



Building a robust organisation

GMR Infrastructure Limited
13th Annual Report 2008-09

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Building a robust organisation

"Some men see things as they are and say, "Why?" I dream of things that never were and say, "Why not?"

– George Bernard Shaw

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The GMR Group is a Bangalore headquartered global infrastructure major with interests in Infrastructure and Agri-business. Founded in 1978, the Group is well diversified and professionally managed.

Over time the Group has built a distinct identity for itself by emphasising on growth through innovation, entrepreneurship and value based practices across all its transactions with its diverse stakeholders.

Having proven its credentials as a leading infrastructure conglomerate in India, the Group is expanding its operations globally. Towards this, it has formed a separate division - GMR International headquartered in London, to manage its overseas operations.

The underlying philosophy of the Group is captured in its vision statement – "To build entrepreneurial organisations that make a difference to society through creation of value."

It is this fusion of vision, values and philosophy that translates into a tangible delivery for the benefit to the Group's multiple stakeholders within and outside the country.

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

General Information

Board of Directors



G M Rao
Executive Chairman



G B S Raju
Managing Director



Srinivas Bommidala
Group Director



Kiran Kumar Grandhi
Group Director



B V Nageswara Rao
Group Director



O Bangaru Raju
Director



Arun K Thiagarajan
Independent Director



K R Ramamoorthy
Independent Director



Dr. Prakash G Apte
Independent Director



R S S L N Bhaskarudu
Independent Director



Udaya Holla
Independent Director



Uday M Chitale
Independent Director

Company Secretary & Compliance Officer

C. P. Sounderarajan

Audit Committee

K R Ramamoorthy Chairman
Arun K Thiagarajan Member
R S S L N Bhaskarudu Member
Uday M Chitale Member

Shareholders' Transfer & Grievance Committee

Udaya Holla Chairman
K R Ramamoorthy Member
G B S Raju Member
B V Nageswara Rao Member

Bankers

Central Bank of India
ICICI Bank Limited
ING Vysya Bank Limited
United Bank of India

Statutory Auditors

Price Waterhouse
Chartered Accountants
8-2-293/82/A/1131A, Road No. 36,
Jubilee Hills, Hyderabad - 500 034.

Registered Office

Skip House, 25/1, Museum Road,
Bangalore - 560 025
Tel No.: 080 40534000
Fax: 080 22279353
www.gmrgroup.in

Registrar and Share Transfer Agent

Karvy Computershare Private Limited
No. 17-24, Vittalrao Nagar, Madhapur
Hyderabad - 500 081



Values and Beliefs

"I don't think much of a man who is not wiser today than he was yesterday."

– Abraham Lincoln

The GMR Group firmly believes that its distinct organisational characteristics will be driven through its strong values and beliefs. These values and beliefs in turn drive the organisation's culture, lay the foundation for institution-building and help define its goals.

It has also helped build the reputation capital of the Group which over time has enhanced and sustained its standing as a leading and respected player in the infrastructure domain.



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 boundary less 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.



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 Uttarakhand, 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 Pochampalli, 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,



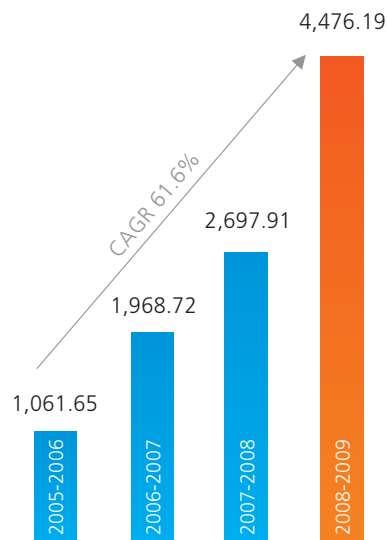
G. M. Rao

Executive Chairman

Highlights of 2008-09

Consolidated Financials

- Gross Revenues up by 65.91% from Rs. 2,697.91 Crore to Rs. 4,476.19 Crore
- Net Revenues up by 75.15% from Rs. 2,294.78 Crore to Rs. 4,019.22 Crore
- EBITDA up by 78.24% from Rs. 598.50 Crore to Rs. 1,066.79 Crore
- PAT (before minority interest) increased by 5.51% from Rs. 262.65 Crore to Rs. 277.11 Crore
- PAT (after minority interest) increased by 33.02% from Rs. 210.08 Crore to Rs. 279.45 Crore
- Cash Profit (PAT before Minority plus depreciation plus deferred tax) increased by 37.21% from Rs. 469.20 Crore to Rs. 643.82 Crore
- Total assets increased by 33.80% from Rs. 16,660.14 Crore to Rs. 22,291.74 Crore.
- Net Worth increased by 14.49% from Rs. 7,229.80 Crore to Rs. 8,277.24 Crore

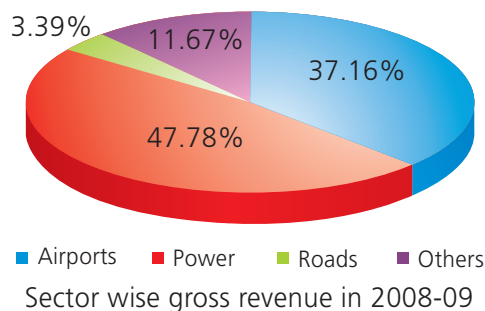


Consolidated Gross Revenue (Rs. In Crore)

"Our Consolidated Revenues have increased more than 4 times between FY 2006 and FY 2009"

Business Developments/ Operation

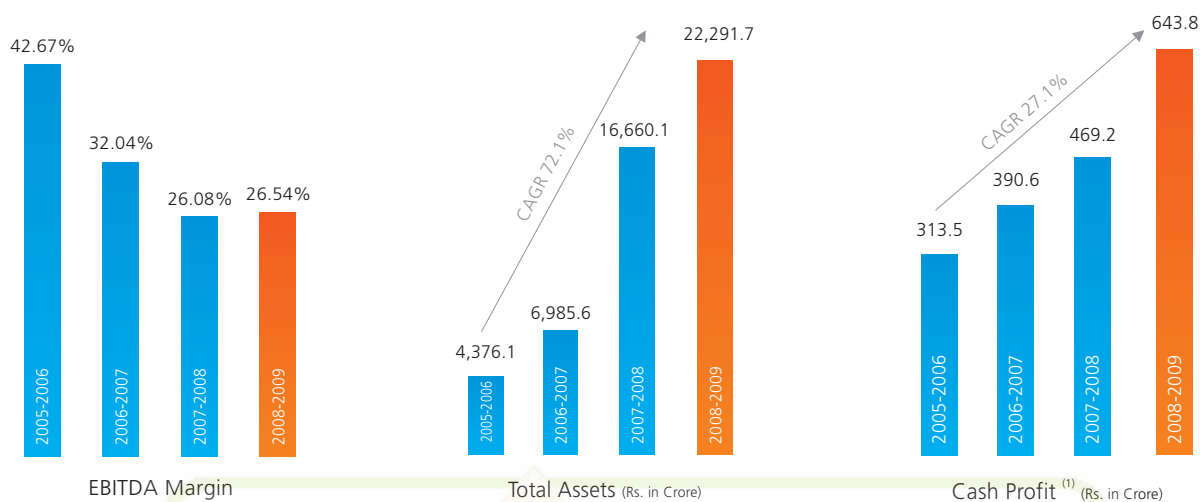
- GMR Kamalanga Energy Ltd has achieved Financial Closure for the 1050 MW plant set up in Dhenkanal District in state of Orissa. The Debt component of Rs. 3,405 Crore has been tied up with 13 banks.
- Vemagiri Power Generation Limited (VPGL) has resumed operation in December 2008.
- GMR Power Corporation Private Limited has achieved best ever operating performance in terms of plant load factor (80.31%) and heat rate (1,856 Kcal/ kWh).
- Acquired 100% ownership in Island Power Project, a Singapore based power utility currently developing an 800 MW Combined- cycle power facility in Jurong Island, Singapore.
- The construction work for Terminal-3 at Indra Gandhi International Airport (IGIA), Delhi is proceeding as per schedule. An overall progress of 71.60% has been recorded till June 30, 2009.
- Novotel hotel, a 305 room hotel at RGIA has commenced operations during Oct'08. The hotel is operated and managed by Accor Hotels a renowned international hotel chain.
- GHIAL has entered into an agreement with MAS Aerospace Engineering for setting up a 50:50 joint venture Maintenance, Repair and Overhaul (MRO) company in Hyderabad.
- Taking over of operations and development of Istanbul Sabiha Gokcen International Airport (ISGIA) in May 2008. The overall construction progress of 78.20% has been recorded till June 30, 2009.
- The Company has recently won bid for the 181 Km Hyderabad - Vijayawada NHAI project and has emerged as the lowest bidder for the 29.65 km Chennai Outer Ring Road project.



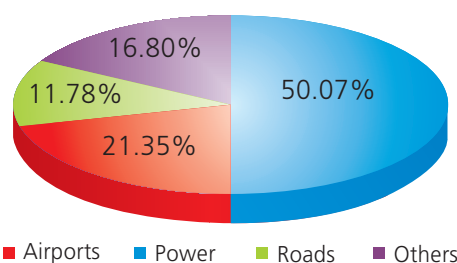
Consolidated Financial Performance : (Rs. in Crore except per share data)

Year End	Net Revenue	EBITDA	PAT	Basic & Diluted EPS	EPS Growth (%)	Cash & Cash Equivalent*	Cash & Cash Equivalent / Total Assets	Current Ratio
FY 2009	4,019.22	1,066.79	277.11	1.53	24.4%	2781.18	12.48%	2.31
FY 2008	2,294.78	598.50	262.65	1.23	10.8%	5779.28	34.69%	1.39
FY 2007	1,696.74	543.68	241.77	1.11	108.0%	1562.32	22.36%	2.57
FY 2006	1,061.65	453.04	93.62	0.53	–	931.44	21.28%	2.77

*Cash+ mutual funds +bonds+ government securities+ certificate of deposit + investments in quoted equity shares



"Our Total assets have recorded a five fold growth between FY 2006 and FY2009"



Sector wise contribution in EBITDA in 2008-09

