



MADHUCON
PROJECTS LIMITED
ISO 9001:2000 COMPANY

MADHUCON

18th ANNUAL REPORT

2007-2008

Forward Looking Statement

This Annual Report contains statements that constitute forward looking information to enable investors to take informed investment decisions. This report and statement represent anticipated results based on management plans, judgments, and future expectations concerning the development of our business. The achievement of results is subject to risks, market conditions, governmental and regulatory policies, technological developments, legislative developments and other factors. The actual developments and results differ from our expectations.

Madhucon Projects Limited undertakes no obligation to publicly update any forward looking statement, whether as a result of new information, future events or other circumstances.

Contents:

Chairman's Letter

Board of Directors

Notice

Directors Report

Report on Corporate Governance

Auditors Report

Balance Sheet

Profit and Loss Account

Schedules

Cash Flow Statement

Accounting Policies and Notes

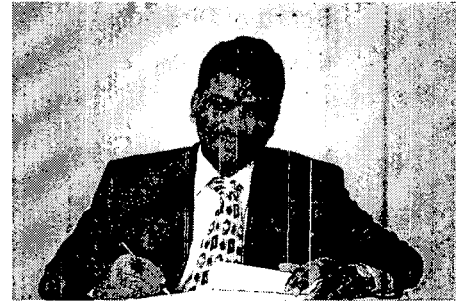
Balance Sheet Abstract

Annual Report of Subsidiaries

Attendance Slip and Proxy Form



From the Chairman's Desk



Dear Shareholders,

I am pleased to present the Annual Report of the Company for the financial year 2007-2008 and to report your Company's improved performance in revenue and profit. With the strong order book position of Rs.4949 crores and proven executional capacity, your Company is set to achieve new milestone in revenue and profit for the financial year 2008-2009.

Our country's buoyancy in infrastructure development coupled with continued accelerated economic and GDP growth has thrown open new avenues and demand on infrastructure development in Roads, Power, Ports, Airports, Railways and Mining. Government of India's continuous thrust and patronage of public private partnership on infrastructure development has met with success and your Company, an integrated infrastructure developer, has already taken major initiative in Highways, Power, Mining, Railways and Property Development sectors which is bound to accelerate growth for the Company and value creation for the shareholder.

Your Company is executing 4 BOT toll based National highways of 330 KM and of which 2 BOT projects are expected to be commissioned during 2008-2009 as scheduled. Other 2 BOT projects are also progressing well and shall be completed on the scheduled date. Item rate contracts of National Highways, State Highways of 220 KMs and Irrigation projects are being expedited.

Your Company's initiative in 540 MW Thermal Power Plant at Krishnapatnam in Andhra Pradesh is proceeding as planned. Your Company has also entered into MOU with Jharkhand Government for setting up a 1000 MW Thermal Power Plant.

Your Company is setting up Four Star Hotel project with Service apartments, Shopping mall with Cineplex in 9.2 acres with a built up area of 2.06 Million sq.ft. in Hyderabad near Hitec City. The Financial closure for the projects is at an advanced stage.

Your Company's foray into coal mining in Indonesia will boost the Company's revenue and profit from the financial year 2009-10.

With a strong commitment to contribute to infrastructure development of the nation, I am confident that your Company shall make a mark in the infrastructure development of the country.

I wish to express my sincere gratitude and appreciation for the strong commitment given by the employees in achieving the growth of the organization. I thank the customers, banks, business associates and above all, our shareholders for their continuous support and faith on the Company.

N. Nageswar Rao
Chairman



MADHUCON PROJECTS LIMITED

Board of Directors:

N. Nageswar Rao

Chairman

N. Seethaiah

Managing Director

S. Vaikuntanathan

Director (Finance)

K. Srinivasa Rao

Director

C. Venkateswara Rao

Independent Director

P. Madhava Rao

Independent Director

Company Secretary:

G. Anupama

Auditors:

M/s Kota & Company

Chartered Accountants

331, (Plot #13), Road #3, Arora Colony-2,

Banjara Hills,

Hyderabad-500 034.

Registered Office:

1-7-70, Madhu Complex, Jubilipura,

Khammam- 507 003

Administrative Office:

D-27, East of Kailash,

New Delhi – 110 065

Corporate Office:

"Madhucon House", Plot #1129/A,

Road#36, Jubilee Hills,

Hyderabad – 500 033

Bankers:

Canara Bank

ICICI Bank Limited

Oriental Bank of Commerce

State Bank of India

HDFC Bank

IDBI Bank

United Bank of India

Standard Chartered Bank

State Bank of India, New York

ICICI Bank, Singapore

Bank of Bahrain & Kuwait BSC

State Bank of Bikaner and Jaipur



NOTICE

To
The Members,
Madhucon Projects Limited

Notice is hereby given that the 18th Annual General Meeting of Madhucon Projects Limited will be held on Monday, the 29th September, 2008 at 3.00 PM at the Registered Office of the Company situated at "Madhu Complex 1-7-70, Jubilipura, Khammam-507 003 to transact the following:

ORDINARY BUSINESS:

1. To receive, consider and adopt the Audited Balance Sheet of the Company as at 31st March, 2008 and the Profit and Loss Account for the year ended on that date together with the report of the Auditors' and Directors' thereon.
2. To appoint Director in the place of Sri.C.Venkateswara Rao, Independent Director who retires by rotation and being eligible offers himself for re-appointment.
3. To declare dividend on the Equity Shares.
4. To consider and if thought fit to pass with or without modification the following resolution as an Ordinary Resolution.

"RESOLVED THAT M/s Kota & Company (formerly known as K.Siva Rama Krishna Prasad & Co.) Chartered Accountants, be and are hereby reappointed as Auditors of the Company to hold 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:

5. To consider and if thought fit to pass with or without modification the following resolution as Ordinary Resolution.
"RESOLVED THAT subject to the provisions of sections 198, 309, 310, 311 and Schedule-XIII and all other applicable provisions of the Companies Act, 1956 Sri. N.Seethaiah, Managing Director of the Company be paid the revised monthly remuneration @ Rs.2.00Lakhs (Rupees Two Lakhs only) (inclusive of perquisites) w.e.f. 01.04.2008 till the remaining tenure of his appointment as Managing Director."

Place: Hyderabad

Date : 28.08.2008

By Order of the Board

G. ANUPAMA
Company Secretary



MADHUCON PROJECTS LIMITED

NOTES:

1. A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote instead of himself and the proxy need not be a member. Proxies in order to be effective must be received by the company not less than 48 hours before the meeting. Proxy form is enclosed.
2. Explanatory Statement pursuant to Section 173 of the Companies Act, 1956, relating to Special Business to be transacted at the Annual General Meeting is annexed.
3. Corporate Members are requested to send to the Company a duly certified copy of the Board Resolution, pursuant to Section 187 of the Companies Act, 1956, authorizing their representative to attend and vote at the Annual General Meeting.
4. Members who hold shares in the certificate form and wish to make/ change nomination in respect of their shareholding in the Company, as permitted under Section 109A of the Companies Act, 1956, may submit to the Company the prescribed Form-2B.
5. The Register of members and share transfer books will remain closed from 26.09.2008 to 29.09.2008 (all days inclusive).
6. Dividend on Equity Shares when declared will be paid to the Members whose names appear in the company's register of members as on 29.09.2008 (AGM date). In respect of shares held in Electronic mode the dividend will be paid on the basis of beneficial ownership as per the details furnished by the Depositories for this purpose.
7. The Shareholders are requested to inform the change of address to the Registrars and Share Transfer Agents (RTA) M/s Sathguru Management Consultants Pvt Limited, Plot No.15, Hindi Nagar, Panjagutta, Hyderabad-500034.

ANNEXURE:

Explanatory Statement Pursuant to Section 173(2) of the Companies Act, 1956 for the Special Business mentioned in the notice.

SI.No.5.

The Board of Directors at their meeting held on 04th June, 2008 revised the monthly remuneration of Sri.N.Seethaiah, Managing Director @ Rs.2.00Lakhs (Rupees Two Lakhs only) (inclusive perquisites) w.e.f. 01.04.2008 for the remaining tenure of his appointment as Managing Director of the Company (ie., 30.04.2010) on the recommendation of the Remuneration Committee of the Board. The Board recommended this Resolution for the revisions of Monthly remuneration to Sri. N.Seethaiah, Managing Director, for approval of the Shareholders.

None of the Directors of the Company except Sri.N.Nageswar Rao and Sri.K.Srinivasa Rao (being relatives) and Sri.N.Seethaiah are deemed to be concerned or interested in the resolution.

Place: Hyderabad

Date : 28.08.2008

By Order of the Board

G. ANUPAMA
Company Secretary



DIRECTORS' REPORT

To
The Members,
Madhucon Projects Limited

Your Directors are pleased to present the 18th Annual Report together with the Audited Accounts for the year ended March 31, 2008.

FINANCIAL RESULTS:

Rupees in lakhs

	2007-08	2006-07
Gross Income	73799.32	51004.78
Profit before Depreciation & Taxation	10346.92	8429.14
Depreciation	3393.90	2530.40
Profit before Taxation	6953.02	5898.74
Provision for Taxation		
i) Current Tax	1750.00	1325.00
ii) Deferred Tax	464.88	403.41
iii) Fringe Benefit Tax	13.46	13.47
Profit after Taxation	4724.68	4156.86
Profit available for appropriation	4724.68	4156.86
APPROPRIATION		
General Reserve	472.47	415.68
Proposed Dividend	221.38	221.38
Corporate Tax on Proposed Dividend	37.62	37.62
Taxation adjustments of earlier years	--	59.85
Balance transferred to Balance Sheet	3993.22	3422.30
Earnings per Share (Rs.)	10.82	11.26
Book Value (Rs.)	133.50	121.39
Paid-up Equity Share Capital	740.32	740.32
Reserves & Surplus	48516.57	44050.89

REVIEW OF OPERATIONS:

During the year under review, your company achieved a Gross Income of Rs.73799.32 Lakhs as against Rs. 51004.78 lakhs of previous year. After providing depreciation of Rs.3393.90 Lakhs (previous year Rs.2530.40 Lakhs), your company earned a net profit of Rs.4724.68 Lakhs as against Rs. 4156.86 Lakhs of previous year.

Management Discussion and Analysis:

1. Industry Structure & Development:

During the Fiscal Year 2007-2008, the infrastructure industry has witnessed a strong and impressive growth over 10.5% and Indian economy has recorded growth over 8.5%. The infrastructure industry has witnessed quantum jump in private investments in the last few years and the country's continued buoyancy in infrastructure development



has opened up new avenues placing the nation a most favoured destination for foreign investment. Government of India's continuous thrust and patronage of public private partnership on infrastructure development to create a world class infrastructure has resulted in new opportunities in Highways, Power, Port, Airports, Mining, Property Development, dedicated freight corridors and Metro Railways. Industrialization of the Country has resulted in Traffic Growth of 8% to 12 % every year on National Highways and this growth trend shall continue. To meet the growing traffic NHAI has taken up implementation of National Highway Development Projects of over 24,000 kms, and Government is planning major investments for the dedicated Freight corridors of over 2,700 kms of new railway lines which shall be coming up in Western and Eastern Corridors. Your company has already taken major initiative to capitalize the opportunities which would accelerate the growth of the company.

2. Future Outlook:

The Government's encouragement of public private partnership on infrastructure development and the investment by industrial houses, construction companies, other developers have opened up substantial opportunities for the growth of infrastructure development companies engaged in Highways, Power, Mining, Port, Airports, Buildings etc. The present order book position of the company of around Rs.5000 crores will translate into growth in revenues in the years to come. Your company is at present executing 4 BOT toll based National Highways of 330 KMs and item rate National and State Highways of 220 KMs, one major flyover in Maharashtra apart from 6 Irrigation projects in Andhra Pradesh and one Irrigation project in Madhya Pradesh. In addition, your company has also taken up construction of Power Plant in Krishnapatnam, Nellore District, Andhra Pradesh and construction of commercial buildings in Hyderabad. Your company's operation in different business sectors across the country with strong executional capacity has provided better opportunities in term of operation and profitability.

3. Opportunities:

Your company is at present has the following 8 diversified business verticals:

- i) Roads and Airports
- ii) BOT National Highway Projects
- iii) Water Resources including Irrigation
- iv) Energy
- v) Mining
- vi) Structural and Bridges
- vii) Building and Property Development
- viii) Overseas Projects

Your company is at present executing construction projects on all the business verticals. Your company has adequate capital equipments of over Rs.380 crores to execute the present order book.

4. Operational Performance:

(i) Highway Division

a. BOT toll based projects:

Your company is at present executing 4 BOT toll based National Highways of 330 KMs namely 1. Madhucon Agra-Jaipur Expressways Limited (MAJEL), 2. TN (DK) Expressways Limited (TNDK), 3. Trichy - Thanjavur Expressways Limited (TTEL) and 4. Madurai - Tuticorin Expressways Limited (MTEL). The first 2 BOT projects namely MAJEL and TNDK shall be achieving the COD in October 2008 and February 2009 respectively. The other 2 BOT projects are expected to achieve COD in the financial year 2010-11.

b. National and State Highways projects (Item rate):

Your company is at present executing 220 KMs of National Highway and State Highway project which are progressing satisfactorily.

**(ii) Irrigation Division**

Your company is at present executing 5 Irrigation projects in Andhra Pradesh and one Irrigation project in Maharashtra.

(iii) Building Division

Your Company has taken up the construction of 4 Star Hotel cum Service Apartments and Shopping Mall cum Multiplex in 9.02 Acres of land in Kukatpally, Hyderabad.

(iv) Energy and Mining Division

Your company has bagged the EPC Contract of Rs.989.50 Crores for building a 2x135MW Coast based Thermal Power Project in Nellore District, Andhra Pradesh. The construction works have just began. Your company has also entered into MOU with Jharkhand Government for setting up 1000 MW Coal based Thermal Power Plant at Barharwa, Jharkhand State.

Your Company has also received a letter of intent for the 2 Hydro Electric Projects namely 1.Etabu Hydro Electric Project of 165 MW and 2. Elango Hydro Electric Power Project of 150 MW in the State of Arunachal Pradesh on BOOT basis.

Your company has started renewal of overburden in coal mining in East Kalimantan, Indonesia. 1000 TPH crusher and automatic loading plant is under construction and expected to be completed by January 2009. Your company is hopeful of achieving the commercial production in the financial year 2009-10 which shall boost your company's revenue and profit from the financial year 2009-10.

Your Company has also started the exploration activities in the second coal mine at South Sumatra in Indonesia. The coal mining activities are carried out through its wholly owned Indonesian company namely PT Madhucon Indonesia.

5. Internal Control System:

Your Company has got proper and adequate Internal Control Systems in order to ensure that all assets are safeguarded against the loss from unauthorized use or disposition and that all transactions are checked, verified, recorded and reported correctly. Regular internal audits are carried out to ensure that responsibilities are executed effectively. The Internal Control Systems are reviewed by the Audit Committee in consultation with the Internal Auditors and Statutory Auditors.

Your company is also contemplating introduction ERP (Entrepreneur Resources Planning) system for effective control and quick decision making process.

6. Financial Performance:

a) The financial statements have been prepared in accordance with the requirement of the Companies Act, 1956 as per the generally accepted accounting principles and in accordance with the accounting system approved by the Institute of Chartered Accountants of India.

b) The Company has continued its cost reduction measures in the following areas:

- i) Raw-material prices
- ii) Effective and optimum utilization of machinery

7. Share Capital:

The Company's paid-up capital is continued to be at Rs.7,37,94,940/- comprising of 3,68,97,470 Equity shares of Rs.2/- each.

8. Dividend

Your Directors are pleased to recommend an Equity Dividend of 30% on paid up Capital for the year ended 31.03.2008 subject to approval of the Members at the Annual General Meeting.



9. Subsidiary Companies

The Company presently have only 8(Eight) Indian Subsidiaries and 2(Two) Foreign Subsidiaries Companies. The details of Madhucon's investments in Subsidiaries Companies are given below:

Sl.No	Name of the Company	Date of Incorporation	No. of Equity Shares held by Madhucon Projects Limited	Equity Share Value Rs.	Value Rs.
01	Madhucon Agra-Jaipur Expressways Limited (CIN- U45203AP2005PLC045689)	23.03.2005	4,30,54,000	10/-	43,05,40,000
02	TN(DK) Expressways Limited (CIN- U45200AP2006PLC048941)	31.01.2006	6,31,97,800	10/-	63,19,78,000
03	Trichy-Thanjavur Expressways Limited (CIN- U45200AP2006PLC049815)	13.04.2006	6,38,46,280	10/-	63,84,62,800*
04	Madurai-Tuticorin Expressways Limited (CIN-U45203AP2006PLC050114)	11.05.2006	9,86,24,000	10/-	98,62,40,000**
05	Madhucon Energy Limited (CIN- L45309AP2000SGC034007) (Formerly known as Madhucon Industries Ltd)	24.03.2000	1,00,090	5/-	5,00,450
06	Madhucon Mega Mall Private Limited U45400AP2007PTC056734	18.12.2007	20,000	10/-	2,00,000
07	Nama Hotels Private Limited U55101AP2007PTC056818	24.12.2007	20,000	10/-	2,00,000
08	Madhucon Heights Private Limited U45209AP2007PTC056733	18.12.2007	20,000	10/-	2,00,000

* Includes Share Application Money of Rs. 8.00 Crores

** Includes Share Application Money of Rs 12.00 Crores

Foreign Companies

Sl.No	Name of the Company	Date of Incorporation	No. of Equity Shares held by Madhucon Projects Limited	Equity Share Value	Value
01	Madhucon Natural Resources Limited, Singapore (200603264W) (Formerly known as Madhucon International Limited)	09.03.2006	745	S\$ 1/-	S\$ 745 (Equivalent to Rs.21036)
02	PT Madhucon Indonesia (Deed No.30) (H.R.01.01.TH 2006) Jakarta, Indonesia	19.12.2005	1425000	Rph.10,110	Rph.14,406,750,000 equivalent to US\$ 1,425,000 to Rs.6,63,83,625/- (at the exchange rate of 1USD = Rs.46.585)

10. Consolidation of Accounts

In accordance with the Accounting Standard AS-21 and AS-27 on Consolidated Financial Statements read with Accounting Standard AS-23 on accounting for investments in associates, the figures of the subsidiaries are not consolidated with the parent company since the projects of subsidiary companies (both domestic and foreign) are under construction stage and yet to commence revenue / business.

11. Corporate Governance

A separate section titled "Corporate Governance" including a certificate from the Auditors of the Company confirming compliance of the conditions of Corporate Governance as stipulated under Clause 49 of the Listing Agreement is annexed hereto and forms part of the Report.