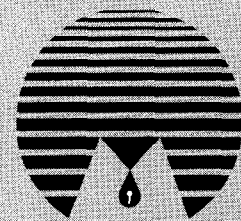


19th ANNUAL REPORT 2008 - 2009

report@sanction.com



MADHUCON

MADHUCON
PROJECTS LIMITED
ISO - 9001 : 2000 COMPANY

MADHUCON

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 Message

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

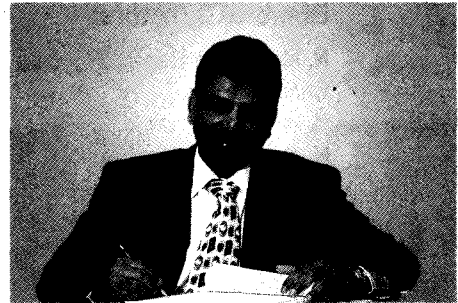
Balance Sheet Abstract

Annual Report of Subsidiaries

Attendance Slip and Proxy Form



From the Chairman's Desk



Dear Shareholders,

Your company, during the Financial Year 2008-09 has surpassed the major milestone of Rs.1000 Crores in revenue, with improved net profit. At the end of 2008-09 your company's order book position stands at Rs.5300 Crores which would translate into improved performance in revenue and profit for the Financial Year 2009-10.

In spite of deteriorating global economic condition and ever threatening financial meltdown in 2008-09, the resilient Indian economy could witness a GDP growth rate of 6.7%. The infrastructure projects continue to get fillip from the Government in the form of ambitious investment plan of 65% of the total capital budgeted over the next five years in the sectors of Roads, Power, Ports, Airports, Railways and Mining and are adequately supported by the private sector by their participation in infrastructure development.

Your company is well poised to gain from the favourable infrastructure development taking place in different sectors and would pave the way for substantial growth of the company. Your company's strategic decision in reorganizing the business models to create value and assets for the shareholders has paid rich dividends. Your company is successful in creating assets in BOT Roads, Power, Coal Mine and Real Estate in the shape of Hotel, Mall and Office complex. Your company has commissioned one BOT NHAI road project viz., Madhucon Agra – Jaipur Expressways Limited to commercial operation. Other 3 BOT Highway projects are expected to be commissioned before the end of this Financial Year. Your company hopes to earn a total toll revenue of approximately Rs.60 Lakhs per day, once all the 4 BOT projects are commissioned. Projects under the EPC divisions such as Irrigation, National and State Highways are progressing satisfactorily.

The first phase of 540 MW Thermal Power Plant at Krishnapatnam is progressing well. Your company has increased Equity participation in the Power project to 74% and is planning to increase the capacity to 1600 MW. Feasibility report in this respect is under preparation.

Your company has achieved Financial Closure of the four star hotel project being planned in Hyderabad with service apartments and the construction shall be commencing shortly, along with the office complex.

Your company's coal mining project in Indonesia is progressing well and during the Financial Year 2009-10, the coal production and commercial operations shall commence.

With the onset of stability in the Indian economy, the thrust given by the Government towards infrastructure development and improved business environment, your company will have a greater role and opportunity to play as a major player in the infrastructure development of the country.

I wish to express my sincere gratitude and appreciation for the strong commitment shown 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 to and faith in the Company.

N. Nageswar Rao
Chairman



Board of Directors:

N. Nageswar Rao
Chairman

N. Seethaiah
Managing Director

S. Vaikuntanathan
Whole-time Director

K. Srinivasa Rao
Director

C. Venkateswara Rao
Independent Director

P. Madhava Rao
Independent Director

Company Secretary:

K. Rajyalakshmi

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:

Plot No.55, Sector-20,
Marble Market, Dwaraka,
New Delhi- 110 005

Corporate Office:

"Madhucon House", Plot #1129/A,
Road#36, Jubilee Hills,
Hyderabad – 500 033

Bankers:

Canara Bank
Standard Chartered Bank
ICICI Bank Limited
Oriental Bank of Commerce
HDFC Bank
Bank of Bahrain & Kuwait BSC
State Bank of India
IDBI Bank
United Bank of India
AXIS Bank
IndusInd Bank



NOTICE

To
The Members,
Madhucon Projects Limited

Notice is hereby given that the 19th Annual General Meeting of Madhucon Projects Limited will be held on Wednesday, the 30th September, 2009 at 3.00 PM at the Registered Office of the Company situated at "Madhu Complex 1-7-70, Jublipura, Khammam-507 003 to transact the following items of business:

ORDINARY BUSINESS:

1. To receive, consider and adopt the Audited balance sheet of the company as at 31st March, 2009 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. P Madhava Rao, Independent Director who retires by rotation and being eligible offers himself for re-appointment;
3. To declare divided on the equity shares of the company;
4. To consider and, if thought fit, to pass with or without modifications, the following resolution as an Ordinary Resolution:

"RESOLVED THAT M/s Kota & Company Chartered Accountants, be and are hereby re-appointed 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 an Ordinary Resolution:
"RESOLVED THAT Sri. N. Nageswar Rao who was appointed as an Additional Director holding the office up to the date of this Annual General Meeting and in respect of whom the company has received a notice under section 257 of Companies Act, 1956, from a member proposing the candidature of Sri. N. Nageswar Rao, be and hereby appointed as Director of the Company liable to retire by rotation.
6. To consider and if thought fit, to pass with or without modification the following resolution as an Ordinary Resolution:

"RESOLVED THAT subject to the provisions of sections 198, 269, 309, 310, 311 read with Schedule XIII and other applicable provisions if any, of the Companies Act, 1956, re-appointment of Sri. S. Vaikuntanathan, as Whole-time Director of the company be and is hereby approved and ratified for a period of two years w.e.f. 5th March, 2009, on a monthly remuneration of Rs. 1,95,000/- (Rupees One Lakh Ninety Five thousands only) (inclusive of all perquisites)."

Place: Hyderabad
Date : 26.08.2009

By Order of the Board

K. RAJYALAKSHMI
Company Secretary

**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 of the company. 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(2) of the Companies Act, 1956, relating to Special Business to be transacted at the Annual General Meeting is annexed and forms part of this notice.
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 in the prescribed Form-2B.
5. The Register of members and share transfer books will remain closed from 27.09.2009 to 30.09.2009 (both 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 30.09.2009 (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 items no.5 & 6 pertaining to the Special Business matters are as under:

Item No.5.

Nama Nageswar Rao is the Chief Founder of Madhucon Projects and its Group companies. He has excellent vision, passion, dynamism, courage, Commitment, inspirational, influential & leadership qualities. His contributions to the company are invaluable and shares his rich experience through valuable advises to the Board on all the matters, as a result, the company reached significant heights and achieved number of awards from various Governmental Authorities.

Nama Nageswar Rao was appointed as an Additional Director holding the office up to the date of this Annual General Meeting and the company has received a notice under section 257 of Companies Act, 1956, from a member proposing the candidature of N.Nageswar Rao, to be appointed as Director of the Company.

None of the directors of the company except Sri N. Nageswar Rao, Sri N. Seetaiah, Managing Director are concerned or interested in this resolution. The Board of directors of the Company recommends the resolution for the approval of members.

Item No: 6

The Board of Directors at their meeting approved the re-appointment of Sri.S.Vaikuntanathan as Whole-time Director, as he has experience for the past more than 11 (Eleven) years in the Company and shared his experience with the Company.

None of the Directors of the Company except Sri.S.Vaikuntanathan is deemed to be concerned or interested in the resolution. The Board recommends the resolution for acceptance by the Members.

By Order of the Board

K. RAJYALAKSHMI
Company Secretary

Place: Hyderabad
Date : 26.08.2009



DIRECTORS' REPORT

To
The Members,
Madhucon Projects Limited

Your Directors have pleasure in presenting their 19th report on the business and operations along with the audited financial statements of your company for the year ended March 31, 2009.

FINANCIAL RESULTS:

Rupees in lakhs

	2008-09	2007 - 08
Gross Income	104453.56	75063.52
Profit before Depreciation & Taxation	11648.12	10346.92
Depreciation	4334.22	3393.90
Profit before Taxation	7313.90	6953.02
Provision for Taxation		
i) Current Tax	2586.36	1750.00
ii) Deferred Tax	21.49	464.88
iii) Fringe Benefit Tax	15.06	13.46
Profit after Taxation	4690.98	4724.68
Profit available for appropriation	4690.98	4724.68
APPROPRIATION		
General Reserve	469.10	472.47
Proposed Dividend	295.18	221.38
Corporate Tax on Proposed Dividend	50.17	37.62
Balance transferred to Balance Sheet	3876.54	3993.22
Earnings per Share (Rs.)	12.71	12.81
Book Value (Rs.)	145.27	133.50
Paid-up Equity Share Capital	740.32	740.32
Reserves & Surplus	52862.21	48516.57

REVIEW OF OPERATIONS:

During the year under review, your company has achieved a Gross Income of Rs. 104453.56 Lakhs as against Rs.75063.52 Lakhs of previous year. After providing depreciation of Rs. 4334.22 Lakhs (previous year Rs.3393.90 Lakhs), your company earned a net profit of Rs.4690.98 Lakhs as against Rs.4724.68 Lakhs of previous year.

MANAGEMENT DISCUSSION AND ANALYSIS:

1. Industry Scenario:

Though the Global Financial meltdown has slowdown the process of infrastructure development during 2008-09, India has achieved a GDP growth rate of 6.7% and witnessed slow down in investments in Highway sector. Because of the various initiatives undertaken by the Government, infrastructure development has become the preferred destination for investments by both Private sector as well as foreign financial institutions. The Government aims at



increasing the investment plan on infrastructure in various sectors like Power, Irrigation, Roads, Railways, Ports and Airports to the extent of more than US \$ 500 billion by 2012 and this shall pave the way for substantial growth of your company.

2. Future Outlook:

As the Government is favouring Private Public Partnership (PPP) in infrastructure development, your company's decision to realign the business models to create value and assets for the shareholders has paid rich dividends. As at the end of 2008-09, your company's order book position stood at Rs.5300 crores and this would pave the way for higher growth in revenue and profit in the coming years. Your company has been prequalified in BOT projects & Irrigation projects valuing more than Rs.10,000 Crores. Your company is also planning to enter into for participating in Ports and Airports projects.

Out of the 4 BOT toll based National Highway projects of 320 KMs being executed by the company, Madhucon Agra – Jaipur Expressways Limited has already been put to commercial operation. Other 3 BOT Highway projects are expected to be commissioned before the end of this financial year.

Your company is planning to increase the present planned capacity from 540 MW to 1600 MW of the power plant being set up in Krishnapatnam, Nellore District. Your company has increased Equity in the power project. Your company has entered into MOU with Jharkhand Government for setting up a 1000 MW coal based power plant for which land has already been allocated by the Government and your company is awaiting CWC clearance for water linkage.

3. Opportunities:

The continued focus given by Government and duly supported by the Governments' policy in giving major thrust to infrastructure development has thrown open wide opportunities to infrastructure developers.

Business at the 8 diversified business verticals set up by your company is progressing well and projects are being executed in all business verticals namely:

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

Your company has got adequate sophisticated capital equipments of over Rs.480 Crores to execute the projects.

4. Operational Performance:

(i) Highway Division

a. BOT toll based projects:

Your company is executing 320 KMs of 4 BOT toll based National Highways, namely:

Sl.No.	Name of the Project	Status
1.	Madhucon Agra – Jaipur Expressways Limited	Toll revenue commenced.
2.	TN(DK) Expressways Limited	Toll revenue shall be commenced from September 2009.
3.	Trichy – Thanjavur Expressways Limited	Toll revenue shall be commenced from February 2010.
4.	Madurai – Tuticorin Expressways Limited	Toll revenue shall be commenced from February 2010.



b. Item rate National and State Highways projects:

Your company is at present executing 3 National Highway projects and 2 State Highway projects. All the projects are progressing satisfactorily.

(ii) Irrigation Division

Your company is at present executing 7 major Irrigation projects.

(iii) Building Division

Your Company has achieved Financial Closure of Star Hotel cum Service Apartments at KPHB Colony, Hyderabad and the construction work has commenced. The construction of office complex shall be taken up very shortly.

During the Financial Year 2009-2010, the company is hopeful of receiving all clearances for Shopping Mall cum Multiplex.

(iv) Energy Division

Your Company which has bagged the EPC contract of 270 MW power projects (first phase) has already established Letter of Credit for import of BTG equipments from China. All the major BOP packages have been finalized and LOIs has been issued. The construction work has already commenced and explore 1600 MW.

For the 1000 MW Thermal Power Plant where MOU with Jharkhand Government has been entered into, your company is awaiting clearances from CWC for water linkage. The provisional allotment of land has been made by the Government, near Ranchi.

(v) Mining Division

Your Company has been awarded the work of Mining Project at Jayant OCP of Northern Coal Fields, valued at Rs.200 Crores (approx).

Your Company has taken up coal mine production in South Sumatra, Indonesia.

5. Internal Control System:

Your Company has got proper Internal Control Systems comprising of in-house Internal Audit to ensure that all assets are safeguarded against loss from unauthorized use or disposition and that all transactions are checked, verified, recorded and reported correctly. Periodical 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.

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 (GAAP) and in accordance with the accounting standards approved by the Institute of Chartered Accountants of India (ICAI).
- 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 40% on paid up Capital for the year ended 31.03.2009,



MADHUCON PROJECTS LIMITED

subject to approval of the Members at the Annual General Meeting.

9. Subsidiary Companies

The Company presently has only 9(Nine) Indian Subsidiaries and 2(Two) Foreign Subsidiaries. The details of Madhucon's investments in Subsidiary 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	671,79,000	10/-	67,17,90,000
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	Simhapuri Energy Private Limited (CIN: U40101AP2005PTC048264)	02.12.2005	7,51,30,600	10/-	75,13,06,000
06	Madhucon Energy Limited (CIN- L45309AP2000SGC034007)	24.03.2000	1,00,090	5/-	5,00,450
07	Madhucon Mega Mall Private Limited (CIN-U45400AP2007PTC056734)	18.12.2007	20,000	10/-	2,00,000
08	Nama Hotels Private Limited (CIN-U55101AP2007PTC056818)	24.12.2007	20,000	10/-	2,00,000
09	Madhucon Heights Private Limited (CIN-U45209AP2007PTC056733)	18.12.2007	20,000	10/-	2,00,000

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	28,50,000	Rph.10,110	Rph.28,813,500.000 equivalent to Rs.198971006/-

10. Consolidation of Accounts

In accordance with the Accounting Standards AS-21 and AS-23 on Consolidated subsidiaries Financial Statements read with Accounting Standard AS-27 on Accounting for Investments in Associates/JVs, 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.