

**19th ANNUAL REPORT
2007-08**

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CORPORATE INFORMATION

Board of Directors

Smt. T Indira Reddy	Chairperson
Sri T.V.Sandeep Kumar Reddy	Managing Director
Sri J Brij Mohan Reddy	Executive Vice Chairman
Sri G Siva Kumar Reddy	Director
Dr. V. L. Moorthy	Director
Sri CH Hari Vittal Rao	Director
Sri SMAA Jinnah	Director
Dr. Archana Niranjana Hingorani	Director

Company Secretary & Compliance Officer

CS I.V.Lakshmi

Chief Finance Officer

CA P Sreedhar Babu

Statutory Auditors

C.B. Mouli & Associates
Chartered Accountants
125, M.G. Road
Secunderabad – 500 003

Bankers

Bank of Baroda
Canara Bank
Syndicate Bank
Indian Overseas Bank
Andhra Bank
Corporation Bank
IDBI
Oriental Bank of Commerce
Federal Bank

Registered & Corporate Office

B-1, T.S.R. Towers, 6-3-1090
Raj Bhavan Road, Somajiguda
Hyderabad – 500 082
Tel: 040 – 23314284
Fax: 040 – 23398435
Email: gplhyd@gayatri.co.in
Website: www.gayatri.co.in

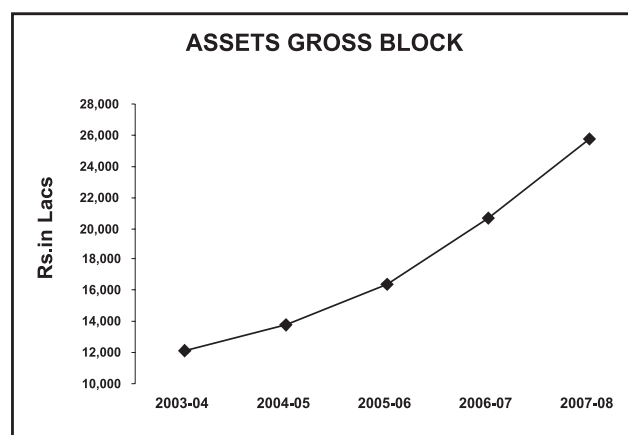
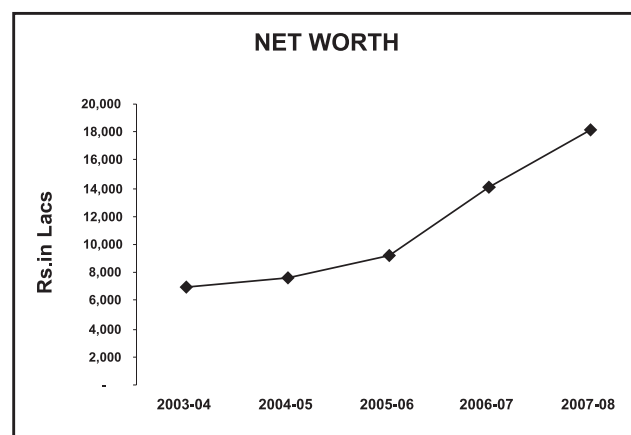
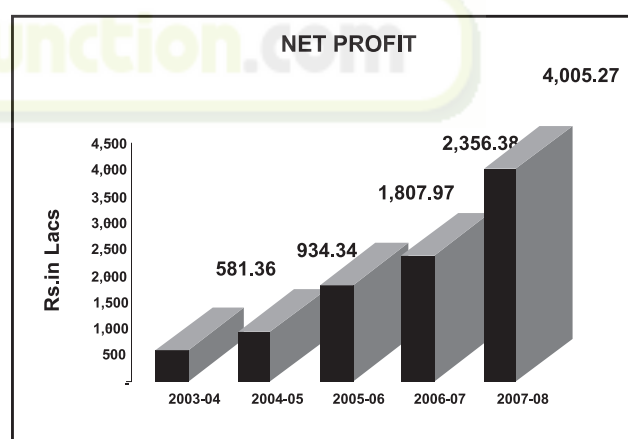
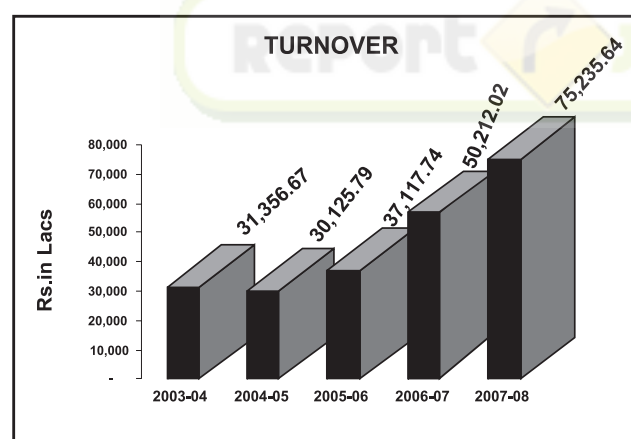
Registrars & Transfer Agents

Karvy Computershare Private Limited
“Karvy House”, 46
Avenue 4, Street No.1
Banjara Hills, Hyderabad – 500034
Tel: 040 – 23312454
Fax: 040 – 23311968
Email: mailmanager@karvy.com
Website: www.karvycomputershare.com

FINANCIAL HIGHLIGHTS

(Rs.in Lacs)

DESCRIPTION	2007-08	2006-07	2005-06	2004-05	2003-04
Turnover	75,235.64	50,212.02	37,117.74	30,125.79	31,356.67
Profit Before Tax	6,118.18	3,582.36	2,759.48	1,325.13	914.34
Profit After Tax	4,005.27	2,356.38	1,807.97	934.34	581.36
Equity Capital	1,010.48	1,000.00	900.00	500.00	500.00
Reserves & Surplus	16,906.24	13,099.97	8,369.21	7,154.30	6,420.38
Net Worth	17,916.72	14,099.97	9,269.21	7,654.30	6,920.38
Gross Block	25,729.36	20,698.48	16,430.72	13,815.66	12,189.37
Net Block	16,287.83	12,858.49	9,830.42	8,167.01	7,525.97
Book Value (Rs.) Per Share	177.31	141.00	102.99	153.09	138.41
EPS (Rs.) Basic	39.06	24.73	19.65	17.53	11.63
Dividend	25%	20%	15%	25%	-



NOTICE

NOTICE is hereby given that the 19th Annual General Meeting of Gayatri Projects Limited will be held on 29th day of September, 2008 at 4.00 p.m at Surana Udyog Hall, The Federation of Andhra Pradesh Chambers of Commerce and Industry, Federation House, 11-6-841, Red Hills, P.B.14, Hyderabad-500 004, to consider the following items of business.

Ordinary Business:

1. To receive, consider and adopt the Audited Profit and Loss Account for the year ended 31st March, 2008 and the Balance Sheet as at that date together with the Report of the Board of Directors and Reports of Auditors thereon.
2. To declare Dividend on Equity Shares for the year ended 31st March, 2008.
3. To appoint a Director in place of Mr. G. Siva Kumar Reddy, who retires by rotation, and being eligible, offers himself for reappointment.
4. To appoint a Director in place of Dr. V. L. Moorthy, who retires by rotation, and being eligible, offers himself for reappointment.
5. **To appoint Auditors and fix their remuneration.**

To consider and if thought fit to pass with or without modification the following resolution as an Ordinary Resolution

“RESOLVED THAT M/s C.B.Mouli & Associates, Chartered Accountants be and are hereby appointed as Statutory Auditors of the Company to hold the office from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting at such remuneration as may be determined by the Board of Directors of the Company.”

Special Business:

6. **Borrowing in Excess of Paid-up Capital and free Reserves**

“RESOLVED THAT the consent of the Company under the provisions of Section 293(1) (d) and other applicable provisions, if any, of the Companies Act, 1956 be and is hereby accorded to the Board of Directors of the Company for borrowing any sum(s) of money from time to time as it may consider fit, on such terms and conditions as the board may deem fit, notwithstanding that the monies to be borrowed together with the monies already borrowed by the Company (apart from temporary loans obtained/ to be obtained from the Company’s Bankers in the ordinary course of business) will exceed the aggregate of the paid up Capital of the Company and its free reserves, so that the total amount of monies so borrowed at any time shall not exceed a sum of Rs.2500 Crores (Rupees Two Thousand Five Hundred Crores only).”

“FURTHER RESOLVED THAT for the purpose of giving effect to this resolution, the Board of Directors be and are hereby authorised to do all such acts/deeds/ matters in its absolute discretion as it may deem necessary and to settle any doubt/question or difficulty that may arise in creation of such mortgage/ charges or Hypothecation or disposals infavour of any lender as aforesaid and to finalise, execute any such deeds, agreements or documents as may be required or desirable or deem fit”

By order of the Board

For **GAYATRI PROJECTS LIMITED**

Place : Hyderabad
Date : 31st July, 2008

CS I.V.LAKSHMI
Company Secretary

Notes:

1. An Explanatory Statement, pursuant to Section 173(2) of the Companies Act, 1956, in respect of the business under Item No. 7 to 9 above, is annexed hereto.
2. A member entitled to attend and vote is entitled to appoint a proxy to attend and vote instead of himself and the proxy need not be a member of the Company. Proxies, in order to be effective must be received at the Company's Registered Office not less than 48 hours before the meeting. Proxies submitted on behalf of limited companies, societies, partnership firms, etc. must be supported by appropriate resolution / authority as applicable, issued on behalf of the nominating organization.
3. The Register of Members and the Share Transfer Books of the Company will be closed from 24th September, 2008 to 29th September, 2008 (both days inclusive).
4. Shareholders are requested to bring their copies of Annual Report to the Annual General Meeting.
5. A member desirous of seeking any information on the accounts or operations of the Company is requested to forward his / her query to the Company at least seven working days prior to the meeting, so that the required information can be made available at the meeting.
6. The final dividend for the year ended 31st March, 2008 as recommended by the Board, if approved at the Meeting, will be payable to those members whose names appear on the Company's Register of Members on 23rd September 2008.

7. Appointment / Re appointment of Directors

At the ensuing Annual General Meeting, Sri G. Siva Kumar Reddy and Dr. V. L. Moorthy, Directors retire by rotation and being eligible offers themselves for re-appointment. The relevant information as required under clause 49 of Listing Agreement concerning Corporate Governance Code in respect of appointment / re-appointment of Directors is given below for information of the Members;

Mr. G. Siva Kumar Reddy, is a Post Graduate in Commerce. Over the years he has gained experience in the field of civil construction, both in the execution and management areas. Under his guidance we have completed Upper Krishna Project involving huge quantities of excavation and mass concreting. He is into the hospitality Industry and is running Grand Kakatiya Hotel & Towers, a Five Star Hotel in the City of Hyderabad, Andhra Pradesh.

Dr. V. L. Moorthy, is a Master in Science and a Doctorate in Philosophy in the field of Pure Chemistry from University of Calcutta. He has an experience of 40 years in the field of paper and Pulp industry and visited many countries for project work and operations. He worked with pulp & paper Companies like ITC Bhadrachalam Paper Board in India and abroad.

ANNEXURE TO NOTICE

Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956

Item No. 6:

Section 293(1)(d) of the Companies Act, 1956, requires the consent of the Members in the General Meeting for authorizing the Board of Directors to borrow monies (apart from temporary loans obtained from the Company's Bankers in the ordinary course of business) in excess of the aggregate of the paid-up capital and free reserves.

The Company is having substantial value of works on hand and is expecting new works in future; the Company requires substantial funds (fund based and non fund based) for execution of works. In view of this, the Board seeks the consent of the members of the proposed resolution in order to comply with the requirements of the Companies Act, 1956. No Director of the Company is interested in this business.

By order of the Board
For **GAYATRI PROJECTS LIMITED**

Place : Hyderabad
Date : 31st July, 2008

CS I.V.LAKSHMI
Company Secretary

DIRECTORS' REPORT

To
The Members,

Your Directors are pleased to present the 19th Annual Report of your company along with the Audited Accounts for the year ended 31st March, 2008.

FINANCIAL RESULTS

The financial year 2007-08 is yet another year of significant growth. The turnover of the company has increased to Rs 75235.64 Lacs for the year ended 31st March 2008 as against Rs 50212.02 Lacs for the previous financial year, registering a growth rate of 49.83% over the previous year.

The financial highlights of your Company for the year ended March 31, 2008 are summarised below:

(Rs.in Lacs)

Particulars	2007-2008	2006-2007
Gross Income	75,780.15	50,545.20
Profit before interest, depreciation and tax	11,126.83	7,882.21
Less : Interest and financial charges	3,369.67	3,043.27
Profit before depreciation	7,757.16	4,838.94
Less : Depreciation	1,638.98	1,256.58
Profit before tax	6,118.18	3,582.36
Provision for tax	2,112.91	1,225.98
Profit after tax	4,005.27	2,356.38
Less : Prior Period Adjustments	75.19	—
Profit after Prior Period Adjustments	3,930.08	2,356.38
Profit brought forward	4,217.20	2,594.81
Profit available for appropriation	8,147.28	4,951.19
Appropriations:		
Dividend @ 25% (previous year @ 20%)	252.62	200.00
Dividend tax	42.93	33.99
Transfer to General Reserve	600.00	500.00
Balance carried forward	7251.73	4,217.20
Paid-up capital	1,010.48	1,000.00
Reserves and Surplus	16906.24	13,099.97

REVIEW OF OPERATIONS:

All projects under taken by the Company during the year have progressed as per schedule.

During the year under review, your Company has entered an MOU for strategic alliance with DLF Group for joint bidding. The alliance with DLF improves the prospects for bidding for larger contracts being announced by NHAI.

ORDER BOOK POSITION:

The Order Book position as on 31st March 2008 stood at Rs 352631.54 Lacs and sector wise breakup is as under:

(Rs.in Lacs)

Sl. No.	Particulars	Orders on Hand	%
1	Roads Division	126114.20	35.76
2	Irrigation Division	128069.81	36.32
3	Building Division	4692.98	1.33
4	Industrial Work Division (EPC)	16156.99	4.58
5	Orders from BOT Projects	77597.56	22.01
	TOTAL	352631.54	100.00

The order book position is expected to increase substantially during the current year on account of the works for which the company is pre-qualified and likely to be awarded. The strong order book position coupled with the Government of India's focus on the infrastructure sector, augurs a brighter future to your company.

MAJOR PROJECTS:

Your Directors have the pleasure in informing that during the year under review, your company along with other consortium/ joint ventures members has secured the following major projects:

- Design, Construction, Development, Finance, Operation and Maintenance of ORR from Bonglur to Tukuguda - AP-4 in the State of Andhra Pradesh, at an estimated Project cost of Rs.36200 Lacs.
- Improvement of Naranpur-Pandapada - Harichandanpur - Brahmanipal - Duburi Road in the State of Orissa awarded to Gayatri-RNS Joint Venture, at an estimated Project cost of Rs.31189 Lacs.
- Investigation, Design and Earthwork Excavation of GNSS Main Canal from Km 119.00 to Km 141.350 including construction of CM & CD Works in the State of Andhra Pradesh awarded in the name of Jaiprakash- Gayatri Joint Venture, at an estimated Project cost of Rs.11196 Lacs.
- Rajiv Sagar Lift Irrigation Project, Dummugudem - Package No.33/2006 in the State of Andhra Pradesh awarded in the name of Jaiprakash- Gayatri Joint Venture, at an estimated Project cost of Rs.28161 Lacs.
- Indira Sagar Project Main Canal and distribution net work on turn key basis by Government of Madhya Pradesh awarded in the name of Gayatri-BCBPPL Joint Venture, at an estimated Project cost of Rs.24255 Lacs.

During the year under review, your Company has in all bagged new orders valued around Rs.175010 Lacs. The order book is very healthy and as on 31st March, 2008 stood at Rs.352631.54 Lacs.

FUTURE OUTLOOK

Infrastructure growth is visible throughout the country in the form of new highways, roads, ports, railways and airports; power plants; urban and rural infrastructure, including water supply, sewerage, and drainage; irrigation and agriculture systems.

The construction industry in India has grown at a CAGR of 14% over the past five years. Strong industry outlook is expecting a CAGR of 20% over the next 5 years.

Your Company being a larger company, there are many new opportunities for expansion in business around the Globe. Your company proposes to continue to focus its efforts in procuring and executing large infrastructure projects.

In order to meet the challenging demands and achieve our vision and mission, the company is actively considering restructuring of the organization by adopting sectoral approach to address each market segment. As a part of restructuring plan, your company has set-up separate division for Irrigation, Roads, Buildings and EPC projects.

DIVIDEND

Your Directors take pleasure in recommending dividend at 25% (Rs.2.50 per share) on the enhanced Equity Share capital of Rs.1010.48 Lacs for the year 2007-08 for approval of the members. The said dividend, if approved, at the 19th Annual General Meeting by the members, will be paid to all those equity share holders, whose names appeared in the register of members as of 23rd September 2008 and also to those whose names appears as beneficial owners as furnished by the National Securities Depository Ltd and the Central Depository Services (India) Ltd.

RESERVES

It is proposed to transfer Rs.600 Lacs to the General Reserves of the Company from the current year's profits.

SUBSIDIARIES

We are expecting to receive approval in the month of August 2008 from Central Government under section 212(8) of the Companies Act, 1956 for not attaching the annual reports of subsidiary companies. The company will send copy of annual reports of subsidiary companies to shareholders upon request. The annual accounts of subsidiary companies are kept open for inspection at the registered office of the company.

CONSOLIDATION OF ACCOUNTS

In accordance with the Accounting Standard -21 on Consolidated Financial Statements read with Accounting Standard – 23 & 27 on Accounting for Investments in Associates in Consolidated Financial Statements and Financial Reporting of Interests in Joint Ventures, Consolidated Financial Statements are prepared considering the combined profits net of losses of all the subsidiaries, joint ventures and after eliminating intra group transactions, unrealized profits and balances.

Your Directors have pleasure in attaching the Consolidated Financial Statements presented by your Company which form part of the Annual Report and Accounts.

ISSUE OF FOREIGN CURRENCY CONVERTIBLE BONDS

During the year, the company raised JPY 3,080 million through issue of Foreign Currency Convertible Bonds viz., Zero Coupon, Direct, Unsubordinated, and Unsecured Convertible Bonds due in 2012 and listed the bonds on Singapore Stock Exchange. The bonds are convertible into company's equity shares at agreed exercise price of Rs 378.3453 with a fixed rate of exchange on conversion of Rs 0.3303 to JPY 1.00. The funds raised are utilized mainly for investment in SPV Companies.

The Bonds of the value of JPY 120 million were converted into 1,04,761 shares leaving a balance of 25,84,116 shares. As a result of these conversions, the share capital has increased by Rs 10.48 Lacs and reserves by Rs 385.88 Lacs.

DIRECTORS

Sri. G Siva Kumar Reddy and Dr. V. L. Moorthy retire at the ensuing AGM and being eligible offer themselves for reappointment.

PUBLIC DEPOSITS

The Company has not accepted any deposits from the public during the year under review.

CORPORATE GOVERNANCE REPORT

Pursuant to Clause 49 of the Listing Agreement with the Stock Exchange, Management Discussion and Analysis Report, Corporate Governance Report and Auditors Certificate on Corporate Governance are annexed to this report.

DIRECTORS RESPONSIBILITY STATEMENT

In accordance with the provisions of Section 217 (2AA) of the Companies Act, 1956, with respect to Directors Responsibility Statement, it is hereby confirmed that:

- i) in the preparation of the annual accounts the applicable accounting standards have been followed along with proper explanations relating to material departures ;
- ii) the Directors have selected such accounting policies and applied them consistently and made judgment 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 31st March, 2008 and of the profit of the Company for the financial year ended on that date.

- iii) 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; and
- iv) The Directors have prepared the annual accounts of the Company on a 'going concern' basis.

AUDITORS

The Auditors M/s. C.B. Mouli & Associates, Chartered Accountants, Secunderabad statutory auditors of the company hold office untill the conclusion of the ensuing Annual General Meeting and are eligible for reappointment. They have signified their willingness to accept re-appointment and have further confirmed their eligibility under Section 224 (1-B) of the Companies Act, 1956.

STATUTORY INFORMATION

Particulars of Employees

Details in respect of remuneration to employees as required under Section 217(2A) of the Companies Act, 1956 read with Companies (Particulars of Employees) Rules, 1975, as amended are not furnished since no employee of the Company, except Executive Directors falls within the remuneration limits provided under the said section and rules.

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

Information relating to Conservation of energy, Technology Absorption and Foreign Exchange Earnings and Outgo as required under Section 217(1)(e) of the Companies Act, 1956 read with the Companies (Disclosure of the Particulars in the Report of Board of Directors) Rules, 1988 is not applicable for the company. The particulars of expenditure and earnings in Foreign Currency is furnished in Notes to Accounts.

INDUSTRIAL RELATIONS

The Company enjoyed cordial relations with the employees during the year under review and the Management appreciates the employees of all cadres for their dedicated services to the Company, and expects continued support, higher level of productivity for achieving the targets set for the future.

ACKNOWLEDGEMENTS

The Board of Directors would like to place on record their appreciation of the assistance and guidance extended by the Government at Centre and in the States, Banks and Financial Institutions. Your Directors also place on record their sincere appreciation of the total commitment and hard work put in by all the sub contractors, consultants, clients and employees of the company.

For and on behalf of the Board

Place: Hyderabad
Date: July, 31st 2008.

T. INDIRA REDDY
Chairperson

T.V. SANDEEP KUMAR REDDY
Managing Director