

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. Seshavaram*	1	1	No
8.	Mr. Arun K. Thiagarajan**	2	2	NA
9.	Mr. K. R. Ramamoorthy**	2	2	NA
10.	Dr. Prakash G Apte**	2	2	NA
11.	Mr. R.S.S.L.N. Bhaskarudu**	2	1	NA
12.	Mr. Udaya Holla**	2	1	NA
13.	Mr. Uday M. Chitale**	2	2	NA

* Mr. K.V.K. Seshavaram 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. Seshavaram*	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 Complex Bandra (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	NA	NIL	NA
1001 - 2000	NIL	NA	NIL	NA
2001 - 3000	NIL	NA	NIL	NA
3001 - 4000	NIL	NA	NIL	NA
4001 -5000	NIL	NA	NIL	NA
5001 - 10000	NIL	NA	NIL	NA
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

