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Annual Report  
2006-2007



VISION

To be a trusted market leader in  
providing infrastructure solutions.

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**CORPORATE INFORMATION****Chairman & Managing Director**

Mr G R K Reddy

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**Company Secretary**

Mr Gouri Shanker Mishra

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**Directors**

Mr G Raghava Reddy

Mrs V P Rajini Reddy

Mr P M Shivaraman

Mr Arun Kumar Gurtu

Mr Karan Jit Singh Jasuja

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**Auditors**

M/s K. Ramkumar & Co

Chartered Accountants

E-7, III Floor, Gemine Parsn Apartment

Cathedral Garden Road

Chennai - 600 006

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**Bankers**

ING Vysya Bank Ltd.

UTI Bank Ltd.

The Catholic Syrian Bank Ltd

Corporation Bank

The Federal Bank Ltd

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**Registered Office**

'Marg Axis', 4/318, Old Mahabalipuram Road

Kottivakkam, Chennai - 600 041

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**Website**

www.MargInfrastructure.com

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Report  Junction.com

## DIRECTORS' REPORT

Dear Stakeholders

Your Directors have great pleasure in presenting the Twelfth Annual Report together with the Audited Accounts of your Company for the financial year ended 31<sup>st</sup> March 2007. Members would be happy to note that your Company had good year of operations which has resulted in total income of Rs. 14185 Lacs which stands increased by 135% over last year. Operations has resulted in after tax profit of Rs. 2991 Lacs, increase of 265% over last year.

### OPERATIONS

The financial results of the Company for the year ended 31<sup>st</sup> March 2007 is summarized below:

(Rs in Lacs)

	Yearended 31 <sup>st</sup> March 2007	Yearended 31 <sup>st</sup> March 2006
Income from Operations	12421	5763
Non-operating Income	1764	263
Total Income	14185	6026
Total Expenditure	9480	4424
Profit before Depreciation, Interest and Tax	4705	1602
Interest & Finance Charges	658	378
Depreciation	191	187
Profit before Tax	3856	1037
Provision for Current Taxes	800	126
Provision for Deferred Taxes	57	88
Fringe Benefit Tax	8	4
Profit after Tax	2991	819
Balance in Profit & Loss Account	1126	308
Amount Available for Appropriation	4117	1127
Prior Period Expenses	-	1
Interim Dividend	208	-
Dividend Tax	29	-
Transfer to General Reserve	299	-
Balance carried to Balance Sheet	3581	1126

During the year the Basic Earning Per Share is Rs. 28.76 and Diluted Earning Per Share is Rs. 20.97 for Equity Share of Rs. 10/- each.

Year 2006-07 has again proved to be a good year and has contributed excellent results for the Company. Your Company has achieved operational income of Rs. 12421 Lacs for the financial

year 2006-07 as compared to Rs. 5763 Lacs in the previous year 2005-06. The total turnover also stood increased to Rs. 14185 Lacs for the current year as compared to Rs. 6026 Lacs in the previous year. Profit before depreciation, interest and tax stood at Rs. 4705 Lacs as compared to Rs. 1602 Lacs during last year, thereby registering increase by 133%. Profit before tax stood at 2991 showing an increase of 271% over last year.

### PROJECTS

At MARG, we are striving to build a better world for the future of our nation. Our vision and pioneering spirit help build infrastructure and realty solutions that fuel the nation's progress. From Ports, SEZs, and IT Parks to Serviced Apartments, Residential Spaces, Townships and Malls, MARG creates the foundation for world class industry and a better quality of life.

Your company has a very diverse portfolio of projects covering the following segments:

- Real Estate- (Commercial)- IT Parks/ Serviced Apartments/ Mall, Multiplex & Business class hotel.
- Real Estate- (Residential)- Apartments/ Villas
- Infrastructure- Sea Port & Special Economic Zone(SEZ)

Your Company follows undertaking of independent projects under separate Special Purpose Company (SPC). All the SPC are wholly owned subsidiary of your Company. Your Company undertakes all the constructions contract from these SPCs.

Following are brief of the projects undertaken by Company either itself or its SPCs:

#### Port

The Concession Agreement for the development of the Karaikal Port, which is being developed as an all-weather deep-water port was entered with Government of Puducherry by MARG Constructions Limited in January 2006. As per the terms of the concession agreement, Karaikal Port Private Limited (KPPL) has been started as a Special Purpose Vehicle (SPV) to develop the port on a BOT basis, which is for a period of 30 years, extendable by another 20 years on mutual consent. The port, once fully developed will have an handling capacity of 10 Million Tons per annum with 6 berths for different commodities.

The Port would be the only key port on the 600 km stretch between the Chennai and Tuticorin ports, in the State of Tamilnadu, which are currently catering to the traffic demands of the state of Tamilnadu, Puducherry and other surrounding states. Karaikal port would serve as a major advantage to its rich hinterland covering the industrial belt in the central region of Tamilnadu and Puducherry and would also aid the economic and industrial development in the region.

Presently Phase I plan is being developed, which will consist of two berths, one for coal and another for general cargo, each with

a total handling capacity of 4 million tons per annum. The environmental clearance for the project, which is a critical requirement for any infrastructure project, was obtained in May 2006, without any adverse conditions or stipulations.

The cost of phase I of the project is envisaged to be Rs.416 crores. The Company achieved the financial closure for phase I in November 2006, for a debt component of Rs.302 crores through a consortium of 5 public sector banks and one financial institution, which has been a significant milestone for the project, as it was achieved in a short duration.

Immediately after achieving the financial closure, the company has taken all necessary measures to commence development of the project. Initial works have been commenced in the first quarter of the year 2007. Contracts have been awarded for some of the major components of work like Berth construction and dredging. Rest of the works is progressing at fast pace and the project is all set to commence operations as scheduled in the last quarter of 2008.

### Special Economic Zone

MARG, in order to leverage on the opportunity posed by SEZs, through New Chennai Township Private Limited (NCTPL), a wholly owned subsidiary of MARG Constructions Limited, has ventured into development of two sector specific Special Economic Zones, at Seekinakupam in Cheyyur Taluk of Kanchipuram District on 612 acres of land, one for Light Engineering Sector including Auto-ancillary on 312 acres and the other for Multi-Services on 300 acres. The Projects have been accorded Formal approval in May 2007 and is awaiting notification by the BoA. The site is located 75 kms from Tidel Park and 60 kms before Puducherry on the East Coast Road.

NCTPL will be developing the SEZs in a phased manner over a period of 5-8 years. As per the requirements of the SEZ Rules, both the SEZs will have 50% of the area allocated for processing zone, where the industries from the respective sectors can set up units. The balance 50% of the area will be non-processing zone, which will have the necessary support infrastructure like residential, commercial and institutional infrastructure.

The development plan will provide for world-class infrastructure facilities, so as to ensure a hassle-free environment for the units to set up their operations. The residential development will provide for housing requirements of people across all segments of society at very affordable prices. Other developments like school, hospital, shopping mall, entertainment zones, etc. will be of high standards, so as to enable a self-sustaining, integrated development to provide a high quality of life.

The Processing zones will cater to industries from the Engineering, Auto ancillary and services sector. The initial phase of development will involve land development work including provision of various infrastructure facilities, which will be parallelly also include some construction activities of various components planned like IT

Buildings, residences, commercial complexes etc.

The necessary documents have been submitted to the authorities concerned for notification purpose, which is expected to happen shortly. The Master Planning work is under progress by globally reputed urban design consultants. The Company undertook a detailed Demand Assessment Study through a reputed Real Estate Consultancy firm, to analyse the potential of the project. The Study, which covered all components of the development plan, has projected a very promising demand by both Engineering and Services segment as well as other Commercial and Residential development. The strategic location of the site between Chennai and Puducherry and in close proximity to Siruseri, the IT hub on Old Mahabalipuram Road, coupled with the various benefits and incentives available to the units, is a high-point for the potential of the project, apart from various other factors.

The project will be developed on 'Walk-to-work' or 'Work-live-play' concept, to ensure a balanced lifestyle to the employees working within the SEZ units. It will enable a win-win situation for both the units and its employees. Apart from the fiscal incentives and other factors which are attractive to the units, the district and the surrounding areas also has a good supply of high quality manpower, both skilled and unskilled, suitable for both manufacturing and services sector. This will also help in bridging the urban-rural divide and boost the economic and industrial development in the region.

The Company is also taking various CSR initiatives in the region, as a responsible corporate citizen to ensure all-round development of the surrounding community. (Details of CSR is dealt separately).

Thus, the proposed SEZ projects, has high potential not only in adding to the export revenue and economic progress of the country, but also in developing the region as a whole.

The Company has also planned for developing few other SEZ at other locations like Tirupati and Hyderabad.

### Mall along with Multiplexes, Food Court and Business Hotel

With the boom in the economy in general and in industries like IT, ITES and Infrastructure in particular, the real estate industry is poised for a major growth in the years to come. A healthy growth in employment trend coupled with a higher disposable income and a young, willing to spend population, the organized retail industry is growing fast.

To ride on this growth, your Company has taken up a project for developing a mall with multiplex and a business class hotel through wholly owned subsidiary Riverside Infrastructure (India) Private Limited. The mall will have food courts and fine dining. The project is coming up on the Old Mahabalipuram Road and is the first of its kind in this area. With the boom in IT and ITES companies, the demand for good hotel in this area has increased.

The project will add a lot of value to your Company in the years to come. The required finance for the project is already tied up. Land



development has been done. Company has already applied for approval of its plan and will soon commence the construction.

In terms of size and facilities offered it will be the first of its kind in Tamil Nadu. A number of large retailers have shown interest to participate in the project with whom the discussions are on. The mall when completed will have the largest size of entertainment zones in the whole of Tamilnadu.

### **Serviced Apartments**

Due to the boom in the economy fuelled by all around growth both in the manufacturing and services sector, the demand for quality realty space has increased manifold. The growth in the IT / ITES segment has increased the demand considerably for quality space.

Seeing the opportunities available in the segment, your Company has identified the need for serviced apartments in and around the IT corridor through wholly owned subsidiary Marg Business Park Private Limited. It has conceptualized developing a serviced apartment complex at Kazhipattur in Chennai. The required land has already been acquired. Plans have been submitted already and the approval is expected any time. The Company has already entered into an agreement with Oakwood Asia, one of the dominant players in the shared accommodation space for managing and maintaining its serviced apartments. The construction work will commence as soon as the approvals are in place.

### **Residential Villas/ Apartments/ Farm Houses**

The Company is also planning a high-end residential project at Thandalam on the OMR, focusing on premium and luxury condominiums spread over an area of 30 acres. The Company is also planning for farm houses in natural vicinity spread over an area over 90 acres. The Company is also planning meditarian villas spread over an area over 30 acres

### **IT Parks**

**Marg Square:** Your Company has developed '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. The said building has been leased to Satyam Computers Services Limited. The Company has completed the construction and finished installation of equipments.

**Digital Zone - II:** Your Company has also developed an IT park of international standards 'Digital Zone - II' in the IT Corridor, Karapakkam with a built up area of 2.16 Lacs sq ft. for Marg Digital Infrastructure Private Limited and others. The said building has been leased to Scope International subsidiary of Standard Chartered Bank. The Company has completed the construction and finished installation of equipments.

### **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 initiated few projects and entered into various

agreements in the areas of Infrastructure Development and Constructions Business.

### **DIVIDEND**

Board of directors of your Company has declared interim dividend of 20% during the current financial year. The interim dividend declared has been already been paid.

Your Company is in the mode of expansion for which abundant resources are required and accordingly the Board considered conserving resources and building up reserves for future. In view of this, the Board does not recommend any further dividend for the year.

### **FUTURE PROSPECTS**

We maintain our positive outlook. Going forward and anticipate maintaining the growth momentum in the year 2007-08. Infrastructure and realty sectors cemented its path and witnessed significant growth.

The envisaged GDP by Government of India need to be supported by way of creation of further Infrastructural facility. The avenues are abundant and Company is trying to capitalise the opportunities available through all the concerns.

Your Company is pursuing growth opportunities, which are strategic to its intents and operations. Your Company has all available resources to lead to the future making a good share of all available infrastructural development opportunities.

### **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. Your Company has successfully maintained its operating efficiencies and constantly improved its financial performance.

### **JOINT VENTURE AGREEMENT**

Your Company is engaged in diversified activities in different infrastructure and realty sector by identifying new businesses and actively participates in the development of country's infrastructure development programme. This process in turn increases the returns and long term viability of the Company 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 entered into Joint Venture (JV) Agreement with Housing and Urban Development Corporation Limited (HUDCO) pursuant to which Signa Infrastructure India Limited has been incorporated. Marg Constructions Limited and HUDCO have Share holding ratio of 76:24 in the JV Company.

The new entity would give better prospect to take up larger

projects in Infrastructure Development as it would have technical strength of Marg Constructions Limited and financial strength of HUDCO. This techno financial collaboration would help the Company to bid for even bigger size Government Projects.

### **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. Arun Kumar Gurtu and Mr. Karan Jit Singh Jasuja, Directors have been appointed as additional directors on 30<sup>th</sup> March 2007 and 20<sup>th</sup> June 2007 respectively. Both cease to hold the office of Director on the date of AGM.

Company has received notice from a member in accordance with Section 257 of the Companies Act, 1956 proposing their candidature as director to retire by rotation. Accordingly the same is forwarded for shareholders approval.

Mr. G R K Reddy, Director had been appointed as Managing Director for a period for five years from the financial year 1997 to 2002. Again he was appointed as Managing Director for a period of five years from 2002 to 2007.

Remuneration Committee has recommended reappointment of Mr. G R K Reddy again as Managing Director for a period of five years from 1<sup>st</sup> April 2007 to 31<sup>st</sup> March 2012 on revised remuneration. Board of Directors considering recommendations of committee and has appointed Mr. G R K Reddy as Managing Director for a period of five years w.e.f. 1<sup>st</sup> April 2007 subject to approval of shareholders. He would be a non rotational director on the Board.

### **DIRECTORS RESPONSIBILITY STATEMENT**

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

- i) In preparation of the Annual Accounts for the financial year ended 31<sup>st</sup> March, 2007 the applicable Accounting Standards have been followed and there are no material departures;
- ii) 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 2007 - 08.

### **CORPORATE SOCIAL RESPONSIBILITY – APPROACH TOWARDS SOCIETY**

At MARG we want for progress to be inclusive. We would like our communities and our people to grow along with us, to have access to equal opportunity and the power to make their dreams reality. While we continue to grow our areas of expertise and markets, we are also driven by a need to be socially relevant in helping shape a confident, healthy and responsible nation.

Everyone counts, and at MARG we would like our Company and its people to be actively involved in bringing prosperity to every part of India, one village at a time. As we grow, we must be able to share our opportunities with those less fortunate. We call this 'Inclusive Living' – simply, including everyone in the process of creating and sharing progress.

This year, MARG has a special team, with a special purpose – to usher a 'Chain of Change'. Our current focus for this program is in the Cheyyur Taluk of Latur Block, Kancheepuram District. In this Taluk, access to education becomes tougher as children grow older. The pressure to support families then creeps in and young adults go out into the world seeking employment, with no training and no hope for career advancement. Starting from education to skill development, health, and environmental care, we will soon witness a Chain of Change. A chain that touches the lives of over 5000 families in just 18 months, and in good time, generations to come.

Education: A study indicates that from primary to secondary school, the number of school going children drops. One of the reasons is that secondary schools in the area are often a 5-kilometer walk away from where children stay. Numbers drop further as children go from secondary to higher secondary schools, as higher secondary schools are often a 10-kilometer walk for these children. In addition, by this time, most children are above the age of 14, and under a lot of pressure to become bread-winners for growing families. Schools too are often not adequately equipped, and their infrastructure weak. It is here that MARG will begin its Chain of Change by:

- Upgrading the Balwadis / Aanganwadis
- Upgrading school infrastructure – painting, creating partition and compound walls, providing infrastructure
- Providing for education aids – charts, globes, creating libraries

Skill Development : The next link in our Chain of Change involves guiding students who are ready to work. Almost 60% of our population lives in rural areas where access to occupational training

is limited. Young adults, primarily those from agricultural backgrounds, often drop out of school and enter competitive environments with little or no professional training.

MARG in association with CII and NGOs active in the area will establish Grassroots Level Skill Development Initiative that offer a 20-day training program to prepare these youths for jobs in the corporate world. This initiative shall impart training at two levels:

- Pre-employment training covering areas such as workplace culture, communication skills, hygiene, safety, time management, etc.
- Industry-specific training program to equip people with specific industries like construction, manufacturing units etc.

**Health & Nutrition:** For children, good health is vital for mental and physical development. For an adult, it means leading a fuller life, the energy to achieve their dreams while providing for their families. With this in mind, MARG looks at creating the third link in the Chain of Change: access to healthcare, so our communities grow strong.

- Upgrading the PHC (Primary Health Centre) in the Taluk with medical equipment
- Proper sanitation facilities for children at schools
- Sponsorship of a multi-specialty hospital at Koovathur
- Conducting routine medical camps

**Environment:** Caring for the environment is a message we can share only through example. Preserving resources and sustaining the environment that protects us will only help in sheltering the human race. After all, a good environment will foster a better quality of life for generations to come. To this end, MARG will:

- Create ponds, water collection infrastructure in anticipation of the monsoons
- Provide for piping of water, filling of OHT during the summer
- Plant trees for a cleaner greener city

**Outreach:** Apart from the Chain of Change, we are also contributing towards other outreach programs:

**Ability Fest:** From October 5 to 8, 2007, Ability Foundation is holding their international disability film festival, AbilityFest. This is a biannual event, first organized in July 2005. The festival showcased cinema from around the world by, with and about people with disabilities. The world over, disability film festivals have become focal points for discussion, debate and create thought.

## **SOCIAL ACTIVITY**

You Company has taken up following social activity during the year:

**Celebrating 100 years of Satyagraha:** MARG, in co-ordination with the Gandhi Study Centre, conducted a one-day programme for underprivileged children to celebrate Gandhi Jayanthi and 100 years of Sathyagraha. With over 600 guests, the event was a

roaring success, dotted by the laughter and cheer of children.

**Amaithi Illam's Music Night:** MARG was the main sponsor for the Amaithi Illam's Music Night and fund raiser for the orphanage's 50 bright and energetic Children.

**The Chennai Marathon:** MARG participated as co-sponsor of the Chennai Marathon 2006 – jointly organized by the Sports Development Authority of Tamil Nadu and Rotary International.

**Archcult 06 – MARG Hybridia:** MARG sponsored Archcult's Hybridia, a national level symposium marking the Silver Jubilee Celebrations of the Architecture department of NII, Tiruchirappalli.

**Children's Day, Siragu School:** MARG sponsored a memorable day for the 200 under-privileged children of Siragu Montessori School, Paalavedupettai, Chennai.

**World AIDS Day:** MARG sponsored a campaign to commemorate World AIDS Day – December 1, 2006. The World AIDS Day campaign aimed at spreading awareness and changing the mindset of the society towards people living with HIV / AIDS. Accept, Act, and Achieve was the message delivered.

**EmployABILITY 2006:** MARG was the principal sponsor for EmployABILITY 2006, a job fair for specially-abled people from across the country held on December 16 & 17, 2006 in Chennai. Aimed at 'looking beyond Disabilities and Breaking Barriers Together' the event saw several young job aspirants for whom this was the first job interview. For those with experience, it provided an opportunity to climb the corporate ladder.

## **INDUSTRIAL RELATIONS**

MARG believes in employee retention and employee empowerment. The Company provides required training to the Employee including executive training. Company has sponsored few employees for executive MBA programme. Company arranges training programme for its employees including knowledge and skill development. Company also sponsors various seminars, training programmes, etc for the employees. Further Company has also undertaken programme for senior management staff.

While we have contributed to the society at large as an organization and remembered our commitments to the society and the environment, we, as an organization, have not forgotten our responsibilities towards the people who have contributed to make us what we are in the corporate world. The people behind the brand, who have worked relentlessly to bring us to these levels and who with their tireless contribution are furthering the boundaries of our existence and enhancing our reputation in the market.

We also acknowledge the families, the extended MARG family, who, have staunchly stood behind these people by giving them their whole-hearted support and encouragement. In an expression of our gratitude and appreciation of the efforts of the MARG extended family, we celebrated several festivals with great pomp and a lots of festive activities.

Some of the festivals celebrated by us were the Deepawali,



Christmas, New Year and Pongal. Each of these festivities were associated with a grand get together of the families of our staff which was interspersed with various activities like musical chair, fashion parade for kids, other creating pursuits that exhibited the talents of the children of the MARG family. Also, there were activities for the elders. These festivities concluded with a grand feast for the families. Company also organizes monthly celebration of birth days and marriages of employees.

The Company has also obtained the approval of shareholders in last Annual General Meeting for Employee Stock Option Scheme, 2006. Further Company is also planning to obtain approval of shareholders for Employee Stock Option Scheme, 2007. ESOP would be useful for attracting and retaining qualified, talented and competent personnel. It would foster a sense of ownership and belonging among the employees.

The Company enjoyed cordial relations with the employees. Management appreciates the employees of all cadres for their dedicated services to the Company.

#### **PARTICULARS OF EMPLOYEES**

Particulars of the employees of the Company who 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 is separately provided marked as Annexure I.

#### **CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION, FOREIGN EXCHANGE EARNING AND OUTGO**

As the company is not an industrial undertaking, accordingly, 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 14 Schedule 18 Notes to Account, forming part of the accounts. A separate list is also attached as Annexure II.

#### **SUBSIDIARIES**

The Company has 24 subsidiaries as on 31<sup>st</sup> March 2007. Brief details of the subsidiaries are attached as Annexure IV. The Company has been granted exemption by the Central Government vide their letter bearing number 47/285/2007-CL-III dated 4<sup>th</sup> June 2007 as per provisions of Section 212 (8) of the Companies Act, 1956 from attaching the accounts and other information's of subsidiaries as required under Section 212 (1) of the Companies Act, 1956. However a statement is attached in consolidated balance sheet providing the following information for each subsidiary (a) Capital, (b) Reserves, (c) Total Assets, (d) Total Liabilities, (e) Details of Investment (except in case of investment in subsidiaries), (f) Turnover, (g) Profit before Taxation, (h) Provision for Taxation,

(i) Profit after Taxation and (j) Proposed Dividend as per the exemption of the Central Government. The same forms part of the annual accounts of the Company.

The consolidated financial statements of the subsidiaries duly audited are presented along with the accounts of your Company. The annual accounts of subsidiary company are kept at the Company's registered office and also at the respective registered office of the subsidiaries for inspection and shall be made available to the members seeking such information.

#### **MANAGEMENT DISCUSSION & ANALYSIS REPORT**

The Management Discussion & Analysis Report for the year under review, as stipulated under Clause 49 of the Listing Agreements 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.

#### **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 : 20<sup>th</sup> June 2007**

## MANAGEMENT DISCUSSION AND ANALYSIS REPORT

### INDUSTRY STRUCTURE AND DEVELOPMENT

Marg Constructions Limited is a premier infrastructure/ constructions/ real estate developer, building a reputation of quality, craftsmanship and expertise.

The year 2006 – 07 has witnessed continued buoyancy in Real Estate / Infrastructure Market inline with the growth of Indian Economy. The estimated GDP for the year 2006-07 is 9.4 % ( Source- CSO).

The size of the real estate market is worth US\$12-14 Billions. The realty sector is growing by 30% and expected to be worth US\$60 Billions (Source- FICCI). The Government of India estimating an investment of USD 350 billions in the Infrastructure sector to sustain the economic growth of 9%.

Your company operating in the Infrastructure and Realty sector has huge potential for growth.

Robust growth in the economic activity in various sectors of the economy as well as all segments of Infrastructure and Constructions Industry turned in an impressive performance in recent time. International Outsource Phenomenon has given boost to the real estate business especially in Chennai due to the enable infrastructure support by the Government. Marg Constructions Limited put together another outstanding performance in the fiscal year 2006-07. The Company achieved a higher trajectory growth with revenues and profits posting significant increases and continues addition to the pipeline new Infrastructure and Constructions Projects.

The company has a well-earned reputation of completing projects with a total commitment to the highest work ethics and standard. Marg will continue its business strategy of building and creating value for all its stakeholders in both its existing and new business.

### OPPORTUNITIES, THREATS, RISKS AND CONCERNS

All key functions and divisions are independently responsible for monitoring risk associated within their prospective areas of operations. Infrastructure and construction projects are subjected to international market forces of demand and supply.

The significant factors that could make a difference to the Company's operations include domestic and international economic conditions affecting demand, supply and price conditions in the constructions sectors, changes in Government regulations, tax regimes and other statutes.

These are the following factors affecting infrastructure and constructions sectors:

- Increase in the competition in the infrastructure/ construction/

real estate industry.

- High increase in the property prices, labour costs and raw materials prices in India.
- Increases in prices of plant & machineries and insurance premium.
- Changes in laws and regulations having implications on infrastructure and constructions industry.

### SEGMENTWISE / PRODUCTWISE PERFORMANCE

The Company has identified two business segments in line with the Accounting Standard on Segment Reporting (AS-17). These are (i) Projects Division and (ii) Leasing Division. Segment information has been prepared in conformity with the accounting policies adopted for preparing and presenting the financial statements of the Company. The table below gives the audited financial results of these segments.

### SEGMENT WISE REVENUE, RESULTS AND CAPITAL EMPLOYED

(Rs. In Lacs)

Particulars	Year ended 31 <sup>st</sup> March 2007 (Audited)	Year ended 31 <sup>st</sup> March 2006 (Audited)
<b>Segment Revenue</b>		
1 Projects Division	11,573	4,932
2 Leasing Division	848	831
<b>Total</b>	<b>12,421</b>	<b>5,763</b>
<b>Segment Results</b>		
Profit/ (Loss) before tax and interest		
1 Projects Division	3,420	886
2 Leasing Division	638	650
<b>Total</b>	<b>4,058</b>	<b>1,536</b>
Less:		
1 Interest	422	378
2 Other un-allocable expenditure net of un-allocable income	(220)	125
<b>Profit before tax</b>	<b>3,856</b>	<b>1,033</b>
<b>Capital Employed</b> (Segment Assets less Segment Liabilities)		
1 Projects Division	2,648	1,157
2 Leasing Division	494	342
Add : Un-allocable assets less un-allocable liabilities	12,368	904
<b>Total Capital Employed</b>	<b>15,510</b>	<b>2,403</b>