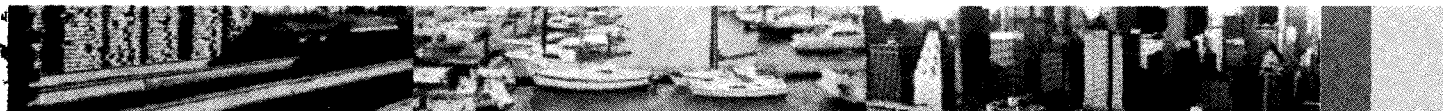


ANNUAL REPORT 2005 - 2006

We see India here

 **MARG**
Spirit of Visioneering



BOARD OF DIRECTORS

Chairman & Managing Director

Mr. G R K Reddy

Directors

Mrs. V P Rajini Reddy
Mr. G Raghava Reddy
Mr. Ramani Ramaswamy
Mr. R Rangarajan
Mr. P M Shivaraman

Company Secretary

Mr. Gouri Shanker Mishra

Auditors

M/s. K. Ramkumar & Co
Chartered Accountants
E-7, III Floor, Gemini Parsn Apartments
Cathedral Garden Road
Chennai - 600 006

Bankers

ING Vysya Bank Ltd
Corporation Bank

Registered Office

'Marg Axis'
4/318, Old Mahabalipuram Road
Kottivakkam
Chennai – 600 041
Telephone: 91-44-24541111
Fax: 91-44-24541123
Website: www.MargConstructions.com

Registrar and Share Transfer Agents

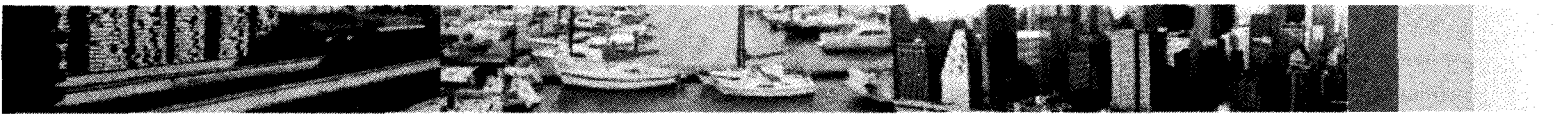
Cameo Corporate Services Ltd
"Subramanian Building"
V Floor, No.1 Club House Road
Chennai – 600 002
Telephone: 91-44-28460390
Telefax : 91-44-28460129
Email: cameo@cameoindia.com



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DIRECTORS' REPORT

Dear Stakeholders

Your Directors have great pleasure in presenting the Eleventh Annual Report together with the Audited Accounts of your Company for the financial year ended 31st March 2006. Members would be happy to note that your Company has had a flourishing year of operation, which has resulted in after tax profit of Rs. 818 Lacs.

Operations

The financial results of the Company for the year ended 31st March 2006 is summarized below:

(Rs in Lacs)

Particulars	Year ended 31st March 2006	Year ended 31st March 2005
Income from Operations	5763	1586
Non-operating Income	26	9
Total Expenditure	4428	1129
Interest	378	190
Gross Profit (after Interest but before depreciation and taxation)	1220	277
Depreciation	187	106
Profit before Tax	1033	171
Provision for Current Taxes	126	13
Provision for Deferred Taxes	88	24
Profit after Tax	819	134
Prior Period Expenses	1	5
Profit available for Appropriation	818	129

Earning per share (Equity Shares of Face Value of Rs. 10/-) is Rs. 11.68 during the year.

Year 2005-06 has again proved to be a good year and has contributed excellent results for the Company. Your Company has achieved turnover of Rs. 5763 Lacs for the financial year 2005-06 as compared to Rs. 1586 Lacs in the previous year 2004-05, thereby registering an increase of 263% over last year turnover.

Projects

Your Company continues to play a leading role in the Infrastructure and Constructions Industry. Your directors are pleased to inform that during the year under review, the Company has the following Projects in hand:

Marg Square

Your Company is developing 'Marg Square' IT Park on Old Mahabalipuram Road spread over 1.76 acres of land with built up area of 2.4 Lacs sq ft. for Marg Realities Limited who have leased it out to Satyam Computers Services Limited. Work for finishing and installation of equipment is in progress and is expected to be over by October 2006.

Digital Zone - II

An IT park of international standards 'Digital Zone – II' under completion stage in the same IT Corridor, Karapakkam with a built up area of 2.16 Lacs sq ft. for Marg Digital Infrastructure Private Limited and others. Company expects that the constructions would be over by October 2006.

Port
Your Company has been successful in signing a concession agreement with Government of Pondicherry for development and operation of a Port at Karikkal on BOT Basis. As per the conditions of the concession agreement Karikkal Port Private Limited has been incorporated as a Special Purpose Vehicle for the said development and the operation of the Port

Special Economic Zone

Development of SEZ unit over an area of 600 acres of land at Seekkinkuppam near Chennai is on the anvil. This will be a combination of two SEZ's, a light engineering & auto ancillaries and another a multiservices SEZ.

Mall

Riverside Mall at Karapakkam is proposed to be set up on land measuring 7.30 acres. The Riverside Mall will consist of retails, food court, anchor shops, multiplex, entertainment zone, gymnasium and play area for children.

Residential Apartments

The Company is also planning Residential Projects at Alathur and Thandalam on the OMR, focusing on premium and luxury condominiums spread over an area of 53 & 30 acres respectively.

Oakwood Service Apartments

A service apartment at Kazhipathur on IT corridor to cater the needs of growing IT population in Chennai over an area of 3.84 acres has been planned. Of international standards, it will cater to the needs of executives who want quality at affordable rates.

New Initiatives

The Company recognizes that developing and implementing projects aimed at growth and meeting market requirements in a cost effective and time bound manner is of importance. The Company has entered into various agreements in the areas of Infrastructure Development and Constructions Business. While benefits from such contracts will accrue in the future years, their progress is periodically monitored.

Dividend

Your Company is in the mode of expansion for which abundant resources are required. In view of this, the Board considered conserving resources and building up reserves and is constrained not to recommend payment of dividend for the year.

Future Prospects

We maintain our positive outlook. Going forward and anticipate maintaining the growth momentum in the year 2006-07. Infrastructure and Constructions sectors cemented its path and witnessed significant growth. Your Company is pursuing growth opportunities, which are strategic to its intents and operations.

Challenges

Your Company has set vision to be a trusted market leader in providing infrastructure solutions. With this vision your Company is all set for exponential growth and geared up to take the challenges.

The Company is facing normal market competition from Indian and International Companies. Marg Constructions Limited has successfully maintained its operating efficiencies and constantly improved its financial performance.

Joint Venture Agreement

The Board of Directors of the Company is planning to engage in diversified activities in different sectors and identifying new businesses and investing in businesses that can scale rapidly and generate superior returns over an extendable period of time.

After considering the various opportunities, the Directors of the Company have entered into a Joint Venture Agreement with Housing and Urban Development Corporation Limited (HUDCO) for formation of a Joint Venture Company on the basis of Share holding ratio of 76:24 to take up larger projects in Infrastructure Development. Your Directors feel that it would give an upper hand to the Company to bid for larger projects.

Listing of Shares

Your Company's shares are listed in Bombay Stock Exchange Limited and Madras Stock Exchange Limited. It has complied with all the clauses of the Listing Agreements. The Annual listing fees have been duly paid to these Stock Exchanges.

Dematerialization of Equity Shares

As on 31st March 2006 the Company has a paid up capital of Rs. 10 Crores, consisting of 1 Crore Equity Shares of Rs. 10/- each fully paid. The shares allotted on a preferential basis on 3rd October 2005 were issued in physical form as per the condition imposed by Bombay Stock Exchange Limited in their in-principle approval. Out of balance 40 Lacs shares, 28.48 Lacs shares are held in demat form as on 31st March 2006. The Register of Members is updated accordingly.

The details of Shares held in physical and dematerialisation form as on 31st March, 2006 is given below:

Mode of Holding		No. of holders	% of No. of Holders	No. of Shares	% of No. of Shares
Physical (under instruction of BSE)		9	0.30	6000000	60.00
Balance	Physical	1602	59.00	1152400	11.53
	Demat	1103	40.70	2847600	28.47
Total		2714	100.00	10000000	100.00

Fixed Deposits

The company has not invited or accepted any Fixed Deposits from the public.

Directors

In accordance with the provisions of the Companies Act, 1956 and the Articles of Association of the Company, Mr. G Raghava Reddy and Mr. Ramani Ramaswamy Directors of the Company retire by rotation at the forth coming Annual General Meeting and being eligible offer themselves for re-appointment.

Directors Responsibility Statement

Pursuant to the requirement under Section 217(2AA) of the Companies Act, 1956 the Directors hereby confirm that:

- In the preparation of the Annual Accounts for the financial year ended 31st March, 2006 the applicable Accounting Standards have been followed and there are no material departures;
- They have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the company at the end of the financial year and of the profit and loss account of the company for that period;

- iii) They have taken proper and sufficient care to the best of their knowledge and ability for the maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- iv) They have prepared annual accounts on a going concern basis.

Auditors

M/s K Ramkumar & Co, Chartered Accountants, Auditors of the Company, retire at ensuing Annual General Meeting and have furnished a certificate regarding their eligibility for reappointment as the Company's Auditors for the year 2006 - 07.

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.

The Company is in the process of implementing Employee Stock Option Scheme for attracting and retaining qualified, talented and competent personnel. It would foster a sense of ownership and belonging among the employees.

Particulars of Employees

None of the employees of the Company were in receipt of remuneration, which in aggregate exceeded the limits fixed under Section 217 (2A) of the Companies Act, 1956 and Companies (Particulars of Employees) Rules 1975.

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

As the company is not an industrial undertaking, particulars with regard to conservation of energy and technology absorption and adaptation required to be given under these heads in accordance with the provisions of Section 217(1)(e) of the Companies Act, 1956 read with the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 are not applicable.

The information on Foreign Exchanges Earnings and Outgo is contained in the note 12 of Schedule 18, forming part of the accounts.

Subsidiaries

The details about subsidiaries are provided in Report on Corporate Governance. Accounts and other details of subsidiaries as required under Section 212 of the Companies Act, 1956 are attached separately providing all the requisite details.

Management Discussion & Analysis Report

The Management Discussion & Analysis Report for the year under review, as stipulated under Clause 49 of the Listing Agreement is presented in a separate section forming part of the Directors' Report.

Corporate Governance

Your Company is committed to maintain the highest standards of Corporate Governance. Your Directors adhere to the requirements set out by the Securities Exchange Board of India's Corporate Governance Practices and have implemented all the stipulations prescribed. Report on Corporate Governance as stipulated in Clause 49 of the Listing Agreement is presented in a separate section forming part of the Directors' Report.

Issue of Equity Shares on Preferential basis

Subsequent to the consent of the Shareholders by way of Special Resolution at the last Annual General Meeting held on 1st September 2005, the Board of Directors of the Company has allotted 60,00,000 (Sixty Lacs) Equity shares of Rs. 10/- (Rupees Ten) each at a premium of Rs. 5/- (Rupees Five) aggregating to Rs. 15/- (Rupees Fifteen) per share on preferential basis as fully paid on 3rd October 2005.

The above mentioned equity shares issued and allotted ranks pari passu with the existing equity shares of the Company in all respects including payment of dividend. Company has complied all laws, rules, regulations for time being in force in this behalf. These Shares have been listed at Bombay Stock Exchange Limited and Madras Stock Exchange Limited.



Acknowledgement

Your Directors would like to express their grateful appreciation for assistance and co-operation received from the Financial Institutions, Banks, Government Authorities, Customers and Members during the year under review.

Your Directors also wish to place on record their deep sense of appreciation for committed and dedicated services of the workers, staff, and officers of the Company.

For and on behalf of the Board of Directors,

G R K Reddy

Chairman & Managing Director.

Place: Chennai

Date: 23rd May, 2006.

