



Creating tomorrow today

GMR INFRASTRUCTURE LIMITED

9th ANNUAL REPORT 2004-05

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AIRPORTS

POWER

ROADS

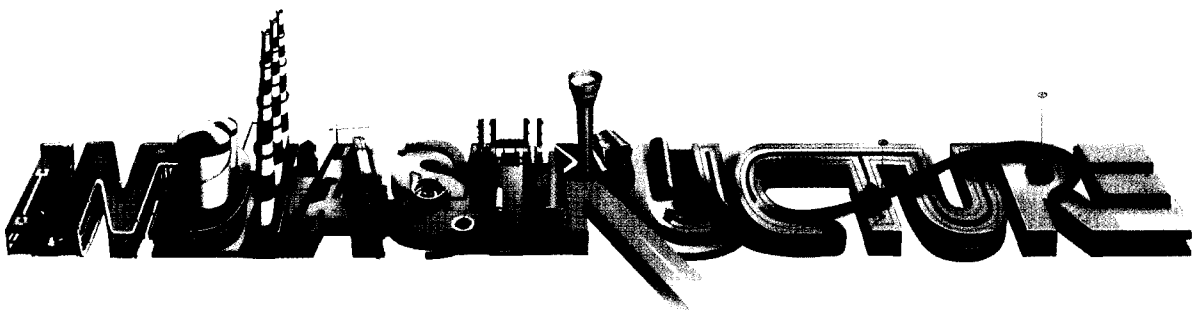


Creating tomorrow today

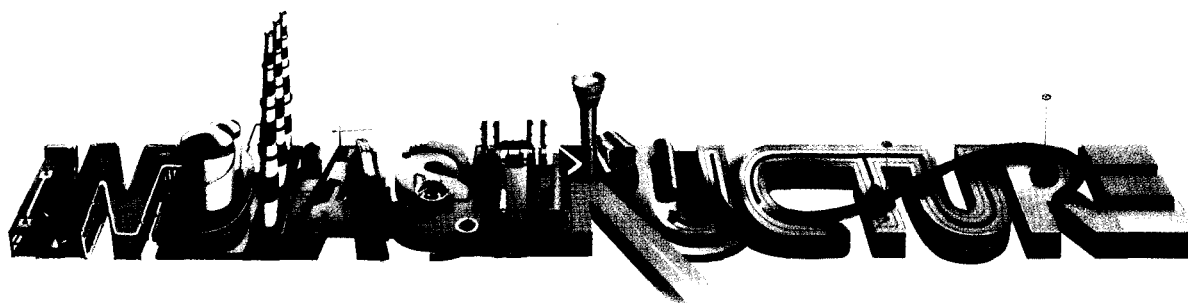
GMR Group

Our Mission

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



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GMR INFRASTRUCTURE LIMITED**Board of Directors**

Mr. G. M. Rao - Chairman

Mr. G. B. S. Raju - Director

Mr. G. Kiran Kumar - Director

Mr. Srinivas Bommidala - Director

Mr. B.V. Nageswara Rao - Director

Mr. K. Balasubramanian - Director

Mr. K.V.K. Seshavataram - Director

Manager & Company Secretary

Mr. I. V. Srinivasa Rao

Audit Committee Members

Mr. K. Balasubramanian - Chairman

Mr. B.V. Nageswara Rao - Member

Mr. K.V.K. Seshavataram - Member

Statutory Auditors

S. Venkatadri & Co

1408, Babukhan Estate, Basheer Bagh, Hyderabad - 500 001

Bankers

ING Vysya Bank Limited

Canara Bank

United Bank of India

Indian Overseas Bank

UTI Bank Limited

Registered Office

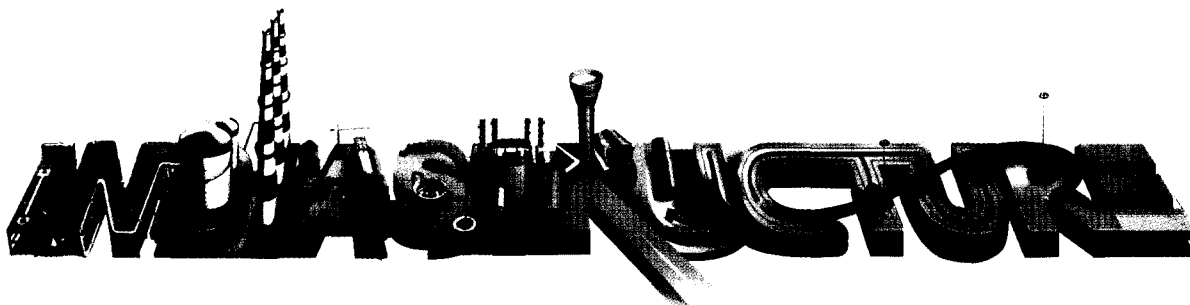
Skip House, 25/1, Museum Road, Bangalore - 560 025

Phone: 91 80 22070100 Fax: 91 80 22998118

e-mail: gil@gmrgroup.co.in

website: www.gmrgroup.co.in

BOARD OF
DIRECTORS



Subsidiaries & Group Companies

Subsidiaries

- GMR Energy Limited
- GMR Power Corporation Private Limited
- Vemagiri Power Generation Limited
- Hyderabad International Airport Limited

Holding Company

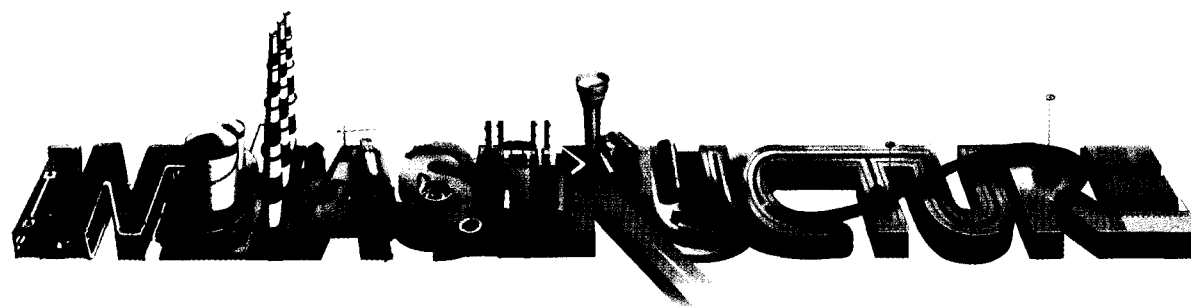
- GMR Holdings Private Limited

Group Companies

- Gateways For India Airports Private Limited
- GMR Tambaram-Tindivanam Expressways Private Limited
- GMR Tuni-Anakapalli Expressways Private Limited
- GMR Ambala-Chandigarh Expressways Private Limited
- GMR Industries Limited
- GVL Investments Private Limited
- Ideaspac Solutions Limited
- GMR Estates & Properties Private Limited

Social Arm

- GMR Varalakshmi Foundation



GMR INFRASTRUCTURE LIMITED

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

Directors' Report

Dear Shareholders,

Your Directors have pleasure in presenting the Ninth Annual Report together with the audited Balance Sheet and Profit and Loss Account of GMR Infrastructure Limited for the year ended 31st March, 2005.

Financial Results

(Rs. in Lacs)

	31 st March 2005	31 st March 2004
Gross Income	5631.84	11122.74
Expenditure	3183.50	5365.41
Profit before depreciation and tax	2448.34	5757.33
Depreciation	25.46	22.90
Profit before Tax	2422.88	5734.43
Excess Provisions for taxation for earlier years written back	(1.35)	—
Provision for Deferred Tax (Net)	(13.83)	(12.23)
Profit after Tax	2438.06	5746.66
Surplus brought forward from previous year	7129.61	2878.59
Amount available for appropriation	9567.67	8625.25
Appropriations :		
Debenture Redemption Reserve	3700.00	75.00
Capital Redemption Reserve	1850.00	0
Special Reserve under 45 1C of the RBI Act, 1934	0	1149.33
Preference Dividend	154.84	240.50
Dividend Distribution Tax	20.24	30.81
Surplus carried to Balance Sheet	3842.60	7129.61

The gross income of the company has come down from Rs. 11,122.74 lacs in the last year to Rs. 5,631.84 lacs for the current year, a decrease of 49.37 %. The net profit before tax also decreased from Rs. 5,746.66 lacs to Rs. 2,438.06 lacs, a decrease by 57.57 %.

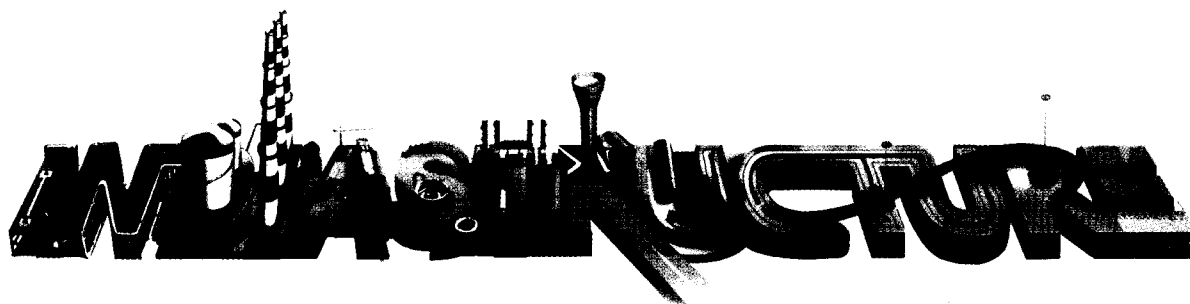
The decrease in income is mainly on account of transfer of the services of Competency Pool to its subsidiary Company i.e GMR Energy Limited and also due to decrease in dividend income.

Financial Restructuring

Taking advantage of low interest scenario prevailing in the Market, your management fruitfully negotiated with lending entities and accomplished financial restructuring by prepaying high cost debt and substituting with low cost borrowings. The effective interest burden has been reduced from 14% to 8%. These factors facilitated your company to reduce overall borrowing cost.

As a part of financial restructuring during the year:

- The Company had raised Rs. 16,387.50 lacs by way of Secured Redeemable Non Convertible Debentures from Banks and Financial Institutions.



GMR INFRASTRUCTURE LIMITED

- Loans worth of Rs. 17,098.46 lacs availed from Life Insurance Corporation of India and General Insurance Corporation of India Limited were prepaid. During the year under review, the Company had redeemed Optionally Convertible Cumulative Preference Shares aggregating to Rs. 1,850.00 lacs.

Shifting of Registered Office

Since all major administrative and day to day activities of the Company are being monitored from the corporate office situated at Bangalore and the majority of directors of the Company being residents of Bangalore, it was proposed to shift the registered office to Bangalore.

The Registrar of Companies, Karnataka on 4th October 2004, issued the Certificate confirming the transfer of the Registered Office of your Company from the State of Andhra Pradesh to Skip House, 25/1, Museum Road, Bangalore 560 025 in the State of Karnataka.

Exemption from the Registration under Section 45-IA of RBI Act, 1934.

Being an investment Company, your Company had earlier registered with the Reserve Bank of India, Hyderabad (09-00255) as an NBFC carrying on investment activities without accepting public deposits. Your Company had been complying with the applicable norms and regulations prescribed by RBI.

Presently, your Company is focused in financing Group Companies and Associate Companies. Within the group, the Company is providing funds for the development, maintenance and operation of Infrastructure projects such as power generation at Mangalore (Karnataka), Chennai (Tamil Nadu) and Vemagiri (Andhra Pradesh) and road projects in Tamil Nadu & Andhra Pradesh. Your Company is also a member of Sponsors for development of Hyderabad International Airport.

Your Company, being the holding company, operates with more than 90% its of total assets invested in the shares / securities of the Group Entities. Further, the Company did not accept any deposits from the Public and did not involve in trading the investments in Group Companies.

Since the Company's principal activities were restricted to the Group, on an application by the Company, Reserve Bank of India (RBI) vide its letter dated January 11, 2005, granted exemption to your Company from the registration under section 45-IA of RBI Act, 1934. However in case the Company intends in future to pursue the NBFC activities in terms of section 45-I(c) read with section 45-I(f), a fresh permission will be secured from RBI.

Review Of Operations

As a part of business restructuring, the competency pool of the GMR Group has been transferred to the Subsidiary Company i.e, GMR Energy Limited w.e.f April 1, 2004.

Participation in Infrastructure Projects

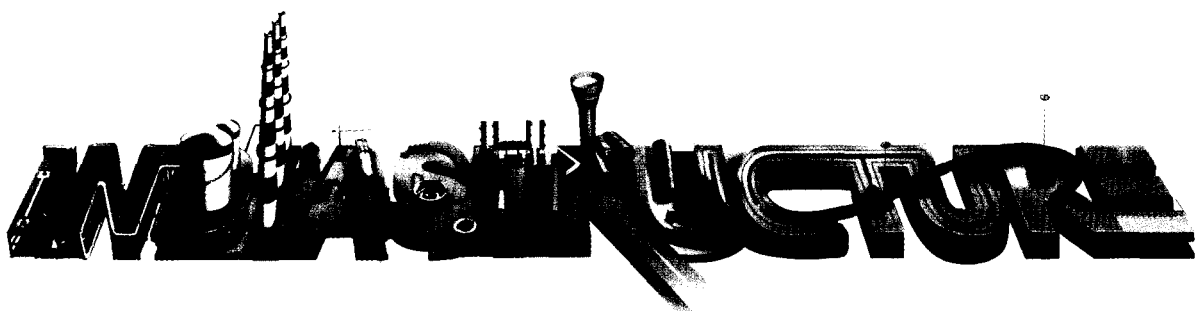
Roads

Maiden Road Projects awarded to the GMR Group, viz, Tambaram -Tindivanam Road Project in the State of Tamil Nadu and Tuni-Anakapalli Road Project in the State of Andhra Pradesh were completed and dedicated to the Nation by NHAI during first quarter of F.Y 2004-2005.

Your Company being a strategic investor with majority shareholding and as sponsor member has played vital role in completing the above projects ahead of schedule.

With effect from this Financial Year i.e F.Y 2005-06, both Road projects have started receiving regular annuities from Government of India, in terms of Concession Agreement entered into with NHAI.

Government of India (GOI) has laid importance on the development of infrastructure, particularly roads in the country. After the Golden quadrilateral, the North-South and East-West (NSEW) corridors are being given



GMR INFRASTRUCTURE LIMITED

importance. In accordance with the thrust given by Government of India, National Highways Authority of India (NHAI) has been calling bids for several projects in the NSEW Corridor on BOT basis.

Your company is participating in capacity as Lead member/member of consortium in the Bid called by the National Highways Authority of India (NHAI) to construct and develop new Roads. The consortium would consist of the company and other GMR Group Companies.

Your Company is the lead member of the consortium for Ambala-Chandigarh Road Project which was won by the GMR Group. A new Special Purpose Vehicle namely GMR Ambala-Chandigarh Expressways Private Limited has already been formed.

Power

The Power Generating Companies viz, GMR Energy Limited (plant at Mangalore) and GMR Power Corporation Private Limited (plant at Chennai), are the leading members of the Group and they are generating expected profits on sale of power to the State Governments.

Vemagiri Power Generation Limited, a power generating plant in the State of Andhra Pradesh is under construction which is scheduled to be completed by December 2005.

Your Company has substantial interest in these Companies by way of equity holdings.

Your Company is the lead member of the consortium formed for implementing prestigious Hydel Power Project at Badrinath in Himalayan region. The initial works for the project have begun.

Airport

The Hyderabad International Airport Limited, a subsidiary of your Company is making headway towards implementation of a prestigious project of building an International Airport at Hyderabad. Construction work has been commenced. HIAL is in the final stage of achieving financial closure with lending institutions and bankers.

Your Company as a lead member of the consortium, is involved in bidding for prestigious projects of Modernization of Airports at Delhi and Mumbai.

Holding & Subsidiary Relationship

Holding Company

As part of Corporate Restructuring of GMR Group, approval of the High Court was obtained to merge the following Non Banking Financial Companies viz., GMR Investments Private Limited, Varalakshmi Investments Private Limited and Vasavi Finance Private Limited with GMR Holdings Private Limited (erstwhile Rao Investments Private Limited). The rationale was to consolidate the financial and investment services of the Group Companies and achieve the economies of scale in deployment of funds.

Consequent to the above merger the shareholding pattern of the Company had changed.

M/s GMR Holdings Private Limited became holding Company being single largest shareholder, holding equity shares representing 99.99 percentage of the total paid up capital of the Company.

Subsidiary Companies

GMR Energy Limited and Hyderabad International Airport Limited are the subsidiaries of your Company. GMR Power Corporation Private Limited and Vemagiri Power Generation Limited being subsidiaries of GMR Energy Limited, a subsidiary of your Company, are subsidiaries of your Company.

The statement pursuant to section 212 of the Companies Act, 1956 containing details of subsidiaries of your Company is provided in the Annexure.



GMR INFRASTRUCTURE LIMITED

Information regarding Subsidiaries are as follows

GMR Energy Limited (GEL)'s total income amounts to Rs. 54316.92 lacs as compared to Rs.55239.83 lacs during the previous year. Net Profit stood at Rs. 8015.21 lacs as against Rs.7606.02 lacs in the previous year.

Hyderabad International Airport Limited is in construction stage, hence profit & loss account was not prepared. Capital Work-in-Progress together with Expenditure during construction period pending allocation upto 31st March, 2005 was around Rs. 6974.85 lacs.

GMR Power Corporation Private Limited's total income amounts to Rs.38957.66 lacs as compared to Rs.43794.21 lacs during the previous year. Net profit stood at Rs. 3635.82 lacs as against Rs. 3229.02 lacs in the previous year.

Vemagiri Power Generation Limited is in construction stage. As on end of April 2005, the project has achieved an overall progress of 86.05%. Major construction works are nearing completion & commissioning activities have begun. The planed target date for commercial operation date is end December, 2005.

Investment

During the year under review your Company has invested in the preference shares of M/s GMR Tambaram Tindivanam Expressways Private Limited (Rs. 1727.70 lacs), M/s GMR Tuni Anakapalli Expressways Private Limited (Rs. 1213.91 lacs), M/s GVL Investments Private Limited (Rs. 2051 lacs) & M/s GMR Industries Limited (Rs. 1903.99 lacs), and in the Equity shares (including share application money) of Hyderabad International Airport Limited (Rs. 5606.92 lacs), M/s Sri Varalakshmi Jute Twin Mills Private Limited (Rs. 300 lacs), M/s Gateways For India Airports Private Limited (Rs. 10.38 lacs) & M/s Saci Sports Private Limited (Rs. 1.3 lacs).

Directors

Mr. G. M. Rao and Mr. Srinivas Bommidala, the Directors of the Company, retire by rotation at the ensuing Annual General Meeting and being eligible offer themselves for reappointment.

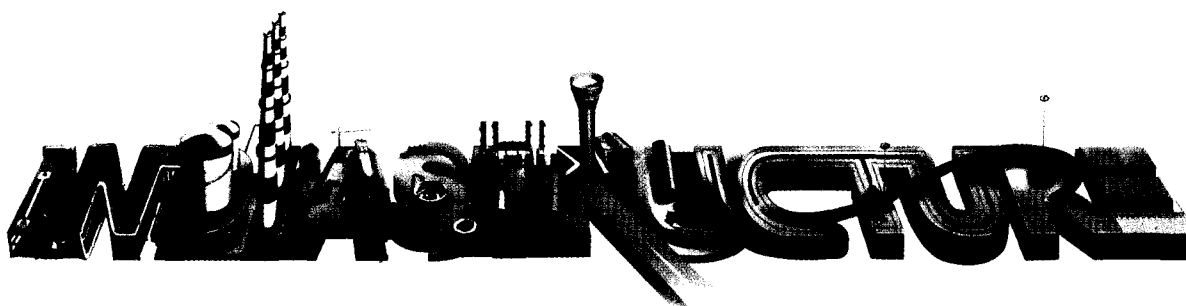
Directors' Responsibility Statement

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

1. that in the preparation of the annual accounts for the year ended March 31, 2005 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, 2005 on a going concern basis.

Corporate Governance

Your Company, is committed to highest level of business ethics and corporate governance. Though unlisted, your Company strives to adopt codes and rules for good governance of global quality.



GMR INFRASTRUCTURE LIMITED

Audit Committee

The composition of the Audit committee of the Board of Director during the year till March 2005 was as follows.

- | | | |
|----|-----------------------|----------|
| 1. | Mr. G. M. Rao | Chairman |
| 2. | Mr. B.V.Nageswara Rao | Member |
| 3. | Mr. G.B.S. Raju | Member |
| 4. | Mr. G. Kiran Kumar | Member |

During March 2005, the Committee was reconstituted and the following is the composition of the new committee.

- | | | |
|----|-------------------------|----------|
| 1. | Mr. K. Balasubramanian | Chairman |
| 2. | Mr. K.V.K. Sehsavataram | Member |
| 3. | Mr. B V Nageswara Rao | Member |

During the year the committee had met four times. The committee reviewed the periodical financial statements and the observations of the Internal Auditors through their quarterly reports and of the Statutory Auditors in their annual reports. The committee reviewed and recommended the appointment of Statutory auditors.

Auditors

M/s S Venkatadri & Co., Chartered Accountants retire at the conclusion of the ensuing Annual General Meeting and have expressed their inability to continue as Auditors for financial year 2005-2006 due to other engagements.

Special notice has been received from M/s GMR Holdings Private Limited, a member of the Company, proposing the appointment of M/s Price Waterhouse as Statutory Auditors at the forthcoming Annual General Meeting .

The Company had received a letter from M/s Price Waterhouse 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 had not accepted any deposits from public.

