

MAHINDRA GESCO DEVELOPERS LTD.

Board of Directors

Mr. Anand G. Mahindra	<i>Chairman</i>
Mr. Arun Nanda	<i>Vice-Chairman</i>
Mr. Uday Y. Phadke	
Mr. Hemant Luthra	
Mr. Sanjiv Kapoor	
Mr. Shailesh Haribhakti	
Mr. Anil Harish	

Management Group

Mr. Pranab Kumar Datta	<i>President & Chief Executive Officer</i>
Mr. Anuj Mehra	<i>Vice-President — Marketing</i>
Mr. Harmohan H Sahni	<i>Chief Financial Officer</i>
Mr. Sudhir Kulkarni	<i>Vice-President — Business Development</i>
Mr. Prashant Ambulgekar	<i>General Manager — Human Resources</i>

Company Secretary

Mr. Suhas Kulkarni

Auditors

M/s. Kalyaniwalla & Mistry	<i>Chartered Accountants</i>
M/s. B.K. Khare & Co.	<i>Chartered Accountants</i>

Bankers

UTI Bank Limited
ING Vysya Bank Limited
Citibank N.A.

Registered Office

Mahindra Towers, 5th Floor,
Dr. G.M. Bhosale Marg,
Worli, Mumbai – 400 018.

NOTICE

The Sixth Annual General Meeting of MAHINDRA GESCO DEVELOPERS LIMITED will be held at Y.B. Chavan Centre, Gen. Jagannathrao Bhosale Marg, Next to Sachivalaya Gymkhana, Mumbai - 400 021, on Wednesday, 10th August, 2005 at 3.00 p.m. to transact the following business :

Ordinary Business:

1. To receive and adopt the Directors' Report and audited Balance Sheet and Profit and Loss Account for the year ended 31st March, 2005.
2. To appoint a Director in place of Mr. Hemant Luthra, who retires by rotation and, being eligible, offers himself for re-appointment.
3. To appoint a Director in place of Mr. Arun Nanda, who retires by rotation and, being eligible, offers himself for re-appointment.
4. To consider and, if thought fit, to pass with or without modification(s) the following as an Ordinary Resolution: "RESOLVED that Messrs. Kalyaniwalla & Mistry, Chartered Accountants and Messrs. B.K. Khare & Co., Chartered Accountants be reappointed as Joint Auditors of the Company to hold office until the conclusion of the next Annual General Meeting, on such remuneration and reimbursement of out of pocket expenses as may be mutually agreed upon between the Board of Directors and the Auditors."

Special Business:

5. To consider and, if thought fit, to pass with or without modification(s) the following as an Ordinary Resolution: "RESOLVED that in accordance with the provisions of Section 257 and all other applicable provisions, if any, of the Companies Act, 1956, Mr. Shailesh Haribhakti who was appointed as a Director in the casual vacancy caused by the resignation of Mr. Soli Cooper and who ceases to hold office as per the provisions of Section 262 of the Companies Act, 1956, at this Annual General Meeting and in respect of whom the Company has received a notice from a Member in writing proposing his candidature for the office of Director, be and is hereby appointed as a Director of the Company, liable to retire by rotation."
6. To consider and, if thought fit, to pass with or without modification(s) the following as an Ordinary Resolution: "RESOLVED that in accordance with the provisions of Section 257 and all other applicable provisions, if any, of the Companies Act, 1956, Mr. Anil Harish who was appointed as an additional Director and who ceases to hold office as per the provisions of Section 260 of the Companies Act, 1956, at this Annual General Meeting and in respect of whom the Company has received a notice from a Member in writing proposing his candidature for the office of Director, be and is hereby appointed as a Director of the Company, liable to retire by rotation."
7. To consider and, if thought fit, to pass with or without modification(s) the following as a Special Resolution: "RESOLVED that pursuant to the applicable provisions of the Foreign Exchange Management Act, 1999, and the Regulations made thereunder and other prevailing laws, rules and regulations as applicable from time to time and subject to such consents, sanctions and permissions as may be required from the appropriate authorities, consent is hereby accorded for acquiring and holding Equity Shares of the Company by the Foreign Institutional Investors (FIIs) including their sub-accounts upto an aggregate limit of 30% (thirty percent) of the paid-up Equity Share Capital of the Company."

FURTHER RESOLVED that consent be accorded to the Board of Directors of the Company (hereinafter referred to as "the Board", which term shall be deemed to include any Committee thereof for the time being exercising the powers conferred on the Board by this resolution) to do all such acts, deeds, matters and things and execute all such documents, deeds and writings as may be required for the aforesaid purpose and which it may deem fit in the interest of the Company".

8. To consider and, if thought fit, to pass with or without modification(s) the following as an Ordinary Resolution: "RESOLVED that pursuant to the provisions of Clause No 49 of the Listing Agreement with the Stock Exchanges, the consent of the Company be accorded for payment of Rs.10,000 (Rupees Ten Thousand Only) or such other amount as may be approved by the Board of Directors from time to time subject to the ceiling prescribed under the Companies Act, 1956, or Rules framed thereunder, as amended from time to time, as sitting fees for each Meeting of the Board of Directors and the Committees thereof, attended by each of the Non-Executive Directors of the Company."

Notes :

- A. Explanatory Statement as required under Section 173(2) of the Companies Act, 1956, is annexed hereto.
- B. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND A PROXY NEED NOT BE A MEMBER.
- C. The instrument appointing a proxy must be deposited with the Company at its Registered Office not less than 48 hours before the time for holding the Meeting.
- D. The Register of Members and Share Transfer Books of the Company will remain closed from Monday, 1st August, 2005 to Wednesday, 10th August, 2005 (both days inclusive).
- E. A member desirous of getting 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.
- F. Shareholders who have not encashed the dividend warrants so far are requested to make their claim to Sharepro Services (I) Pvt. Ltd.
- G. Members can avail of the facility of nomination in respect of shares held by them in physical form in accordance with the provisions of Section 109A of the Companies Act, 1956. Members desiring to avail of this facility may send their nomination in the prescribed Form No. 2B duly filled in to Sharepro Services (I) Pvt. Ltd., Satam Estate, 3rd Floor, above Bank of Baroda, Cardinal Gracious Road, Chakala, Andheri (East), Mumbai - 400 099.
- H. Members are requested to :
 - (a) intimate to the Company's Registrar & Share Transfer Agents, Sharepro Services (I) Pvt. Ltd., Satam Estate, 3rd Floor, above Bank of Baroda, Cardinal Gracious Road, Chakala, Andheri (East), Mumbai - 400 099 changes, if any, in their registered addresses at an early date.
 - (b) quote their folio numbers/client ID / DP ID in all correspondence.

- I. Members holding shares under multiple folios in the identical order of names are requested to consolidate their holdings into one folio.
- J. The Company had made an application to the Central Government seeking exemption from attaching the accounts, etc., of its subsidiary companies, Mahindra Infrastructure Developers Limited and Mahindra Industrial Park Limited, with the Balance Sheet of the Company. In terms of the approval granted by the Central Government, the accounts, etc., of Mahindra Infrastructure Developers Limited and Mahindra Industrial Park Limited are not required to be attached with the Balance Sheet of the Company. These documents will be submitted on request to any member wishing to have a copy, on receipt of such request by the Company at the

Registered Office of the Company. These documents will also be available for inspection by any Member of the Company at the Registered Office of the Company.

By Order of the Board
For **Mahindra Gesco Developers Limited**

Suhas Kulkarni
Company Secretary

Registered Office :
Mahindra Towers, 5th Floor,
Dr. G.M. Bhosale Marg,
Worli, Mumbai-400 018.

Date : 5th May, 2005

Annexure to Notice

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

Item No. 5

Mr. Shailesh Haribhakti was appointed as a Director of the Company by the Board of Directors on 30th July, 2004 in the casual vacancy caused by the resignation of Mr. Soli Cooper. He holds office upto the date of the forthcoming Annual General Meeting pursuant to Section 262 of the Companies Act, 1956, and Article 119 of the Articles of Association of the Company.

Mr. Shailesh Haribhakti, a Chartered Accountant is the Managing Partner of Haribhakti & Company, Chartered Accountants. He is the Chief Executive Officer of the Haribhakti Group, having 30 years experience in the accounting field and in conducting audits of public sector organizations and banks.

The Board is of the view that Mr. Shailesh Haribhakti's knowledge and experience will be of immense benefit and value to the Company, and therefore, recommends his appointment as a Director in your Company.

Apart from Mr. Shailesh Haribhakti, no other Director is interested or concerned in this item of business.

Item No. 6

Mr. Anil Harish, was appointed as an Additional Director of the Company by the Board of Directors on 28th October, 2004. He holds office upto the date of the forthcoming Annual General Meeting pursuant to Section 260 of the Companies Act, 1956 and Article 118 of the Articles of Association of the Company.

Mr. Anil Harish, an eminent Advocate is on the Board of reputed public and private limited companies. He is a Partner of D.M. Harish & Company, Advocates, specialising in Income-tax, FEMA and property matters.

The Board is of the view that Mr. Anil Harish's knowledge and experience will be of immense benefit and value to the Company, and therefore, recommends his appointment as a Director of your Company.

Apart from Mr. Anil Harish, no other Director is interested or concerned in this item of business.

Item No. 7

As on date, the Foreign Institutional Investors (FIIs) hold around 21% of the paid-up Equity Share Capital of the Company. FIIs purchase/trade in the Company's scrip.

In accordance with the Foreign Exchange Management (Transfer or Issue of Security by a Person Resident Outside India) Regulations, 2000 issued by the Reserve Bank of India (RBI) under Foreign Exchange Management Act, 1999 (FEMA) investment in equity

shares by FIIs, including their sub-accounts is limited to 24% of Company's paid-up Equity Share Capital. This limit can be increased by a Company by passing a Special Resolution of its shareholders. The approval of the shareholders is thus sought to raise the limit for investment by FIIs from 24% to 30% of the Company's Paid-up Equity Share Capital to improve the free float of the Company's scrip for purchase/trading by FIIs. The Resolution set out in the Notice would enable the FIIs to acquire shares of the Company through authorized dealers within the revised ceiling under the Portfolio Investment Scheme of RBI.

The proposal outlined above is in the interest of the Company and its shareholders and the Board recommends the Resolution for acceptance by the shareholders.

None of the Directors of the Company are concerned or interested in this Resolution.

Item No. 8

The Securities and Exchange Board of India has revised Clause No. 49 of the Listing Agreement relating to Corporate Governance requirements to be fulfilled by the listed companies. Companies have to ensure compliance with the revised Clause No. 49 of the Listing Agreement by 31st December, 2005. One of the requirements stipulated under the revised Clause is that all the fees and compensation payable to Non-Executive Directors, including the Independent Directors, shall be fixed by the Board of Directors and shall require previous approval of the Members in General Meeting.

At present, the Company is paying sitting fees of Rs. 10,000 to each of the Non-Executive Directors of the Company, for attending each Meeting of the Board of Directors and the Committees thereof.

In terms of the revised Clause 49 of the Listing Agreement the approval of the Members is requested for payment of sitting fees to the Non-Executive Directors of the Company.

The Directors recommend the passing of the Resolution at Item No. 8 as an Ordinary Resolution.

None of the Directors of the Company except Mr. Sanjiv Kapoor, Mr. Shailesh Haribhakti and Mr. Anil Harish may be considered to be concerned or interested in this item of business.

By Order of the Board
For **Mahindra Gesco Developers Limited**

Suhas Kulkarni
Company Secretary

Registered Office :
Mahindra Towers, 5th Floor,
Dr. G.M. Bhosale Marg,
Worli, Mumbai-400 018.

Date : 5th May, 2005

Directors' Report to the Members

Your Directors present their Sixth Report together with the audited Accounts of your Company for the year ended 31st March, 2005.

Financial Highlights

		(Rupees in lakhs)
	2005	2004
Operating Income	9,145.94	7,139.01
Other Income	348.81	2,928.00
Total Income	9,494.75	10,067.01
Profit before Depreciation, Interest, extraordinary items and taxation	2,189.07	2,477.42
Depreciation	(241.39)	(254.71)
Profit before Interest, extraordinary items and taxation	1,947.68	2,222.71
Interest	(613.65)	(1453.52)
Profit before taxation	1,334.03	769.19
Provision for taxation for the year:		
Current Tax	(105.10)	(60.60)
Deferred Tax	(443.44)	(72.14)
Profit for the year after taxation	785.49	636.45
Balance of Profit for earlier years	1,404.75	768.30
Profit available for appropriation	2,190.24	1,404.75
Balance carried forward	2,190.24	1,404.75

Operations

The general business environment continued to remain robust backed by a healthy growth in the economy. Further impetus was provided by the emphasis accorded by the Union and the various State Governments to the development of infrastructure which has also received due focus in this year's Union Budget. A major policy announcement was the relaxation of FDI norms in the real estate and construction sectors, which is expected to boost the prospects of the real estate industry.

Though the focus of the Company continues to be the residential segment, it has during the year embarked on a built to suit commercial project at Chennai for a leading private sector commercial bank. This marks the beginning of your Company's operations in that city.

A major thrust of your Company is to augment the land bank of the Company and towards this end, additions to the land bank have been made in Pune, Chennai and Mumbai. Efforts in this direction will continue and your Company is contemplating expanding its footprint to some other locations.

Your Company continues to take proactive measures in resolving pending matters of certain projects and is hopeful of positive development in this regard in the near future.

Various initiatives were also undertaken in organization building which included innovation, quality and overhauling of the business process. The focus on customer relations management continues and as a result of the series of measures undertaken your Company has seen an increase in the customer referrals for the new project launches. This is indeed a very happy development for your Company.

Project revenues for the year were significantly higher than the previous year. However, reduced dependence on rentals from commercial complexes and a lower quantum of other income, resulted in total income for the year being lower than the previous year by around 5%.

Improved operations for the year have resulted in an increase in the Profit Before Tax from Rs. 769 lakhs to Rs. 1,334 lakhs. Profit after tax too has increased from Rs. 636 lakhs to Rs. 785 lakhs.

The Management Discussion and Analysis Report deals with the operations of the Company in detail and forms part of this Annual Report.

Dividend

No dividend has been recommended for the year under review so as to conserve the resources of the Company.

Finance

During the year the Company redeemed 85,35,836 10% cumulative redeemable preference shares of Rs. 10/- each at a premium of Rs. 20/- per share aggregating Rs. 2,560.75 lakhs. As a consequence the total paid-up capital of the company stood at Rs. 9602.81 lakhs compared to Rs. 10456.25 lakhs during the previous year. The premium of Rs. 1,707.17 lakhs was paid out of general reserves.

Corporate Governance

As per the Listing Agreements with the Stock Exchanges, your Company has complied with the requirements of Corporate

Governance. A report on Corporate Governance is attached to this report.

Directors

Mr. Ghanshyam Sheth and Mr. Soli Cooper ceased to be Directors of the Company with effect from 12th May, 2004.

The Board has placed on record its appreciation of the services rendered by Mr. Ghanshyam Sheth and Mr. Soli Cooper during their respective tenures as Directors of the Company.

Mr. Hemant Luthra and Mr. Arun Nanda retire by rotation and being eligible offer themselves for re-appointment.

Mr. Shailesh Haribhakti was appointed as a Director by the Board at its meeting held on 30th July, 2004 in the casual vacancy caused by the resignation of Mr. Soli Cooper.

Mr. Anil Harish was appointed as an Additional Director by the Board at its meeting held on 28th October, 2004.

Mr. Shailesh Haribhakti and Mr. Anil Harish hold office upto the date of the forthcoming Annual General Meeting. The Company has received notices from a member signifying his intention to propose Mr. Shailesh Haribhakti and Mr. Anil Harish as candidates for the office of Director.

Directors' Responsibility Statement

Pursuant to Section 217(2AA) of the Companies Act, 1956, your Directors, based on the representations received from the Operating Management and after due enquiry, confirm that :

- i) in the preparation of the annual accounts, the applicable accounting standards have been followed;
- ii) they have, in the selection of the accounting policies, consulted the Statutory Auditors and these have been applied consistently and reasonable and prudent judgments and estimates have been made so as to give a true and fair view of the state of affairs of the Company as at 31st March, 2005 and of the profit of the Company for the year ended on that date;
- iii) proper and sufficient care has been taken 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;
- iv) the annual accounts have been prepared on a going concern basis.

Subsidiaries

During the year, Mahindra Industrial Park Limited became a subsidiary company of your Company.

The Statement pursuant to section 212 of the Companies Act, 1956, containing details of the Company's subsidiaries, Mahindra Infrastructure Developers Limited and Mahindra Industrial Park Limited, is attached.

The Consolidated Financial Statements of the Company and its subsidiary companies, prepared in accordance with Accounting Standard 21 prescribed by The Institute of Chartered Accountants of India, form part of the Annual Report and Accounts.

The Company has made an application to the Central Government seeking exemption from attaching the accounts, etc., of its subsidiaries, Mahindra Infrastructure Developers Limited and Mahindra Industrial Park Limited, with the Balance Sheet of the Company. If, in terms of the approval granted by the Central Government, the accounts, etc., of Mahindra Infrastructure Developers Limited and Mahindra Industrial Park Limited are not required to be attached with the Balance Sheet of the Company, these documents will be submitted on request to any member wishing to have a copy, on receipt of such request by the Company at the Registered Office of the Company. These documents will also be available for inspection by any Member of the Company at the Registered Office of the Company.

Auditors

Messrs. Kalyaniwalla & Mistry, Chartered Accountants and Messrs. B.K. Khare & Co., Chartered Accountants, retire as Joint Auditors at the forthcoming Annual General Meeting and have given their consent for re-appointment. The members will be required to appoint Auditors for the current year and fix their remuneration.

As required under the provisions of section 224 of the Companies Act, 1956, the Company has obtained written certificates from the above Auditors proposed to be re-appointed to the effect that their re-appointment, if made, would be in conformity with the limits specified in the said section.

Deposits and Loans/Advances

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

The particulars of loans/advances and investment in its own shares by listed companies, their subsidiaries, associates, etc., required to be disclosed in the annual accounts of the Company pursuant to Clause 32 of the Listing Agreement with the Company and its holding company, Mahindra & Mahindra Limited, are furnished separately.

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

In view of the nature of activities which are being carried on by the Company, Rules 2A and 2B of the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988, concerning conservation of energy and technology absorption respectively, are not applicable to the Company.

There were no foreign exchange earnings during the year under review. Details of foreign exchange outgo are furnished in the Notes on Accounts.

Particulars of Employees as required under section 217(2A) of the Companies Act, 1956 and Rules made thereunder

As required under section 217(2A) of the Companies Act, 1956

and Rules thereunder, a statement containing particulars of the Company's employees who were in receipt of remuneration of not less than Rs. 24,00,000 during the year ended 31st March, 2005 or not less than Rs. 2,00,000 per month during any part of the said year, is given in the Annexure to this Report.

The Directors would also like to place on record their appreciation for the dedicated efforts and services put in by the employees of the Company.

For and on behalf of the Board

Acknowledgements

The Directors would like to thank all the clients of the Company for the unstinted support received from them during the year.

Mumbai, 25th April, 2005

Anand G. Mahindra
Chairman

Annexure to the Directors' Report

Additional Information as required under section 217(2A) of the Companies Act, 1956 read with Companies (Particulars of Employees) Rules, 1975 and forming part of the Directors' Report for the year ended 31st March, 2005.

Name of the Employee	Designation/ Nature of duties	Gross Remuneration (subject to Income-tax (Rs.))	Qualifications	Age (years)	Experience (years)	Date of commence- ment of employment	Last employment held Designation/ Organisation
Pranab Datta	President & Chief Executive Officer	3,276,139	A.C.A.	54	30	21.07.2003	Chief Executive Officer - Health Care / Marico Industries Ltd.

Notes:

1. Nature of employment is contractual, subject to termination on one month's notice from either side.
2. The above employee is not related to any Director of the Company.
3. No employee holds by himself or alongwith his spouse and dependent children 2% or more of the equity shares of the Company.
4. Employment terms and conditions are as per Company's rules.
5. Remuneration received as shown in the statement includes Salary, House Rent Allowance, car perquisite value,

reimbursement of medical expenses, employer's contribution to Provident Fund and Gratuity Fund, premium for accident insurance and all other allowances/perquisites as applicable.

For and on behalf of the Board

Anand G. Mahindra
Chairman

Mumbai, 25th April, 2005

Particulars of loans/advances and investment in its own shares by listed companies, their subsidiaries, associates, etc., required to be disclosed in the annual accounts of the company pursuant to Clause 32 of the Listing Agreement with the Company and its holding company, Mahindra & Mahindra Limited.

Loans and advances in the nature of loans to firms/companies in which directors are interested:

Name of the Company	Balance as on 31st March, 2005 (Rs.)	Maximum outstanding during the year (Rs.)
Mahindra Holdings & Finance Ltd.	Nil	3,74,00,000

Management Discussion & Analysis Report

The Management of the Company is pleased to present this report covering the activities of the Company during the year 2004-2005 :

I. The Overall Review

While continuing its focus on the residential segment, as spelt-out in the previous review, the Company re-entered the commercial segment by undertaking a built-to-suit office complex for one of the leading private sector banks in Chennai. This also marked the beginning of the Company's operations in the southern metro which is increasingly becoming the preferred destination for many industries.

The Company also announced its plans for a residential project in Chennai to be undertaken during the current financial year. This project will be a part of the social infrastructure being developed for the Mahindra World City. Demand conditions in the residential segment remained robust and the new projects launched were sold out way ahead of the planned schedules.

The proportion of project revenue streams increased from 51% of the total revenue to 81% as compared to the previous year. This increase has led to an improvement in the overall financial performance of the Company.

The income from operating commercial complexes has decreased as the Company reduced its exposure in this segment.

The Business Centre activity continues to operate at an optimum level.

The Company closed the year with a total income of Rs. 9,494 lakhs and Profit Before Tax of Rs. 1,334 lakhs.

II. Business Environment

The buoyant conditions in the industry continued during the year under review, backed by a very healthy overall economic growth. Despite a slight firming up in the interest rates, demand remained robust. Housing finance companies have again reported very healthy increase in their loan sanctions and disbursements and this is reflected in the spurt in construction activity, both in the residential and commercial/retail segments, in the metros and tier one and tier two cities.

Recognition by the Government that impetus to infrastructure would be a significant contributor to the increase in the growth rates in the economy has further boosted sentiments. The Union budget of 2005 has announced major policy initiatives to provide an impetus to the infrastructure sector. Relaxation of norms for FDI in real estate and construction is expected to mark the advent of serious foreign players into this industry in the near future. The Government, also seems to be contemplating FDI in retail. These policy moves are expected to change the landscape of the real estate and construction industry of the country in the coming years.

The general euphoria has resulted in a sharp increase in the land prices particularly in the metro cities and this is not supported by a consequent increase in the end product prices. The input costs particularly steel and cement have also increased.

IT and IT enabled services have been major drivers of growth for the real estate industry. While the major IT companies were earlier focusing on a few centres such as Bangalore, Hyderabad, Chennai, the attention is now shifting to alternate centres such as Calcutta, Jaipur, etc. This is a welcome development and will result in a cascading effect in these emerging locations.

III. Operations Review

Demand conditions during the year 2004-05 remained buoyant. A new residential project covering 500,000 sq.ft. was launched at Wakad near Pune. The first two phases of the project were sold out in a matter of days thereby reflecting the equity that the company enjoys with its customers. Interest in this project, which was innovatively marketed, spread rapidly and the word of mouth publicity resulted in interest coming from across the shores of the country. The third and the last phase of this project has also been launched. Construction activity is in full swing. A new multi-storeyed building was launched at the existing Kanjur Marg complex which too was sold out in a matter of days.

The Company commenced operations in Chennai with the launch of a commercial complex undertaken on a built-to-suit basis for a leading private sector Commercial Bank. It also announced plans to launch its first residential project for the residents of the Mahindra World City located approximately 30 kms from Chennai Airport. This would be a landmark development comprising a mix of apartments, row houses, bungalows in an ambience that will perhaps set a new trend in real estate development in that city.

All the ongoing projects are satisfactorily moving to their completion and customers are being handed over possessions.

The Company is in a process of acquiring approx. 8.4 acres of land from a financial institution in one of the suburbs of Mumbai. Further, addition to the inventory has been made by acquiring another 9 acres of land at Pimpri near Pune and Chennai. Efforts are continuing to augment the land bank that will take care of the growth requirement for the next few years. While the Company's operations are currently spread out between Delhi, Mumbai, Pune and Chennai, it is the Company's desire to expand the footprint to cover a few more important centres to give it a pan India presence.

Initiatives have also been taken to strengthen the organization to enable it to cope with the challenges ahead. To illustrate, quality focus has been undertaken using the facilitation services of a renowned quality consultant to make quality a mantra right across the organization. Tools of innovation are employed for any new project/marketing initiative, the purpose being to constantly stay ahead in terms of ideas and not to fall into the "me-too" syndrome. An ambitious exercise has been undertaken to overhaul the business process of all the functions to make them more contemporary and suitable for a networked environment. All these initiatives are expected over a period of time to result in a major improvement in the organization climate and create robust and contemporary business processes.

As stated in the previous year, the Company has reduced its dependence on commercial complexes. As such, the revenue from this segment has dropped since one of the complexes was sold in the previous year.

The business centre operated optimally although it did experience some exits.

The Tirupur Water Supply & Sewerage project which was started in October '02 is now nearly complete and the operations are expected to begin shortly.

IV. Other Activities

The Company has completed the sale of its equity holding in Sembcorp Infrastructure (India) Pvt. Ltd.

Mahindra Infrastructure Developers Limited (MIDL), the Company's 80% subsidiary (20% with IFC Washington) is actively pursuing Operations & Maintenance (O&M) opportunities in the water sector. During the year, it was awarded the O&M project for the Navi Mumbai Municipal Corporation (NMMC) that involved inter-alia comprehensive operation maintenance of treated water main network of NMMC. More O&M opportunities are expected in the near term. This will be an attractive opportunity for MIDL and help consolidate its position in the sector.

During the year Mahindra Industrial Park Limited (MIPL), which was promoted by the Company and has undertaken approx. 1400 acres Special Economic Zone (SEZ) development near Chennai became a subsidiary of the Company with the acquisition of 76,28,572 number of shares. MIPL commenced sales operations during the year and has already sold 22% of the saleable area in the first year itself.

V. Financial Review

During the year, the Company reported a Profit Before Tax of Rs. 1,334 lakhs, an increase of 73% as compared to the profit for the previous year. Operating income constituted 96% of the total income as compared to 71% for the year ended 31st March, 2004.

The capital employed by the Company reduced from Rs. 28,208 lakhs as on 31st March, 2004 to Rs. 24,777 lakhs as on 31st March, 2005 thereby indicating a significant improvement in efficiency of operations.

The Company's debt to equity ratio is 0.27 as on 31st March, 2005, as compared to 0.33 as on 31st March, 2004. The average cost of borrowing also stood reduced over last year, resulting in savings in interest costs.

VI. Internal Control

The Company has adequate system of internal controls to see that all the assets are safeguarded and are productive. Checks and balances are in place to ensure that transactions are adequately authorized and reported correctly.

The Company has engaged the services of a professional agency to conduct internal audit to ensure that internal controls are in place at all sites and offices. The reports of this agency are being reviewed by the Audit Committee of the Board and corrective actions are being taken by the Company where needed.

VII. Human Resources

As a process of organization building and developing a new cadre of managers, your Company initiated campus recruitment at institutes like NICMAR and other reputed engineering colleges. New members have to undergo a detailed orientation programme before being assigned to their respective responsibilities.

During the year, the Company also transited from a conventional compensation structure to a progressive and employee friendly Cost To Company compensation structure.

As compared to last year, attrition rate has come down. Your Company is continuing with the practice of conducting open forums and other activities for engaging the organization members in a constant dialogue.

Your Company has also initiated organization development initiatives like mission cascade and value deployment within the entire organization.

VIII. Opportunities and Threats

The increase in size of the market and introduction of new and international quality products is an opportunity, which your Company would be in a position to capitalize on. Your Company has also planned a foray into smaller metros and other expanding agglomerations, as this provides unique brand building and scale opportunities.

The intensifying competition for land buying owing to the reasons enumerated above and a further increase in interest rates could impact growth going forward.

Rising end product prices in the market leading to eventual overheating may impact the sentiment.

IX. Risks and Concerns

Along with the increase in final product prices, cement, steel and some of the other input materials have also risen and may pose a squeeze on the margins. The rising land prices could also impact the land bank building program of the Company and is a concern for your Company.

Exploitation of the full development potential of some of the projects would be dependent on the outcome of public interest litigations filed against BMC which is the agency for approval of all real estate developments. The commencement of certain projects would be dependent on the satisfactory resolution of certain matters including receipt of approvals and outcome of court cases.

The Company is mitigating these risks by way of qualitative market research, quicker decision making, reducing its time to market for projects and by taking a fresh look at its entire set of processes, apart from undertaking a proactive approach towards problem resolution.

X. Business Outlook

In our view, the real estate markets would continue to be buoyant in the coming year with growth coming from innovative products both in commercial and residential segments.

During 2005-2006, your Company's focus would remain in the residents segment. It would endeavour a series of new launches to expand its presence and footprint.

Certain statements in the Management Discussion and Analysis describing the Company's objectives, projections, estimates, expectations or predictions may be forward-looking statements within the meaning of applicable securities laws and regulations. Actual results could differ from those expressed or implied. Important factors that could make a difference to the Company's operations include material availability and prices, cyclical demand and pricing in the Company's principal markets, changes in government regulations, tax regimes, economic developments within India and other incidental factors.

Corporate Governance Report

CORPORATE GOVERNANCE PHILOSOPHY

Your Company is committed to good Corporate Governance and endeavours to implement the Code of Corporate Governance in its true spirit.

The philosophy of your Company in relation to Corporate Governance is to ensure transparency in all its operations, make disclosures and enhance shareholder value without compromising in any way in compliance with laws and regulations.

Your Company believes that good governance brings about sustained corporate growth and long term benefits for stakeholders. Your Company continues to follow procedures and practices in conformity with the Code of Corporate Governance as enunciated in the Listing Agreement. Details of the implementation of the Code follow in the paragraphs below.

I. BOARD OF DIRECTORS

The Board of Directors monitors performance of the Company, approves and reviews policies/strategies and evaluates management performance. The Board ensures legal and ethical conduct and accurate financial reporting.

The Company presently has seven Directors. Mr. Anand G. Mahindra is the Chairman of the Board of Directors of the Company. The Chairman is a Non-Executive Director and the remaining six Non-Executive Directors are professionals, with expertise and experience in general corporate management, finance, legal and other allied fields. Mr. Pranab Datta, President and Chief Executive Officer, looks after the day-to-day affairs of the Company.

Mr. Anand G. Mahindra, Mr. Arun Nanda, Mr. Uday Phadke and Mr. Hemant Luthra, Non-Executive Directors of your Company are in the whole-time employment of the parent Company, Mahindra & Mahindra Limited and draw remuneration from that Company. Apart from the above and apart from the reimbursement of expenses incurred in the discharge of their duties, and the remuneration that some of the Directors may receive for the professional services rendered to the Company either in individual capacities or through the firms in which they are partners, none of the Directors has any other material pecuniary relationship or transactions with the Company, its Promoters, its Management or its subsidiaries which in the judgement of the Board would affect the independence or judgement of the Directors.

A. The Constitution of the Board as on 31st March, 2005

Names of the Directors (Non-Executive)	Total No. of Directorships, Chairmanships & Memberships of Committees held as on 31st March, 2005. (other than in private companies and foreign companies)		
	Director of Public Companies *	Member of Committees **	Chairman of Committees **
Mr. Anand G. Mahindra (Chairman)	11	4	—
Mr. Arun Nanda (Vice-Chairman)	12	10	3
Mr. Uday Y. Phadke	9	10	1
Mr. Hemant Luthra	12	8	4
Mr. Sanjiv Kapoor (Independent Director)	1	1	1
Mr. Shailesh Haribhakti (Independent Director)	15	10	5
Mr. Anil Harish (Independent Director)	14	10	3

* including Directorship in Mahindra Gesco Developers Limited

** Committees considered are Audit Committee, Shareholders/Investors Grievance Committee and Remuneration/Compensation Committee including in Mahindra Gesco Developers Limited

B. Board Procedure

A detailed agenda folder is sent to each Director in advance of Board and Committee Meetings. To enable the Board to discharge its responsibility effectively, the President & Chief Executive Officer of the Company briefs the Board at every Meeting on the overall performance of the Company. A detailed functional report is also placed at every Board Meeting. The Board also reviews strategy and business plans, annual operating and capital expenditure budgets, compliance with statutory/ regulatory requirements and review of major legal issues, adoption of quarter/half-yearly/annual results, significant labour issues, investment and exposure limits, major accounting provisions and write-offs, corporate restructuring, minutes of meetings of the Audit Committee and Committee of Directors of the Board.

C. Attendance of the Directors at Meetings of the Board and of the Members

The Board of Directors meets at least once a quarter to review the Company's performance and financial results and more often, if necessary, to transact other businesses.

Four Board Meetings were held during the period 1st April, 2004 to 31st March, 2005 on the following dates:- 27th April, 2004, 30th July, 2004, 28th October, 2004 and 21st January, 2005.

The Fifth Annual General Meeting was held on 30th July, 2004.

The attendance of the Directors at these meetings is as under:

Director	No. of Board Meetings attended	Attendance at the last Annual General Meeting
Mr. Anand G. Mahindra	4	Yes
Mr. Arun Nanda	4	Yes
Mr. Ghanshyam Sheth *	—	—
Mr. Soli K Cooper *	1	—
Mr. Uday Y Phadke	4	Yes
Mr. Hemant Luthra	3	Yes
Mr. Sanjiv Kapoor	4	Yes
Mr. Shailesh Haribhakti **	2	Yes
Mr. Anil Harish ***	2	—

* Resigned as Director on 12th May, 2004

** Appointed as Director in casual vacancy on 30th July, 2004

*** Appointed as Additional Director on 28th October, 2004

D. Directors Seeking Appointment/Re-appointment

Mr. Hemant Luthra and Mr. Arun Nanda retire by rotation and, being eligible offer themselves for re-appointment.

Mr. Hemant Luthra

Mr Luthra holds a Bachelor's Degree in Mechanical and Industrial Engineering from IIT, Delhi and has done an Advance Management Programme from Harvard Business School. Mr Luthra has over 32 years of varied and rich work experience in Operation, Finance, Business Development & Restructuring. Mr. Luthra joined Mahindra & Mahindra Limited in December 2001 and currently is its President — Mahindra Systems & Automotive Technology.

Prior to joining Mahindra & Mahindra Limited, he had held top management positions in Groups like IBM, Thapar, ING, Essar and Enron.

Mr Luthra is on the Boards of Automart India Limited, Mahindra Engineering & Chemical Products Limited, Siro Plast Limited, Mahindra Ashtech Limited, Mahindra Sona Limited, Mahindra UGINE Steel Company Limited, GKN Sinter Metals Limited, Pranay Sheetmetal Stampings Limited, Mahindra Engineering Design & Development Co. Ltd., Bristlecone Limited, Mahindra Automotive Steels Pvt Ltd. and Mahindra SAR Transmission Pvt. Ltd.

Mr. Luthra is on the Committees of the Board mentioned hereunder :

Name of the Company	Name of the Committee	Position held
Automart India Limited	Audit Committee	Member
Mahindra Engineering & Chemical Products Limited	Audit Committee	Chairman
Mahindra Ashtech Limited	Audit Committee	Chairman
Mahindra SAR Transmission Pvt. Ltd.	Audit Committee	Member
Mahindra Engineering & Chemical Products Limited	Remuneration Committee	Chairman
Mahindra Ashtech Limited	Remuneration Committee	Member
Mahindra SAR Transmission Pvt. Ltd.	Remuneration Committee	Chairman
Mahindra Gesco Developers Limited	Shareholders/ Investors Grievance Committee	Member

Mr. Arun Nanda

Mr. Arun Nanda holds a Bachelors degree in Commerce and a degree in law of the University of Kolkata. He is also a Fellow Member of the Institute of Chartered Accountants of India as well as the Institute of Company Secretaries of India.

Mr. Nanda has been with the Mahindra Group for 32 years serving it in various capacities. In 1992, he joined the Board of Mahindra & Mahindra Limited as an Executive Director and was also appointed the President of Infrastructure Development Sector of the Group in December, 1994. He is also the Secretary of Mahindra & Mahindra Limited.

He is a member of various committees of Confederation of Indian Industry (CII) and Bombay Chamber of Commerce & Industry (BCCI). He has also served in a high-powered committee set up by the Government of Maharashtra to study issues related to employment generation. He is currently

the President of the Indo-French Chamber of Commerce & Industry and The Council of EU Chambers of Commerce in India and Member of the Governing Board of the Indo-American Society.

Mr Nanda is also on the Boards of Mahindra & Mahindra Limited, Mahindra Construction Company Limited, PSL Erickson Limited, Mahindra Holidays & Resorts (India) Limited, Mahindra Intertrade Limited, Mahindra Acres Consulting Engineers Limited, Mahindra Holdings & Finance Limited, Mahindra Industrial Park Limited, Owens Corning (India) Limited, Mahindra Infrastructure Developers Limited, ABN Amro Asset Management (India) Ltd. and Mahindra (China) Tractor Company Ltd. He is also a Trustee of Mahindra & Mahindra Employees Stock Option Trust.

Mr. Nanda is on the Committees of the Board mentioned hereunder :

Name of the Company	Name of the Committee	Position held
Mahindra Holdings & Finance Ltd	Audit Committee	Member
Mahindra Holidays & Resorts (India) Ltd.	Audit Committee	Member
Mahindra Industrial Park Limited	Audit Committee	Member
Owens Corning (India) Ltd	Audit Committee	Chairman
ABN AMRO Asset Management (India) Ltd.	Audit Committee	Chairman
Mahindra Holidays & Resorts (India) Ltd	Remuneration Committee	Member
ABN AMRO Asset Management (India) Ltd	Remuneration Committee	Member
Mahindra Construction Company Ltd.	Remuneration Committee	Member
Mahindra Gesco Developers Limited	Shareholders & Investors Grievance Committee	Chairman
Mahindra & Mahindra Limited	Share Transfer & Investors Grievance Committee	Member
Mahindra & Mahindra Limited	Loans & Investment Committee	Member

Mr. Shailesh Haribhakti

Mr. Shailesh Haribhakti was appointed as a Director in casual vacancy caused by the resignation of Mr. Soli Cooper on 30th July, 2004 and holds office upto the date of the forthcoming Annual General Meeting. The Company has received Notice from a Member signifying his intention to propose Mr Haribhakti as candidate for the office of Director.

Mr. Haribhakti is an eminent Chartered Accountant. He is on the Board of many companies which inter alia include Indian Petrochemicals Corporation Ltd., GIC Asset Management Co. Ltd., IDBI Capital Markets Services Ltd., Ambuja Cement Eastern Ltd., Pantaloon Retail (India) Ltd., Steelage Industries Ltd., Gujarat Adani Port Ltd., JBF Industries Ltd., Alliance Capital Asset Management (I) Pvt. Ltd., Walchand Capital