upon short term investments of funds during construction period is reduced from the Expenditure during Construction Period.

4. Depreciation

Depreciation is provided on straight line method at the rates specified in Schedule XIV of the Companies Act,1956. Individual Assets costing less than Rs.5,000 are fully depreciated in the year of acquisition.

5. Retirement Benefits

Retirement Benefits are accounted for on accrual basis with contributions to recognised funds such as provident fund and pension fund charged against revenue each year. Liability for Gratuity and Superannuation is funded through a scheme administered by an insurer. Provision for Leave Encashment is made on actual basis based on balance leave as at the year end.

Schedules forming part of the Balance Sheet as at March 31, 2006
Schedule 7 (Contd.)

II. Notes on Accounts

1. **Contingent Liabilities**
   Performance guarantee issued by Bank : Rs. 273,075,000.

2. The Company has been incorporated for the purpose of design, construction, development, improvement, operation and maintenance including strengthening and widening of Adloor Yellareddy to Kalkallu section on National Highway 7 in the state of Andhra Pradesh on Build Operate and Transfer (BOT) Basis and project is under implementation.

3. The Company has not commenced business operation. Consequently no Profit and Loss Account has been drawn up. All the expenditure incurred (net of income earned) during the construction stage are grouped and disclosed under expenditure during construction period, pending allocation in Schedule-3.

4. **Details of transcations with Related Parties:**
   a) Names of related parties and description of relationship

(i) Enterprise that Controls the Company	GMR Infrastructure Limited (Holding Company) GMR Holdings Private Limited
(ii) Fellow Subsidiaries	GMR Energy Limited GMR Hyderabad International Airport Limited GMR Jadcherla Expressways Private Limited GMR Ambala Chandigarh Expressways Private Limited GMR Power Corporation Private Limited Vemagiri Power Generation Limited GMR Mining and Energy Private Limited GMR Tamabaram Tindivanam Expressways Private Limited GMR Tuni Anakapalli Expressways Private Limited
(ii) Key Management Personnel and relatives	Mr.G.M.Rao Mr.G.B.S.Raju Mr.Srinivas Bommidala

   b) Summary of Transactions with the above related parties is as follows:

(Amount in Rupees)

Nature of Transaction	Holding Company	Balance Payable/ (Receivable)
Share Application Money	11,800,000	–

Notes:
(i) Transactions and outstanding balances in the nature of reimbursement of expenses incurred by one company on behalf of the other have not been considered.

Schedules forming part of the Balance Sheet as at March 31, 2006
Schedule 7 (Contd.)

5. Since the Project is in development stage, Profit and Loss Account has not been prepared, deferred taxes as per the Accounting Standard (AS-22) on "Accounting For Taxes on Income", issued by the Institute of Chartered Accountants of India has not been recognised.

6. Additional information pursuant to paras 3, 4, 4-A, 4-B, 4-C and 4-D of part II of Schedule VI to the Companies Act, 1956 to the extent "Nil" or "Not Applicable" has not been furnished.

7. The Company was incorporated on 18th October, 2005. This being the first financial year of the company, the disclosure of the previous year figures are not applicable.

As per our report of even date attached

for **Price Waterhouse**
Chartered Accountants

For and on behalf of the Board

Sd/-
P.Rama Krishna
Partner

Sd/-
G. M. Rao
Chairman

Sd/-
B. V. Nageswara Rao
Director

Place: Bangalore
Date : April 25 ,2006

Cash Flow Statement for the year ended March 31, 2006

(Amount in Rupees)

Particulars	31st March 2006
A Cash Flow From/(Used In) Operating Activities	
Net Profit Before Tax and Extraordinary Items	–
Operating Profit Before Working Capital Changes	–
Adjustments for:	
Changes in Trade and Other Receivables	(33,153)
Changes in Trade Payables	1,089,139
Cash generated from Operations	**1,055,986**
Income Taxes paid	(13,206)
Net Cash from Operating Activities	**1,042,780**
B Cash Flow From/(Used In) Investing Activities	
Purchase of Fixed Assets/Preoperative Expenditure Pending Allocation	(12,046,964)
Net Cash used in Investing Activities	**(12,046,964)**
C Cash Flow From/(Used In) Financing Activities	
Proceeds from Share Capital including Share application Money	11,900,000
Net Cash from Financing Activities	**11,900,000**
Net Increase in Cash and Cash Equivalents	**895,816**
Cash and Cash Equivalents at the beginning of the year	–
Cash and Cash Equivalents at the end of the year	**895,816**

Note:

1. The above Cash Flow Statement has been prepared under the 'Indirect Method' as set out in the Accounting Standard 3 on Cash Flow Statements issued by the Institute of Chartered Accountants of India.

This is the Cash Flow Statement referred to in our report of even date.

For and on behalf of the Board

Sd/-
P.Rama Krishna
Partner
For and on behalf of
Price Waterhouse
Chartered Accountants

Place : Bangalore
Date : April 25 ,2006

Sd/-
G. M. Rao
Chairman

Sd/-
B. V. Nageswara Rao
Director

Balance Sheet Abstract And Company's General Business Profile

1	**Registration Details**			
	Registration Number	47799	State Code	01
	Balance Sheet Date	March 31, 2006		
2	**Capital Raised during the year (Amount in Rs. Thousands)**			
	Public Issue	NIL	Rights Issue	NIL
	Bonus Issue	NIL	Private Placement	NIL
3	**Position of Mobilisation and Development of Funds (Amount in Rs. Thousands)**			
	Total Liabilities	11,900.00	Total assets	11,900.00
	Sources of Funds			
	Paid - Up Capital	100.00	Share Appl. Money/Calls in advance	11,800.00
	Reserves & Surplus	NIL	Unsecured Loans	NIL
	Secured Loan	NIL		
	Application of Funds			
	Net Fixed Assets (Incl.Expenditure during Construction Period)	12,070.31	Investments	NIL
	Net Current Assets	(170.31)	Misc. Expenditure	NIL
	Accumulated Losses	–		
4	**Performance of company (Amount in Rs. Thousands)**			
	Total Income	N.A	Total Expenditure	N.A
	+ (-) Profit / (Loss) before Tax	N.A	+ (-) Profit / (Loss) after Tax	N.A
	Earnings (Loss) per Share (Rs.)	N.A	Dividend rate (%)	N.A
5	**Generic Names of Three Principal Products / Services of Company (as per monetary terms)**			
	Item Code No. :	N.A	Product Description	N.A

For and on behalf of the Board

Sd/-	**Sd/-**
G. M. Rao	**B. V. Nageswara Rao**
Chairman	Director

Place : Bangalore
Date : April 25 ,2006

GMR Hyderabad International Airport Limited

Project Highlights of GMR Hyderabad International Airport Limited

Location:	Hyderabad, India
Airport Opening Date:	Scheduled Commercial Operation Date: April 2008
Principal EPC Contractors involved:	Larsen & Toubro - Airside & Landside Works China State Construction & Engineering (HK) - Passenger Terminal Building Works
Total investment:	Rs.17, 600 million - USD 390 Million

Key Features:

- India's foremost Greenfield airport developed under Public-Private initiative
- 7 million pax per annum initial capacity,
- Code-F (A-380) compatible runway,
- Parallel taxiway to be used for emergency take-off
- Modular Terminal Building, - initial capacity of 1,0600 sq.m.
- Hotels and Convention Facilities,
- State of art IT technology,
- 1,00000 MT initial capacity of Cargo terminal
- Fuel Farm, Flight catering, Aircraft MRO etc
- Excellent connectivity from city
- 'Airport Village' a place for meeters and greeters

Board of Directors

Mr. G. M. Rao	Chairman
Mr. Kiran Kumar Grandhi	Managing Director
Mr. Binoy Kumar, IAS	Director
Mr. P. Ramakanth Reddy, IAS	Director
Mr. K. Ramalingam	Director
Mr. Sanjay Narayen IAS	Director
Mr. Dato' Bashir Ahmad Bin Abdul Majid	Director
Mr. R.S.S.L.N. Bhaskarudu	Director
Mr. B V Nageswara Rao	Director
Mr. K Balasubramanian	Director
Prof. Rigas Doganis	Director
Mr. Sunil Tandon	Director
Mr. K Brahmananda Reddy	- Alternate to Mr. Binoy Kumar, IAS
Mr. T S Appa Rao, IAS	- Alternate to Mr. P Ramakanth Reddy, IAS
Mr. K V K Seshavataram	- Alternate to Mr. Prof. Rigas Doganis
Mr. Dato' Abd. Hamid B. Mohd. Ali	- Alternate to Dato' Bashir Ahmad Bin Abdul Majid

AVP (Fin & Accts) & Company Secretary

Mr Rajgopal Swami

Audit Committee Members

Mr. P. Ramakanth Reddy	Chairman
Mr. B.V. Nageswara Rao	Member
Mr. K. Balasubramanian	Member
Mr. K.V.K. Seshavatarm	Member

Auditors

Statutory Auditors
Price Waterhouse
Chartered Accountants
6-3-550, IInd Floor, L B Bhavan, Somajiguda, Hyderabad - 500082

Bankers

Allahabad Bank, Bank of Baroda
Oriental Bank of Commerce
Canara Bank.
State Bank of Hyderabad
Industrial Development Bank of India Ltd, Vijaya Bank
Infrastructure Development Finance Company Ltd

Registered Office

Aparna Crest, 3rd Floor, Banjara Hills Road No.2, Hyderabad 500 034 A.P. India
Telephone : 040 6672333
Fax : 040 66462626
www.newhyderabadairport.com

Directors' Report

To
The Members,
GMR Hyderabad International Airport Limited

Your Directors have pleasure in presenting the Third Annual Report and the Audited Accounts for the year ended March 31, 2006, together with the Auditors' Report thereon. During the year under review, the name of your company has been changed from Hyderabad International Airport Limited to **GMR Hyderabad International Airport Limited.**

Snapshot of activities for 2005-06

A year after Smt. Sonia Gandhi laid the Foundation Stone for GMR Hyderabad International Airport Limited, an annual review was held by Shri. Y. S. Rajasekhara Reddy, Chief Minister of Andhra Pradesh.

The financial year 2005-06 which was very eventful saw the start of many major activities.

- Your company achieved Financial Closure and the documents were signed on 22nd August 2005.
- The project received clearance from the Bureau of Civil Aviation Security (BCAS) in the month of June 2005.
- Your company had its representation in the first HADA Board Meeting which was held on 4th May 2005.
- Communication Navigation Services - Air Traffic Management (CNS-ATM) Agreement was signed with the Airports Authority of India on 11th August 2005.
- Airside Landside and Passenger Terminal Building contracts were awarded to Larsen & Toubro (L&T) and China State Construction Engineering (Hong Kong) Limited respectively.
- The first concrete pour for the PTB was done on 10th October 2005 by Shri. Ajay Prasad, Secretary, Ministry of Civil Aviation, Government of India.
- Your company's website has been launched on the public URL under the domain name of www.newhyderabadairport.com

State Support and Exemptions

Government Orders were issued by Revenue Department for reimbursement of Value Added Tax and also exemption of entry tax. Your company has been granted exemption of segniorage fee.

Clearances

Your company has procured BCAS Clearance in the month of June 2005, with which all the clearances for the project are in place.

EPC Contracts

The total construction process was categorized into the following packages:

A) Compound Wall
B) Site Preparation Works
C) Passenger Terminal Building
D) Air Side and Land Side

Compound Wall (Package I)

The construction of Compound Wall was awarded to Consolidated Consortium Construction Ltd. The compound wall/fence has been successfully completed in the month of April 2005.

Site Preparation Works (Package II)

Site Preparation Works awarded to Soma Enterprises Limited has been completed and the land has been handed over to the respective contractors during the month of March 2006.

Passenger Terminal Building (PTB) (Package III)

The contract for PTB was signed with China State Construction Engineering (Hong Kong) Limited on 12th August 2005 and a Notice to Progress (NTP) was issued in the month of September 2005.

The first concrete pour for the PTB was done on 10th October 2005 by Shri. Ajay Prasad, Secretary, Ministry of Civil Aviation, Government of India.

Directors' Report

Work on PTB foundation is substantially complete with 390 out of 396 footings concreted, as on the 25th March, 2006. Superstructure of PTB column concreting is in progress with 412 out of 833 column lifts up to level D having been cast, as on the 25th March, 2006.

The first lift of raft slab for Air Traffic Control (ATC) tower has been cast. Erection of falsework and formwork for elevated slab for plant desks in central processing area eastern pier is in progress. Three tower cranes have been erected and all three cranes are fully commissioned.

Air Side and Land Side (ALS) (Package IV)

The contract for ALS was signed with Larsen & Toubro on 12th August 2005 and NTP was issued in the month of September 2005.

PTB as on 25th March 2006 - GMR HIAL Site.

Runway - Cutting and filling work for runway is on schedule.

Main Access Road - Cutting and filling has been completed and the Granular Sub-base is in progress.

DG yard - Trench vertical wall has been completed, main cable trench and block work is in progress.

Work on forecourt foundations continues with 44 footings cast and 35 columns up to 604.5 level and 6 columns up to 601 level having been cast.

CFR Main - All the 40 footings have been cast and pedestals for 18 footings are completed.

CFR Satellite - Column marking has been completed for excavation.

Ground Handling workshop - Plinth beams have been totally completed and 10 columns have been cast.

Cargo Apron - First layer of subgrade is under preparation.

Overall Progress Summary- The planned cumulative programme is 10.75% while the overall progress has been 10.54% (As of 25th March 2006)

Directors' Report

Runway Compaction

Site Office

The Project Management Team of your company has occupied the site office during the month of November 2005. The punch list has been prepared by the team and the work has been completed

1. Landscaping in Type B Block of GHIAL site

2. Canteen in Type C Block of GHIAL Site

Business Development

Your Company had its representation at major conferences like the Routes Conference which was held in Copenhagen between 26 & 27 September 2005. Various aero and non-aero agreements like cargo, retail, fuel farm, catering, ground handling, MRO etc. are in advanced stages of conceptualization.

Airlines

During the year your company had negotiations with the major airlines for betterment of connectivity to Hyderabad from various destinations

Project Finance

Your company achieved Financial Closure on 22nd August 2005.

The total debt of Rs 960 crores was tied-up with IDFC as lead lender of the consortium, with the other participating banks being Allahabad Bank, Bank of Baroda, Canara Bank, IDBI, Oriental Bank of Commerce, State Bank of Hyderabad and Vijaya Bank.

Directors' Report

Human Resources, Administration & Training Programs

Recruitment of manpower was carried out as per the Human Resource plan of your Company. The administration and facilities policy and procedures have also been reviewed periodically to ensure that the best possible support system is provided by your Company.
Your company has conceived a new training program for the first time in country for the airport executives with the Cranfield University, UK. This will be the first step for having the executives and staff trained to meet new challenges in airport management and high service standards on par with reputed international airports. The first batch of executives have undergone the training module on "Airport Domain".

Way Forward

Your company expects the Commencement of Commercial Operation (COD) by the first quarter of 2008.

Finance

Your company has received 19028 Lakhs towards cash calls till March 31, 2006 (Rs. 10573 Lakhs till March 31, 2005) as per the Shareholders Agreement.
Your company has incurred project expenditure of Rs. 57005 Lakhs as on March 31, 2006 (Rs. 7005 lakhs till March 31, 2005). As the company is in the project state, a Profit & Loss Account has not been prepared.

Directors

Composition and size of the Board of Directors

The present Board comprises of the following directors:

Sl No	Name of the Director	Representing
1	Mr. G M Rao, Chairman	Sponsors
2	Mr. Kiran Kumar Grandhi, Managing Director	Sponsors
3	Mr. Sunil Tandon	Sponsors
4	Mr. B V Nageswara Rao	Sponsors
5	Prof. Rigas Doganis	Sponsors - Alternate director - Mr. K V K Seshavataram.
6	Mr. K Balasubramanian	Sponsors
7	Mr. P Ramakanth Reddy	Government of Andhra Pradesh Alternate Director - Mr. T S Appa Rao
8	Mr. Binoy Kumar	Government of Andhra Pradesh Alternate Director to Mr. K Brahmananda Reddy.
9	Mr. K Ramalingam	Airports Authority of India
10	Mr Sanjay Narayen IAS	Airports Authority of India
11	Dato' Bashir Ahmad Bin Abdul Majid	Sponsors - Alternate director - Dato' Abd. Hamid bin Mohd Ali
12	Mr. R S S L N Bhaskarudu	Independent

During the year under review, Dr. Nazim Zaidi and Mr. K V K Seshavataram ceased to be Directors of the company. Mr. K V K Seshavataram was subsequently appointed as Alternate Director to Prof. Rigas Doganis, Director of the company.

The Board places on record its deep appreciation for the services rendered by Dr. Nazim Zaidi and Mr. K V K Seshavataram, during their tenure as Directors.

Mr. K Ramalingam, Mr. Binoy Kumar and Prof. Rigas Doganis retire at the ensuring Annual General Meeting and being eligible offer themselves for re-appointment.

Mr. R S S L N Bhaskarudu and Mr. Sanjay Narayen, IAS, were appointed as Additional Directors on the Board and hold office till the ensuing Annual General Meeting. Notices under Section 257 of the Companies Act, 1956 have been received from the members of the company, for their appointment.

Mr. K Brahmananda Reddy was appointed as an Alternate Director to Mr. Binoy Kumar, IAS, replacing Mr. N P Ramakrishna Reddy, effective April 01, 2006.

Directors' Report

Audit Committee

The Audit Committee comprises of the following Directors;

Sl No	Name of Director
1	Mr. P Ramakanth Reddy (as Chairman)
2	Mr. B V Nageswara Rao, Member
3	Mr. K Balasubramanian, Member
4	Mr. K V K Seshavataram, Member

Directors' Responsibility Statement

Your directors confirm that

1. in the preparation of the annual accounts for the financial year ended 31st March, 2006, the applicable accounting standards have been followed along with proper explanation relating to material departures.
2. the Directors have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year ended 31st March, 2006
3. the Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities
4. the Directors have prepared the accounts for the financial year ended 31st March, 2006 on a 'going concern' basis.

Auditors

The auditors, M/s. Price Waterhouse, Chartered Accountants, Hyderabad, retire at the ensuing Annual General meeting and have confirmed their eligibility and willingness to accept office, if re- appointed.

Conservation of Energy, Technology Absorption & Foreign Exchange Earnings & Outgo

The particulars as required under sub-section (1)(e) of Section 217 of the Companies Act, 1956, read with the Companies (Disclosure of particulars in the Report of the Board of Directors) Rules, 1988, are set out in the Annexure - I included in this report.

Particulars of Employees

Particulars required under Section 217(2A) of the Companies Act, 1956 read with Companies (Particulars of Employees) Rules, 1975, as amended, are set out in the Annexure - II to this report.

Acknowledgement

Your Directors take this opportunity to express their sincere thanks and gratitude to the Government of India, Government of Andhra Pradesh, Airports Authority of India, Malaysia Airports Holdings Berhad, GMR Group and the Lending Banks and Financial Institutions, for their co-operation.

Your Directors place on record their sincere appreciation of the contributions made by the employees at all levels through their hard work, dedication, solidarity and support.

For and on behalf of the Board of Directors

Kiran Kumar Grandhi	B V Nageswara Rao
Managing Director	Director

Place: Hyderabad
Date: April 21, 2006

Annexure I to the report of the Directors

Particulars pursuant to Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules 1988.

Conservation of Energy, Technology absorption

Since the Company is in the project stage and is not engaged in any manufacturing activity, the particulars are not applicable.

Foreign Exchange Earnings and Outgo

There were no foreign exchange earnings during the period. Information regarding Foreign Exchange outgo is given in item no.11 of the Notes to Accounts

Auditors' Report

To
The Members,
GMR Hyderabad International Airport Limited

1. We have audited the attached Balance Sheet of **GMR Hyderabad International Airport Limited** as at March 31, 2006, and Cash Flow Statement for the year ended on that date annexed which we have signed under reference to this report. No Profit and Loss Account has been prepared for the reason stated in Note no.2 of Schedule L. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

2. We conducted our audit in accordance with the auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes, examining on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

3. As required by the Companies (Auditor's Report) Order, 2003, as amended by Companies (Auditor's Report)(Amendment) Order, 2004, issued by the Central Government of India in terms of sub-section (4A) of Section 227 of 'The Companies Act, 1956' of India (the 'Act') and on the basis of such checks of the books and records of the company as we considered appropriate and according to the information and explanations given to us, we give in the Annexure to this report, a statement on the matters specified in paragraphs 4 and 5 of the said Order.

4. Further to our comments in the Annexure referred to in paragraph 3 above, we report that:
   a) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit;
   b) In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;
   c) The Balance Sheet dealt with by this report is in agreement with the books of account;
   d) In our opinion, the Balance Sheet dealt with by this report complies with the accounting standards referred to in sub-section (3C) of Section 211 of the Act;
   e) On the basis of written representations received from the directors, as on March 31, 2006 and taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2006 from being appointed as a director in terms of clause (g) of sub-section (1) of Section 274 of the Act;
   f) In our opinion and to the best of our information and according to the explanations given to us, the said financial statements together with notes thereon and attached thereto give in the prescribed manner the information required by the Act and give a true and fair view in conformity with the accounting principles generally accepted in India, subject to Note. No II (10) of Schedule L pertaining to approval of the Central Government under section 269(2) of the Companies Act, 1956 :
      i. in the case of the Balance Sheet, of the state of affairs of the Company as at March 31, 2006; and
      ii. in the case of the Cash Flow Statement, of the cash flows for the year ended as on that date.

P Rama Krishna
Partner
Membership Number: 22795
For and on behalf of
Price Waterhouse
Chartered Accountants

Place: Hyderabad
Date: 21 April, 2006

Annexure To Auditors' Report

[Referred to in paragraph 3 of the Auditors' Report of even date to the members of GMR Hyderabad International Airport Limited on the financial statements as at March 31, 2006].

1. (a) The company is maintaining proper records showing full particulars including quantitative details and situation of fixed assets.

   (b) The fixed assets of the company have been physically verified by the management during the financial year and no discrepancies between the book records and the physical inventory have been noticed. In our opinion, the frequency of verification is reasonable.

2. The company has neither granted nor taken any loans, secured or unsecured, to/from companies, firms or other parties covered in the register maintained under Section 301 of the Act.

3. In our opinion and according to the information and explanations given to us, having regard to the explanation that certain items purchased are of special nature for which suitable alternative sources do not exist for obtaining comparative quotations, there is adequate internal system procedures commensurate with the size of the company and the nature of its business for the purchase of fixed assets. The activities of the Company did not involve purchase of inventory and sale of goods during the financial year. Further, on the basis of our examination of the books and records of the company, and according to the information and explanations given to us, we have neither come across nor have been informed of any instance of major weaknesses in the aforesaid internal control system.

4. In our opinion and according to the information and explanations given to us, there have been no contracts or arrangements referred to in section 301 of the Act during the year to be entered in the register required to be maintained under that section. Accordingly, commenting on transactions made in pursuance of such contracts or arrangements does not arise.

5. The company has not accepted any deposits from the public within the meaning of Sections 58A and 58AA of the Act and the rules framed there under.

6. As the company is not listed on any stock exchange and the paid up capital and reserves of the Company as at the commencemen of the financial year did not exceed Rs. Fifty Lakhs and as the average annual turnover is not applicable, clause (vii) of paragraph 4 of the Companies (Auditor's Report) Order, 2003, as amended by the Companies Auditor's Report)(Amendment) Order, 2004, is not applicable to the company for the current financial year.

7. (a) According to the information and explanations given to us and the records of the company examined by us, in our opinion, the company is generally regular in depositing the undisputed statutory dues including provident fund, income tax (other than short fall in the estimation and remittance of advance tax), wealth tax, service tax, and other material statutory dues as applicable with the appropriate authorities in India. According to the information and explanation given to us and the records of the company examined by us, investor education and protection fund, employees' state insurance, sales tax, customs duty, excise duty and cess are not applicable to the Company for the current financial year.

   (b) According to the information and explanations given to us and the records of the company examined by us, there are no dues of income tax, wealth tax and service tax, which have not been deposited on account of any dispute. According to the information and explanation given to us and the records of the company examined by us, sales tax, customs duty, excise duty and cess are not applicable to the Company for the current financial year.

8. As the company is registered for a period less than five years, clause (x) of paragraph 4 of the Companies (Auditor's Report) Order, 2003, as amended by the Companies (Auditor's Report)(Amendment) Order, 2004, is not applicable to the company for the current financial year.

9. According to the records of the company examined by us and the information and explanations given to us, the company has not defaulted in repayment of dues to any bank during the financial year

10. The company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities.

Annexure To Auditors' Report

11. The provisions of any special statute applicable to chit fund / nidhi / mutual benefit fund/societies are not applicable to the company.

12. In our opinion, the company is not a dealer or trader in shares, securities, debentures and other investments.

13. In our opinion and according to the information and explanations given to us, the company has not given any guarantee for loans taken by others from banks or financial institutions during the financial year.

14. In our opinion and according to the information and explanations given to us, on an overall basis, the term loans have been applied for the purposes for which they were obtained.

15. On the basis of an overall examination of the balance sheet of the company, in our opinion, and according to the information and explanations given to us, there are no funds raised on a short- term basis which have been used for long-term investment, and vice versa..

16. The company has not raised any money by public issues during the financial year.

17. During the course of our examination of the books and records of the company, carried out in accordance with the generally accepted auditing practices in India, we have neither come across any instance of fraud on or by the company, noticed or reported during the financial year, nor have we been informed of such case by the management.

18. The other clauses, (i)(c), (ii), (iii)(b), (iii)(c), (iii)(d), (iii)(f), (iii)(g); (v)(b); (vii); (xviii) and (xix) of paragraph 4 of the Companies (Auditor's Report) Order, 2003, as amended by Companies (Auditor's Report) (Amendment) Order, 2004, are not applicable in the case of the company for the current financial year, since in our opinion there is no matter which arises to be reported in the aforesaid order.

P Rama Krishna
Partner
Membership Number: 22795
For and on behalf of
Price Waterhouse
Chartered Accountants

Place: Hyderabad
Date: 21 April, 2006

Balance Sheet as at March 31, 2006

(Amount in Rupees)

	Sch. Ref	As at March 31, 2006		As at March 31, 2005	
I. Sources of Funds:					
1. Shareholders' Funds					
(a) Capital	A	587,300			587,300
(b) Reserves & Surplus	B	1,070,000,000	**1,070,587,300**		–
2. Share Application Money pending allotment			**1,902,873,000**		1,057,292,000
3. Loan Funds					
Secured Loans		2,516,666,666			–
Unsecured Loans		1,575,000,000	4,091,666,666		–
Total			**7,065,126,966**		**1,057,879,300**
II. Application of Funds:					
1. Fixed Assets	D				
(a) Gross Block		**90,880,710**		21,119,460	
(b) Less: Depreciation		**8,054,154**		2,368,281	
(c) Net Block		**82,826,556**		18,751,179	
(d) Capital Work-in-Progress		**4,776,925,846**	**4,859,752,402**	196,826,914	215,578,093
2. Expenditure during construction period, pending allocation (net)	E		**832,702,330**		**482,102,773**
3. Investments	F		**652,723,938**		213,312,992
4. Current Assets, Loans and Advances					
(a) Cash and Bank Balances	G	285,430,665		280,271,385	
(b) Other Current Assets	H	717,099,150		546,615	
(c) Loans and Advances	I	164,975,643		20,511,897	
		1,167,505,458		**301,329,897**	
Less: Current Liabilities and Provisions					
(a) Liabilities	J	442,209,047		152,067,565	
(b) Provisions	K	5,348,115		2,376,890	
		447,557,162		154,444,455	
Net Current Assets			**719,948,296**		146,885,442
Total			**7,065,126,966**		**1,057,879,300**
Significant Accounting Policies and Notes to Accounts	L				

The Schedules referred to above form an integral part of the Balance Sheet.

This is the Balance sheet referred to in our report of even date

For and on behalf of the Board of Directors

Sd/-
P Rama Krishna
Partner
Membership No 22795
For and on behalf of
Price Waterhouse
Chartered Accountants

Sd/-
Kiran Kumar Grandhi
Managing Director

Sd/-
B V Nageswara Rao
Director

Sd/-
Rajgopal Swami
AVP (Fin & Accts.) & Company Secretary

Place : Hyderabad
Date : April 21, 2006

Schedules forming part of the Balance Sheet

(Amount in Rupees)

SCHEDULE - A	As at March 31,2006	As at March 31,2005
Capital		
Authorised		
400,000,000 Equity Shares of Rs 10/- each (2005- 75,000,000 Equity Shares of Rs. 10 each)	4,000,000,000	750,000,000
Issued, Subscribed and paid-up		
58,730 Equity Shares of Rs.10/- each fully paid up	587,300	587,300
	587,300	**587,300**
(Out of the above, 36,995 (2005 - 36,995) Equity shares fully paid up are held by the holding company , GMR Infrastructure Ltd)		

(Amount in Rupees)

SCHEDULE - B	As at March 31,2006	As at March 31,2005
Reserves & Surplus		
Capital Reserve		
Opening	–	–
Additions during the period	1,070,000,000	–
	1,070,000,000	–

(Amount in Rupees)

SCHEDULE - C	As at March 31,2006	As at March 31,2005
Secured Loans		
Term Loan from Banks	1,902,083,333	–
Term Loan from Others	**614,583,333**	**–**
(Secured by mortgage of Leasehold Land and first charge on all movable and immovable assets and intangibles and revenues, both present and future, as well as assignment of all right, title, interest, benefits, claims and demands available under the concession agreement and other project documents and further secured by pledge of certain equity shares, both present and future, held or to be held, as the case may be, by both, the holding company and Malaysia Airport Holdings Berhad)		
Unsecured Loans		
Interest Free Loan from Government of Andhra Pradesh	1,575,000,000	–
	4,091,666,666	**–**

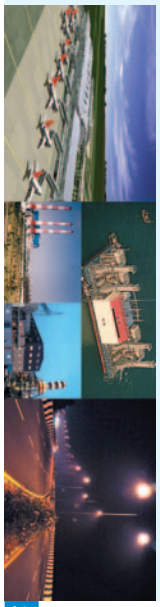
Schedules forming part of the Balance Sheet

SCHEDULE - D

Fixed Assets

(Amount in Rupees)

Description	Gross Block				Depreciation				Net Block	
	As At March 31, 2005	Additions	Deletions	As At March 31, 2006	As At March 31, 2005	For the year	On Deletions	As At March 31, 2006	As At March 31, 2006	As At March 31, 2005
Leasehold Improvements	1,543,741	4,469,498	-	6,013,239	68,560	952,379	-	1,020,939	4,992,300	1,475,181
Furniture and Fixtures	2,042,555	19,631,056	-	21,673,611	70,616	795,175	-	865,791	20,807,820	1,971,939
Capitalised Software	-	2,986,384	-	2,986,384	-	1,326	-	1,326	2,985,058	-
Office Equipment	13,495,211	39,310,233	-	52,805,444	1,821,189	3,508,864	-	5,330,053	47,475,391	11,674,022
Vehicles	4,037,953	3,364,079	-	7,402,032	407,916	428,129	-	836,045	6,565,987	3,630,037
Total	**21,119,460**	**69,761,250**	**-**	**90,880,710**	**2,368,281**	**5,685,873**	**-**	**8,054,154**	**82,826,556**	**18,751,179**
Capital work in progress (including capital advances)									4,776,925,846	196,826,914
Grand Total	**21,119,460**	**69,761,250**	**-**	**90,880,710**	**2,368,281**	**5,685,873**	**-**	**8,054,154**	**4,859,752,402**	**215,578,093**
Previous Year	8,546,094	12,573,366	-	21,119,460	293,536	2,074,745	-	2,368,281	18,751,179	8,252,558



GMR Creating tomorrow today

Schedules forming part of the Balance Sheet

(Amount in Rupees)

SCHEDULE - E	March 31, 2006	March 31, 2005
Expenditure during construction period, pending allocation (Net)		
Salaries, allowances and benefits to employees	197,504,084	58,612,058
Contribution to Provident and other Funds	4,623,295	834,074
Staff welfare expenses	26,414,913	6,385,176
Pre-closing date development expenditure	–	117,882,669
Advertisement	62,593,558	20,075,602
Rent	48,254,413	15,585,282
Rates and taxes	22,427,468	5,442,788
Insurance	9,554,434	493,521
Repairs and Maintenance - Others	13,336,354	1,524,450
Consultancy and other professional charges	243,214,267	182,505,100
Directors' sitting fee	155,000	35,500
Electricity charges	5,404,878	1,672,039
Remuneration to auditors		
Audit Fees	718,200	218,200
Certification	124,660	–
Others	314,800	–
Traveling and conveyance	96,349,698	38,391,371
Communication expenses	18,826,345	7,299,669
Interest on fixed loans	23,359,852	2,264,643
Bank / other finance charges	27,702,821	253,454
Depreciation	8,054,154	2,368,281
Provision for Income Tax	5,639,152	3,020,674
Provision for Wealth Tax	76,362	34,905
Provision for Fringe Benefit Tax	6,453,351	–
Miscellaneous expenses	58,884,950	30,718,365
Preliminary Expenses	160,500	160,500
	880,147,509	495,778,321
Less: Interest on Deposits, Loans, etc (Gross) [Tax deducted at source - Rs. 1,493,054 (2005 - Rs.1,063,851)]	14,622,412	8,008,867
Income from Investments - other than trade (Gross) [Tax deducted at source Rs.Nil (2005 - Rs.Nil)]	31,208,948	4,841,750
Profit on Sale of Investments	1,106,109	300,081
Gain / (Loss) on Exchange Fluctuations (Net)	(74,059)	264,850
Miscellaneous Income	581,769	260,000
	832,702,330	**482,102,773**

Balance Sheet as at March 31, 2006

(Amount in Rupees)

SCHEDULE - F	As at March 31,2006	As at March 31,2005
Investments		
Current		
Other than Trade - Unquoted		
Chola Mutual Fund -Liquid Institutional Dividend Reinvestment Plan (54,553,925 Units at Rs.10.03 each)	547,176,682	213,312,992
NLFID CANLIQUID Fund- Institutional Daily Dividend Reinvest (1,493,983 Units at Rs. 10.04 each)	15,001,086	
KOTAK Mutual Fund Liquid(Institutional Premium)-Daily Dividend (5,725,412 Units at Rs.12.23 each)	70,010,905	–
LIC Mutual Fund Liquid Fund - Dividend Plan (1,875,779 Units at Rs.10.95 each)	20,535,265	
	652,723,938	**213,312,992**

(Aggregate Net Asset value as at 31st March 2006 - Rs.652,745,662 2005 - Rs. 213,337,825)

(Amount in Rupees)

SCHEDULE - G	As at March 31,2006	As at March 31,2005
Cash and Bank Balances		
Cash on Hand	273,914	132,765
Balances with Scheduled Banks		
- on Current Accounts	156,751	129,758
- on Deposit Accounts	285,000,000	280,008,862
	285,430,665	**280,271,385**

(Amount in Rupees)

SCHEDULE - H	As at March 31,2006	As at March 31,2005
Other Current Assets		
(Unsecured, Considered good)		
Interest accrued but not due	199,150	546,615
Grant accrued	716,900,000	–
	717,099,150	**546,615**

Schedules forming part of the Balance Sheet

(Amount in Rupees)

SCHEDULE - I	As at March 31,2006	As at March 31,2005
Loans and Advances		
(Unsecured, Considered good)		
Loans to Employees	291,705	69,094
Advances recoverable in cash or in kind or for value to be received*	43,597,337	12,807,059
Deposits with Government Authorities	4,690,862	26,000
Balances with Customs, Excise, etc	116,395,739	7,609,744
	164,975,643	**20,511,897**

*Includes amount due from Managing Director as at March 31, 2006 - Rs. 1,191,574 (2005 - Rs.273,447). Maximum amount due at any time during the year was Rs. 4,737,648 (2005 - Rs.1,659,431)

(Amount in Rupees)

SCHEDULE - J	As at March 31,2006	As at March 31,2005
Liabilities		
Sundry Creditors		
- Due to other than small scale industrial undertakings	352,199,133	136,969,902
	352,199,133	136,969,902
Book Overdraft	–	7,474,030
Other liabilities	90,009,914	7,623,633
	442,209,047	**152,067,565**

(Amount in Rupees)

SCHEDULE - K	As at March 31,2006	As at March 31,2005
Provisions		
Provision for Income Tax (net of advance taxes)	31,153	237,215
Provision for Wealth Tax (net of advance taxes)	55,062	34,905
Provision for Fringe Benefit Tax (net of advance taxes)	1,084,018	–
Provision for Employee benefits	4,177,882	2,104,770
	5,348,115	**2,376,890**

Schedules forming part of the Balance Sheet

SCHEDULE - L

I. SIGNIFICANT ACCOUNTING POLICIES

1. **Accounting Assumptions**

   These accounts have been prepared under the historical cost convention on the basis of a going concern, with revenues recognised and expenses accounted on their accrual and amounts determined as payable or receivable during the period, except those with significant uncertainties, and in accordance with the applicable Accounting Standards as issued by the Institute of Chartered Accountants of India.

2. **Fixed Assets**

   Fixed Assets are stated at cost of acquisition less depreciation. Cost of acquisition is inclusive of freight, duties, levies and all incidental expenditure attributable to bringing the asset to its working condition. Assets under installation or under construction as at the balance sheet date are shown as capital work in progress.

3. **Depreciation**

   Depreciation is provided on straight line method at the rates based on the estimated useful lives of the assets or those prescribed under Schedule XIV of the Companies Act, 1956, whichever is higher. Individual assets costing less than Rs. 5,000 are fully depreciated in the year of purchase.

   Leasehold improvements are amortised over shorter of estimated useful lives or lease period. Capitalised Software has useful life ranging from 6-7 years. Amortisation of these assets is based on Straight Line Method..

4. **Investments**

   Long-term investments are valued at cost until there is a permanent diminution in their values. Current investments are valued at cost or market value whichever is lower. Cost of acquisition is inclusive of expenditure incidental to acquisition. Income from Investments is recognised in the year in which it is accrued and stated at gross.

5. **Retirement Benefits**

   Retirement Benefits are accounted for on accrual basis with contributions to recognised funds such as provident fund and pension fund charged against revenue each year. Liability for gratuity and superannuation is funded through a scheme administered by an insurer. Provision for leave encashment is made based on actuarial valuation as at the year end.

6. **Borrowing Costs**

   Borrowing costs that are attributable to acquisition, construction or production of a qualifying asset are capitalized as a part of cost of such assets. All other borrowing costs are recognized as an expense in the period in which they are incurred.

7. **Foreign Currency Transactions**

   All foreign Currency transactions are accounted at the exchange rates prevailing on the date of transactions. Current assets and current liabilities are translated at the exchange rate prevailing on the balance sheet date and the resultant gain / loss is recognised in the financial statements.

8. **Taxes on Income**

   Current tax is determined based on the amount of tax payable in respect of taxable income for the year. Deferred tax is recognised on timing differences being the difference between the taxable income and accounting income that originate in one year and are capable of reversal in one or more subsequent years. Deferred tax assets and liabilities have been computed on the timing differences applying the enacted tax rates.

SCHEDULE - L Condt.

II. NOTES ON ACCOUNTS

1. (a) Contingent Liabilities : Rs. Nil (2005 - Rs. Nil)

   (b) Estimated Amount of contracts remaining to be executed on capital account and not provided for (Net of Advances): Rs.8,648,985,692 (2005 - Rs. 601,484,307)

2. The company has not commenced business operations. Consequently no Profit and Loss Account has been drawn up. All the expenditure incurred (net of income earned) during the construction stage are grouped and disclosed under expenditure during construction period, pending allocation (net) in Schedule E. As the business operations are not commenced, reporting under the requirements of Accounting Standard - 17 "Segment Reporting" issued by the Institute of Chartered Accountants of India does not arise. As no Profit and Loss Account has been prepared, deferred taxes as per the Accounting Standard (AS-22) "Accounting for taxes on Income" issued by the Institute of Chartered Accountants of India, have not been recognised.

3. During the year ended March 31, 2006, an amount of Rs. 353,100,000 has been received from Government of Andhra Pradesh towards Advance Development Fund Grant out of a total Grant of Rs. 1,070,000,000, as per the State support agreement. This being in the nature of financial support to the project, the total grant amount has been considered as Capital Reserve.

4. The Company was incorporated to build, own and operate the Greenfield International Airport at Shamshabad, Hyderabad. Development of the Project is envisaged in various phases based on the passenger and cargo capacity. GMR Infrastructure Limited (GIL), Malaysian Airport Holdings Berhad (MAHB) (collectively known as "Sponsors") and Government of Andhra Pradesh (GOAP), Airports Authority of India (AAI) (collectively known as "State Promoters") are the shareholders of the company. During the year, Engineering Procurement Contracts with Larsen & Toubro Ltd (ECC Division) and China State Construction Engineering (Hong Kong) Limited, were signed on 12th August, 2005. Finance Closure was achieved on 22nd August, 2005.

5. In pursuance of the State Support Agreement, the Company has entered into a Land Lease Agreement with Government of Andhra Pradesh, for obtaining the Land on Lease for the development of Airport Project. As per the agreement, the lease term is in line with the term of the Concession Agreement entered into with the Ministry of Civil Aviation. The lease rentals are payable from the eight anniversary of the Commercial Date of Operation. The Company has taken the possession of the said land. Leasehold Land will be capitalised along with the Project.. Capital work in Progress of Rs. 4,776,925,846/- includes boundary wall, site preparation works and progress on passenger terminal building and airside landside works.

6. **Details of transactions with Related Parties**

   A) Names of related parties and description of relationship

(i)	Enterprise that controls the Company	GMR Infrastructure Limited (Holding Company)
(ii)	Enterprises under common control	GMR Holdings Private Limited GMR Energy Limited GMR Power Corporation Private Limited Vemgiri Power Generation Limited GMR (Badrinath) Hydro Power Generation Private Limited GMR Mining & Energy Private Limited GMR Tambaram-Tindivanam Expressways Private Limited GMR Tuni-Anakapalli Expressways Private Limited GMR Ambala-Chandigarh Expressways Private Limited GMR Pochanpalli Expressways Private Limited GMR Ulundurpet Expressways Private Limited G V L Investments Private Limited
(iii)	Enterprises in respect of which the company is a Joint Venture	"Government of Andhra Pradesh "Airports Authority of India" Malaysia Airports Holdings Berhad"
(iv)	Key Management Personnel	Mr. Kiran Kumar Grandhi - Managing Director

SCHEDULE - L Condt.

B) Summary of Transactions with the above related parties is as follows:

Nature of Transaction	Holding Company	Enterprises in respect of which the Company is a Joint Venture	Key Management Personnel	Balance Payable/ (Receivable)
(i) Share Application Money	1,356,273,000 (560,692,000)	534,983,000 (-)	– (-)	– (-)
(ii) Pre-closing Date Development Costs	0 (74,266,081)	11,617,000 (43,616,588)	– (-)	0 (11,668,257)
(iii) Remuneration			9,979,679 (-)	

Notes:

(i) Transactions and outstanding balances in the nature of reimbursement of expenses incurred by one company on behalf of the other have not been considered above.

(ii) Previous Year figures are mentioned in brackets.

7. The Company has entered into certain operating lease agreements and an amount of Rs.48,254,413 (2005-Rs.15,585,282) paid under such agreements has been considered under Expenditure during construction period, pending allocation (net). These agreements are cancelable in nature.

SCHEDULE - L Condt.

8. Details of Investments purchased and sold during the year:

Description	Cost of Acquisition		Sales	
	Units	Amount (in Rupees)	Units	Amount (in Rupees)
Alliance Cash Manager Institutional Plan Daily Dividend Scheme	31,094,724 (16,063,179)	310,953,463 (160,632,391)	31,094,724 (16,063,179)	310,953,463 (160,632,941)
J M Morgan Stanley Daily Dividend Scheme	55,070,727 (41,552,442)	551,615,938 (415,900,000)	55,070,727 (41,552,442)	551,615,938 (416,056,859)
Chola Mutual Fund Liquid Institutional Dividend Reinvestment Plan	219,117,115 (34,690,832)	2,196,705,305 (347,387,009)	185,865,020 (34,690,832)	1,862,841,614 (347,397,290)
ABN AMRO Cash Fund-Institutional Daily Dividend	35,227,629 (-)	352,276,444 (-)	35,227,629 (-)	352,276,444 (-)
NLFID CANLIQUID FUND Institutional Daily Dividend Reinvest.	84,155,073 (-)	845,001,086 (-)	82,661,090 (-)	830,000,000 (-)
PRINCIPAL CASH MANAGEMENT FUND Liquid Option Instl. Plan-Dividend Reinvestment Daily	70,130,114 (-)	701,350,236 (-)	70,130,114 (-)	701,350,236 (-)
KOTAK Mutual Fund Liquid(Institutional Premium)-Daily Dividend	20,932,868 (-)	255,969,198 (-)	15,207,456 (-)	185,958,292 (-)
ING Vysya Liquid Fund Super Institutional Daily Dividend Option	37,345,965 (-)	473,563,314 (-)	71,640,957 (-)	473,563,314 (-)
TATA Liquid Super High Investment Fund-Daily Dividend	180,084 (-)	200,702,978 (-)	180,084 (-)	200,702,978 (-)
LIC MUTUAL FUND	85,427,991 (-)	935,535,265 (-)	83,552,212 (-)	915,000,000 (-)
Total	**638,682,292**	**6,823,673,226**	**630,630,014**	**6,384,262,280**

Notes:

(i) The sales realisation excludes dividend, if any, received from Mutual Funds.

(ii) Cost of acquisition includes Dividend earned and Profit & Loss on sale of investments during the year

9. Managerial Remuneration

(Amount in Rupees)

Particulars	2006	2005
Salary*	7,700,000	–
Contribution to Provident & Super Annuation Fund*	1,540,000	–
Perquisites*	739,679	–
Sitting fees	119,500	19,000

Note:* Subject to approval from Central Government u/s 269(2) of the Companies Act, 1956

SCHEDULE - L Condt.

10. Expenditure in Foreign Currency: (Amount in Rupees)

	2006	2005
(a) Foreign Travel Expenses	5,201,145	9,807,674
(b) Professional Charges	41,003,505	104,737,901
(c) Others	12,724,611	4,186,633

11. Additional Information pursuant to paragraphs 3, 4, 4-C and 4-D of part - II of Schedule VI to the Companies Act, 1956 to the extent either "Nil" or "Not Applicable" has not been furnished.

12. Previous period figures have been regrouped and reclassified, wherever necessary, to conform to those of the current year.

For and on behalf of the Board of Directors

Sd/-
P Rama Krishna
Partner
Membership No 22795
For and on behalf of
Price Waterhouse
Chartered Accountants

Place : Hyderabad
Date : April 21, 2006

Sd/-
Kiran Kumar Grandhi
Managing Director

Sd/-
B V Nageswara Rao
Director

Sd/-
Rajgopal Swami
AVP (Fin & Accts.) &
Company Secretary

Cash flow statement for the year ended March 31, 2006

(Amount in Rupees)

	2006	2005
A. CASH FLOW FROM/(USED IN) OPERATING ACTIVITIES		
Net Profit Before Tax and Extraordinary Items		
Operating Profit Before Working Capital Changes		
Adjustments for:		
Changes in Trade and Other Receivables	(144,463,746)	(12,695,684)
Changes in Trade and Other Payables	291,895,842	96,097,673
Cash generated from Operations	**147,432,096**	**83,401,989**
Income Taxes paid	(8,235,330)	(2,263,851)
Net Cash Flow from Operating Activities	**139,196,766**	**81,138,138**
B. CASH FLOW FROM/ (USED IN) INVESTING ACTIVITIES		
Purchase of Fixed Assets (including capital work in progress and capital advances)	(4,649,860,182)	(208,774,929)
Expenditure during Construction period, pending allocation (net)	(369,248,260)	(385,596,138)
Sale / (Purchase) of Investments (net)	(438,604,918)	(184,002,609)
Dividend received	26,367,198	4,831,448
Interest received	6,961,010	5,458,864
Net Cash used in Investing Activities	**(5,424,385,152)**	**(768,083,364)**
C. CASH FLOW FROM/(USED IN) FINANCING ACTIVITIES		
Proceeds from Share application money/Share capital	845,581,000	765,187,000
Proceeds from Grant received from GOAP	353,100,000	-
Proceeds/(Repayment) of long term debt (Net)	4,091,666,666	(70,000,000)
Net Cash from Financing Activities	**5,290,347,666**	**695,187,000**
Net increase in Cash and Cash Equivalents	**5,159,280**	**8,241,774**
Cash and Cash Equivalents at the beginning of the year	**280,271,385**	**272,029,611**
Cash and Cash Equivalents at the end of the year	**285,430,665**	**280,271,385**

Note:

1 The above cash flow statement has been prepared under the 'Indirect Method' as set out in the Accounting Standard-3 on Cash Flow Statements issued by the Institute of Chartered Accountants of India.

2 Previous period's figures have been regrouped and reclassified to conform to those of the current year.

This is the Cash Flow Statement referred to in our report of even date

For and on behalf of the Board of Directors

Sd/-
P Rama Krishna
Partner
Membership No 22795
For and on behalf of
Price Waterhouse
Chartered Accountants

Place : Hyderabad
Date : April 21, 2006

Sd/-
Kiran Kumar Grandhi
Managing Director

Sd/-
B V Nageswara Rao
Director

Sd/-
Rajgopal Swami
AVP (Fin & Accts.) & Company Secretary

Balance Sheet Abstract And Company's General Business Profile

1	**Registration Details**			
	Company Identification Number			40118
	Balance Sheet Date			Mach 31, 2006
2	**Capital Raised during the year (Amount in Rs. Thousands)**			
	Public Issue	**Nil**	Rights Issue	**Nil**
	Bonus Issue	**Nil**	Private Placement	**Nil**
3	**Position of Mobilisation and Development of Funds (Amount in Rs. Thousands)**			
	Total Liabilities	**7,065,127**	Total assets	**7,065,127**
	Sources of Funds			
	Paid - Up Capital	**587**	Share Application Money	**1,902,873**
	Reserves & Surplus	**Nil**	Unsecured Loans	**1,575,000**
	Secured Loan	**2,516,667**	Grant from GOAP	**1,070,000**
	Application of Funds			
	Net Fixed Assets	**5,692,455**	Investments	**652,724**
	Net Current Assets	**719,948**	Misc. Expenditure	**-**
	Accumulated Losses	**Nil**		
4	**Performance of company (Amount in Rs. Thousands)**			
	Total Income	**N.A**	Total Expenditure	**N.A**
5	**Generic Names of Three Principal Products / Services of Company (as per monetary terms)**			
	Item Code No.:	**N.A**		
	Product Description	**N.A**		

For and on behalf of the Board of Directors

Sd/-	**Sd/-**	**Sd/-**
Kiran Kumar Grandhi	**B V Nageswara Rao**	**Rajgopal Swami**
Managing Director	Director	AVP (Fin & Accts.) & Company Secretary

Place : Hyderabad
Date : April 21, 2006

RISK MANAGEMENT

In a dynamic industry such as infrastructure, risk is an inherent aspect of business. The risk management function therefore is integral to the company and its objectives include ensuring that critical risks are identified continuously, monitored and managed effectively in order to protect the company's businesses.

A comprehensive and integrated risk management framework forms the basis of all the de-risking efforts of the company. Prudential norms at limiting exposures are an integral part of this framework. Formal reporting and control mechanisms ensure timely information availability and facilitate proactive risk management. These mechanisms are designed to cascade down to the level of line managers so that the risks at the transactional level are identified and steps are taken towards mitigation in a Decentralized fashion.

At the enterprise level derisking of company's business risks is sought to be achieved by a policy of undertaking diversified projects in different segments, geographies and revenue models The board of directors is responsible for monitoring risk levels on various parameters and the management council ensures implementation of mitigation measures, wherever required.

Framework

The risk management framework is designed to address what management believes can be largely quantified and mitigated. The framework classifies these risks as follows:

1. **Business Risks**
   - Client Concentration
   - Contracts
   - Regulatory
   - Technological Obsolescence
2. **Financial Risks**
   - Interest Rates
   - Foreign Exchange Fluctuations
   - Liquidity Management
3. **Legal and Statutory Risks**
   - Contractual Liabilities
   - Statutory Compliance
   - Fixed asset & employee insurance
4. **Organizational and management risks**
   - Leadership development
   - Human resource management
   - Process maturity
   - Internal Control Systems
5. **Political Risks**

1. **Business Risks**

- **Client Concentration**

  Excessive exposure to a few large clients has the potential to impact profitability and to increase credit risk. However large clients and high repeat business lead to higher revenue growth and lower marketing costs. We depend on our single customers like state electricity boards, NHAI etc. for most of our income. The financial state of government owned entities that purchase power from us are not satisfactory and their cash flows are not sufficient to meet their obligation in time under the power purchase agreement entered into. The Company has entered into instruments like ESCROW agreement, annuity based projects to mitigate the company against such risks.

- **Contracts**

  All major infrastructure projects have long gestation periods. Construction, cost and time overruns will reduce our return on capital during the initial operation period. Our growth strategy involves development of new Greenfield projects, which involves significant risk. We have a strong risk assessment team which conducts in-depth study into the viability of new projects to ensure its success. The company ensures that it works with EPC contractors, who are best in the business having an excellent track record. Also sufficient provision is made into the contract agreements to insulate the company from the risk of cost escalation and time overruns.

- **Regulatory**

  The power sector is in the process of deregulation and our success will depend on our ability to respond to changes that are taking place. This however may result in reduction of risk of exposure of depending on a single customer. We have a strong business development cell, which proactively monitors & anticipates the changes, & put in place systems to mitigate the risk associated with changes.

- **Technological Obsolescence**

  The Company strives to be a leader in acquiring world-class cutting edge technology for all its new projects. Tthe flexibility of technology up-gradation without major investment is incrorporated during design stage itself with a focus of reducing the risk related to technological obsolescence.

2. **Financial Risks**

- **Interest Rates**

  The company is exposed to interest rate risk like any other business. The ruling market interest rates are continuously monitored by a dedicated strategic finance team, which takes care of short and long term funding requirements of the company. There is a consistent effort to swap the borrowings with lower interest rate instruments to ensure that the average cost of funding is always kept at minimum. The company has built an excellent reputation with banks and financial institutions through consistent performance record, which enables the company to mobilize funds in a time and cost effective way. Our debt agreements are subject to restrictive covenants including conversion rights, which may place significant limitation on us.

- **Foreign Exchange Fluctuations**

  The company earns revenues mainly in Indian Rupees. Therefore the company is exposed to limited risk arising out of fluctuations in the foreign exchange rates. However the company's risk exposure to foreign exchange rate fluctuations is primarily associated with the foreign currency term loans. The Company seeks to minimize such risks by entering into forward contracts and other hedging options. A treasury team operates to mitigate foreign exchange volatility risk in accordance with the policy approved by the board in this regard.

- **Liquidity Management**

  The company has adequate cash reserves and liquid assets, which are actively managed through efficient treasury operations. Its investment policy is driven by the objective of ensuring adequate liquidity to meet any exigency. Accordingly, all the investible surpluses are deployed in short term liquid instruments. The investments are well diversified to mitigate risk and are made in accordance with the policy approved by the Board in this regard.

3. **Legal and Statutory Risks**

- **Contractual Liabilities**

  Liabilities can arise out of legal cases pending against the Company in the courts of India. The Company is consistently following up on all pending legal cases, and has made adequate provisions for these liabilities. Contractual risks may arise out of non-performance of contracts or any other breach in the contracts signed by the company with its customers or any other external entities. The company has a centralized legal department, which reviews all legal obligations in the contracts being entered into by the Company and to ensure that all legal aspects are addressed properly. This legal vetting process is applied to contracts with company's customers, key suppliers, business partners, and associates.

- **Statutory Compliance**

  The company has a company secretary and compliance officer to advise the company and to monitor the compliance issues to ensure that the company is in compliance with the laws of the jurisdiction where the company has operations. Competent legal firms suitably represent the company. These firms advise the company on various requirements. Statutory obligations that warrant insurance cover are adequately availed.

- **Fixed Asset and Employee Insurance**

  The fixed and movable assets of the company are comprehensively covered under relevant insurance policies. As welfare measure the Company provides a group medical claim for all employees. The Company also has wider group personal accident policy for all employees.

4. **Organizational and Management Risks**

- **Leadership Development**

  The company has a strong and competent top management collectively called the Management Committee (MC). The MC mentors the strategic business units and provides overall direction and leadership to the Company. As the company experiences continuous growth, one of the key imperatives is to develop leadership from among the talent pool that it possesses. The company has embarked on a new initiative through which it intends to identify employees with leadership potential who can lead the Company during challenging and difficult times. A fast track career has been envisaged for these employees. These initiatives will ensure that all transitions are efficiently managed for business continuity.

- **Human Resource Management**

  The key resource for the company is its people. The company has been able to create a favorable work environment that encourages innovation & participation in achieving the company's objectives. An employee-friendly work environment combined with well-balanced compensation package ensures that the company has low attrition rates.

- **Process Maturity**

  Risk management processes at the operational level are a key requirement for reducing uncertainty in delivering high quality products & services to customers within the budgeted time and cost. Adoption of quality models such as Process Capability Maturity Model (PCMM) under the TQM umbrella is a step in this direction. The company has an effective system in place to ensure creation, documentation & dissemination of knowledge. An intranet-based, user-friendly application known as gNET is being used effectively for this purpose. The company has mature processes in the infrastructure development arena; it has been focusing its attention on enhancing the process quality of other enterprise processes, and aligning them with the organizational objectives. World-class models of process excellence such as Six Sigma and CII business excellence quality framework guide this initiative. Through this initiative, many of the processes critical to the long-term competitiveness of the company have been taken up.

- **Internal Control Systems**

  The company has a well-defined internal control system that is adequate and commensurate with the size and nature of the business. Clear roles, responsibilities and authorities, coupled with robust internal information systems, ensure appropriate information flow to facilitate effective monitoring. There are clearly defined Delegation Of Powers (DOP's) at all levels to ensure that adequate controls are established to ensure that assets of the Company are safeguarded and transactions are executed in accordance with well documented policies. The company has a strong management information system coupled with an annual operating plan, which is subject to periodic reviews by the top management. Effective budgetary control on all expenses ensures that actual spending is in line with the budget. Compliance with the above policies is monitored through regular internal audits of processes as well as underlying transactions. The company has appointed accredited audit firms as internal auditors and also has an active internal management assurance group to proactively conduct independent audits of all the businesses of the company. The Audit committee periodically reviews these reports and gives recommendations. Action plans are agreed with the process owners to facilitate proper implementation of the recommendations. The auditors also conduct follow up reviews to report on the efficacy of the implementation process.

5. **Political Risk**

   The company operates in multiple locations throughout the country and consequently in the respective political, social and cultural environments. The political scenario in the country over the last decade has been coalition governance of many political parties. This may get reflected in the pace of economic reforms and also in speed of implementation of already pronounced economic policies, impacting adversely on the market for our services. Given the consensus among all the leading political parties on the importance of creating quality infrastructure for stimulating economic growth, the management is sanguine that, it is likely to remain focus area for governmental policy in the future.