



Chairman's letter to the shareholders



“While I believe that people resources drive the group's collective strength, of particular relevance is our emphasis on inclusive growth...”

- G M Rao

Dear Shareholders,

The last fiscal has seen an economic cataclysm, not witnessed in several decades. The credit crisis in the U.S. has triggered an economic recession with global ramifications characterised by liquidity crunch, instability of key businesses, mounting fiscal deficit and decline in consumer wealth and economic activity. Consequentially, every sector of the economy including real estate, aviation, hospitality, infrastructure to name a few, has been adversely impacted.

We however share the optimism of India's billion plus populace that is buoyed by a stable and strong political leadership at the centre committed to reforms; a renewed thrust on infrastructure sector and signs of global economic recovery.

We continue to operate with the underlying conviction that every challenge presents a unique opportunity. The economic contagion has reinvigorated our focus on achieving performance excellence through elimination of wastage and unproductive practices.

Towards this objective, we have introduced the “Value for Money” (VFM) initiatives across the organisation – seeking to achieve the highest order of efficiencies in processes and excellence in execution. To this effect, we have decided to review the short term growth plans of all our businesses to align our strategy with market realities.

Our business model is based on enduring relationships with our partners and diverse stakeholders. Our success in garnering funds for projects through banks and other financial institutions demonstrates the faith reposed by our stakeholders in us. This has

enabled us to achieve significant project milestones in the previous year, despite the global meltdown.

Business Developments and Financials

Our vision to give Delhi a world-class airport received a leg up with the inauguration of the new domestic departure terminal (T1D) on February 26, 2009. Earlier, on August 21, 2008, the third runway was inaugurated at the Indira Gandhi International Airport (IGIA). The Delhi International Airport Private Limited (DIAL) also successfully completed the modernisation of the existing international terminal at IGIA in June, 2008.

During this period, we leased out plots for commercial property development at the IGIA. It was heartening to note that DIAL received 60 bids for the development of the hospitality district despite the current economic depression. This reflects the value potential and economic opportunity offered by the Aero-city project. The construction of the new integrated terminal at IGIA, Terminal 3 (T3), is proceeding in full swing to meet the launch deadline in 2010. We are confident that T3 will meet the high expectations of all our stakeholders.

Rajiv Gandhi International Airport (RGIA) at Hyderabad has also completed one year of successful operations.

Our energy business continued to fuel our growth. GMR Power Corporation Private Limited successfully completed a decade of operations achieving its best ever performance in terms of plant load factor and heat rate. GMR Energy Limited (GEL) performed successful merchant operations since November 2008 while the Vemagiri Power Generation Limited (VPGL) resumed operations

in December 2008. We also won the license for power trading and have traded approximately 630 Mn units of power during the year. Additionally, in the current fiscal, the 1050 MW Kamalanga Thermal Power Project in the Dhenkanal district of Orissa has achieved financial closure. The funding for this Rs. 4,540 Crore project is being met through a combination of debt and equity in the ratio of 3:1. Debt of Rs. 3,405 Crore has been tied up with 13 banks to fund Rs. 4540 Crore project. The project is scheduled to commence commercial operations by 2012. It has also secured coal supply for the entire capacity via a tapering linkage and coal block allocation from Rampia and Dip Side Rampia coal block in Orissa. The coal block would be developed simultaneously.

Further, we are engaged in the development of the thermal power project in Chhattisgarh and the hydel projects in Uttaranchal, Himachal Pradesh and Nepal. In order to secure fuel supply, we have acquired a 100% stake in the Indonesian coal mine PT Barasentosa Lestari, having mine life of approximately 25 years. Additionally, the Group has acquired 33.34% stake in Homeland Energy Group (HEG). HEG through its subsidiaries in South Africa owns controlling interests in the Kendel mines, an operating resource besides the Eloff mines and other exploration areas with total minable reserves of 300 Mn MT.

The economic slowdown notwithstanding, we continued to expand our asset base in the Highways business. We have also completed three highway projects – 35 Km stretch between Ambala and Chandigarh, 103 Km stretch on NH-7 between Adloor Yellareddy and Gundla Pochanpalli, and 58 Km stretch on NH7 between Thondapalli and Jadcherla. The 73 Km between Tindivanam and Ulundurpet on NH45 is slated to begin operations shortly. We have won the 181 Km Hyderabad – Vijayawada highway (NH9) project from NHAI at an estimated cost of Rs. 2,200 Crore and the 29.65 Km Chennai Outer Ring Road Project from the State Government at an estimated cost of Rs. 1,100 Crore. Going forward, we will actively participate in the National Highway Development Programme and select state road projects in an endeavour to maintain a sustainable and robust portfolio that offers significant value to all stakeholders.

We are actively expanding our presence in the global marketplace through our International Business Division (IBD), GMR International, headquartered in London. During the last fiscal year we took over the operations of the Sabiha Gokcen International Airport, Istanbul, Turkey in May 2008. The construction of new passenger terminal and related facilities at the airport has commenced and the project is scheduled for completion on October 29, 2009. Once completed, the airport will be spread over 1.9 Mn sq. ft. covered space and will be equipped with all the modern amenities including additional facilities such as the hotels, viaduct, apron and car parking.

Our Group acquired 50% stake in InterGen N.V., a leading global power generation company on October 9, 2008. InterGen has approximately 7700 MW of installed capacity spread across four continents and is in the process of developing various other power projects aggregating to approximately 2800 MW capacity. For our landmark achievement under testing economic conditions, we won the Infrastructure Acquisition of the Year award by Infrastructure Journal. GMR International has also acquired 100% stake in the Island Power project, Singapore in May 2009. On completion, the gas based project will have a capacity of 800 MW.

We have made significant strides in our SEZ business. The 3300 acre Krishnagiri SEZ, Tamil Nadu, located on NH7, is focused on sunrise sectors such as solar and Photo Voltaic, along with other sectors such as biotechnology, IT and ITES. In Hyderabad, we have plans to develop 250 acre aviation SEZ, where we aspire to develop the first aviation cluster of India. This would serve as the hub of aviation related activities such as MROs, aviation academy, etc. We have signed agreements with MAS Aerospace Engineering (MAE), a wholly owned subsidiary of Malaysia Airlines, for setting up Maintenance, Repairs & Overhaul (MRO) facility at RGIA. Additionally we have also inked an agreement with CFM International for developing a maintenance training facility. Another multi-product SEZ spanning 250 acres is proposed to be developed into a logistic hub.

The company is presently engaged in completing various ground works for airport-led commercial property development at RGIA and IGIA. DIAL is developing an integrated hospitality district on the piece of land adjoining IGIA. Of the available 45 acres parcel of land, approximately 21.8 acres of land has already been leased out to developers. The remaining land would be leased out during the current financial year. GMR Hyderabad International Airport Limited (GHIAL) envisages development of property around RGIA by creating a first of its kind destination for retail, entertainment and health care.

We have been able to achieve robust growth during these challenging times. Despite global slowdown, which affected our market-sensitive assets, especially airports and highways, the revenue and profitability growth for the year are quite satisfactory.

Successful merchant operations at GEL and restart of the Vemagiri power plant were key positive developments. The Gross Revenues for the year have increased by 66% from Rs. 2,698 Crore to Rs. 4,476 Crore, Net Revenues registered a growth of 75% from Rs. 2,295 Crore to Rs. 4,019 Crore and Net profit has increased by 6% from Rs.263 Crore to Rs. 277 Crore

With more projects being commissioned in the present financial year, i.e. one highway and Sabiha Gokcen Istanbul airport, along with the year-round operations of Vemagiri power plant, we would witness even greater revenue and profitability contributions.

However, the GEL plant may not be operational for a full year in view of its relocation and conversion into gas-fired plant to improve its future profitability.

Our long term growth projections remain unaffected. After achieving financial closure for Kamalanga project, we are working relentlessly on other projects, especially the Chhattisgarh power project, expansion of VPGL, relocation & conversion of GEL plant and the development of Island Power project in Singapore.

Organisation Development

We firmly believe in the dictum that people resources drive the collective strength of its diverse business demands. A special emphasis is therefore given to nurturing and developing talent, so as to create a strong team of committed and empowered professionals who steer the Group's diverse business needs.

A comprehensive employee development programme supported with progressive policies which cover issues related to gender amity, talent mapping, employee well being has been formulated. Senior Leadership Team (SLT), a forum of senior management executives and next in level to Group Holding Board, has been institutionalised to review and take decisions on critical issues.

We have created a Central Procurement Department to centralize the procurement process and a Project Management Task Force to ensure effective project execution. We have also upgraded our technology platform to enhance the efficiency of our business and administrative operations. SAP has been implemented across the Group's business locations. We have taken various initiatives to strengthen our governance standards which also include the formation of Corporate Governance Committee of Board.

Corporate Social Responsibility

Of particular relevance is the Group's emphasis on inclusive growth where special attention is given to community which needs care such as the marginalised and the weaker sections of the society.

Our sustained efforts in the area of 'social entrepreneurship' have won us several awards and accolades. These include the prestigious TERI CSR Award from the President of India on June 5, 2009, the World Environment Day and ORBIS Awards in Routes Airport conference in Kuala Lumpur.

Acknowledgments

I express my sincere gratitude to our shareholders, investors, joint venture partners, lenders, banks, financial institutions, SEBI, NSE, BSE, RBI, NHAI, TIDCO, the Airport Authority of India, the Central & State Government and other regulatory authorities/agencies for providing continuous support. I wish to express my appreciation to my colleagues on the Board and our employees for their thought leadership, unalloyed dedication and unswerving commitment.

I express my sincere appreciation to the Board of Directors and the employees of the subsidiaries for their continued support. I am grateful to you for your cooperation and the trust that you have reposed in us.

Best Regards,



G. M. Rao
Executive Chairman