

Directors' Report

Dear Shareholders,

Your Directors have pleasure in presenting the Tenth Annual Report together with the audited Balance Sheet and Profit and Loss Account of GMR Infrastructure Limited for the year ended 31st March, 2006.

Financial Results

(Rs. in Millions)

Particular	March 31, 2006	March 31, 2005
Gross Income	612.87	563.18
Expenditure	255.62	318.34
Profit before depreciation and tax	357.25	244.84
Depreciation	2.18	2.55
Profit before Tax	355.07	242.29
Provisions for taxation	0.02	(0.14)
Current Year Provision for Deferred Tax (Net)	(0.81)	(1.38)
Fringe Benefit Tax	0.41	-
Profit after Tax	355.45	243.81
Surplus brought forward from previous year	384.26	712.96
Amount available for appropriation	739.71	956.77
Appropriations:		
Debenture Redemption Reserve	37.50	370.00
Capital Redemption Reserve	-	185.00
Preference Dividend	-	15.48
Dividend Distribution Tax	-	2.02
Issue of Bonus Shares	99.31	-
Surplus carried to Balance Sheet	602.90	384.26

The gross income of the company has increased from Rs. 563.18 Million in the last year to Rs. 612.87 Million for the current year, an increase of 8.82%. The net profit after tax also increased from Rs. 243.81 Million to Rs. 355.45 Million, an increase of 45.79 %.

The increase in profit after tax is mainly due to substantial savings in finance charges achieved during the year and also due to increase in dividend income.

Review of Operations of Subsidiary Companies

Review of Operations of Subsidiary Companies in Road, Power and Airport Sectors is presented below.

Roads Sector

(A) New Road Projects

During the year the GMR Group Consortium led by your Company has won concessions to develop, operate and maintain the following projects:

Sl. No.	Name of Project	Length of stretch	Expected commercial operation date	Expected Project cost Rs. Million
1.	Ambala - Chandigarh Road Project on New Delhi - Chandigarh highway (NH-22/ NH-21)	35 Kilometer	End of 2008	3911.36
2.	Adloor Yellareddy - Kalkallu Road Project Additional stretch on the Hyderabad-Nagpur (NH7) highway	86 kilometer 17 kilometer	End of 2008	6900.00
3.	Faruknagar-Jadcherla road project. Additional stretch on the Bangalore- Hyderabad- (NH7)	46 kilometer 12 kilometer	Middle of 2008	4713.00
4.	Tindivanam-Ulunderpet road project on the Chennai-Dindigul (NH-45) highway	73 kilometer	End of 2008	7892.15



The following special purpose companies have been formed to implement the above Road Projects:

- 1) GMR Ambala Chandigarh Expressways Private Limited
- 2) GMR Pochanpalli Expressways Private Limited
- 3) GMR Jadcherla Expressways Private Limited
- 4) GMR Ulunderpet Expressways Private Limited

(B) Existing Road Projects

The operational snapshot of the operating road projects is presented hereunder:

GMR Tambaram-Tindivanam Expressways Private Limited (GTTEPL)

Total revenue and profit after tax for the Financial Year ended 31st March, 2006 of GTTEPL were Rs. 975.85 million and Rs. 48.38 million respectively.

GTTEPL has successfully completed the first full year of commercial operations and started receiving regular annuities from NHAI, in terms of concession agreement. The first and second installment of annuities were received during the period under review.

During the year GTTEPL has raised a structured debt of Rs. 4901 million at lower rate of interest and repaid the entire hire cost project debt of Rs. 2536 million.

GMR Tuni-Anakapalli Expressways Private Limited (GTAEPL)

Total revenue and profit after tax for the Financial Year ended 31st March, 2006 of GTAEPL were Rs. 655.60 million and Rs. 13.68 million respectively.

GTAEPL has successfully completed the first full year of commercial operations and started receiving regular annuities from NHAI, in terms of concession agreement. The first and second installment of annuities were received during the period under review.

During the year GTAEPL has raised a structured debt of Rs. 3810 million at lower rate of interest and repaid the entire hire cost project debt of Rs. 2118 million.

Power Sector

GMR Energy Limited (GEL)

Total Revenue and Profit after tax for the Financial Year ended 31st March, 2006 of the GEL were Rs. 4551.45 Million and Rs. 882.13 Million respectively.

GEL recorded revenue from sale of power of Rs. 4386.80 Million after rebate of Rs. 51.25 Million for the year compared to Rs. 5235.68 Million of the previous year. The revenue is lower due to lower dispatch. The expenditure on fuel was correspondingly lower at Rs. 1233.78 Million. Finance Charges were higher at Rs. 344.04 Million as compared to Rs. 323.96 Million in the previous year on account of raising of additional loan from IDFC and increase in LIBOR rate compared to previous year.

GEL Mangalore plant has won Suraksha Puraskar Award - 2005 given by National Safety Council of India in National level competition in recognition of Safety, Environment and Health performance from 2002 to 2005. As on date the plant is ISO 14001, ISO 9001 and OHSAS certified.

GMR Power Corporation Private Limited (GPCPL)

Total Revenue and Profit after tax for the Financial Year ended 31st March, 2006 of the GPCPL were Rs. 4740.64 Million and Rs. 277.27 Million respectively.

The Plant has completed its 7th year of operation. During the year, the revenue from operations increased by 21.63% to Rs. 4645.74 Millions from Rs. 3819.37 Million in the previous year. Operating profits were lower by 13.63% at Rs. 1143.06 Millions as compared to Rs. 1323.52 Million in the previous year mainly due to increase in operation, repairs & maintenance expenses and certain provisions.

Also the plant has taken up activities for Quality Management System an ISO-9001 Certification.



Vemagiri Power Generation Limited (VPGL)

Vemagiri Power Project construction was started in January 2004 and as at end March 2006, the project has achieved an overall progress of 98.82%. The project commissioning is delayed mainly due to the problems related to GT and steam blowing of the pipeline. The project is likely to achieve commercial operation by July - August 2006. The completed project cost estimated at Rs. 11250 millions.

GMR Mining & Energy Private Limited (GMR Mining)

GMR Mining has been established during the year as a subsidiary of GMR Energy Limited which in turn is a subsidiary of your Company. The GMR Mining was incorporated on 23rd September, 2005 having its registered office at Bangalore in the State of Karnataka for carrying on the business of coal mining and power generation business. The operations of GMR Mining are yet to start.

GMR (Badrinath) Hydro Power Generation Private Limited (GBHPL)

A consortium consisting of the Company and its Subsidiary Company GMR Energy Limited won bid for development of 140 MW hydroelectric power plant on the river Alaknanda in the Chamoli district of the state of Uttaranchal. GBHPL is a special purpose vehicle set up for the above project. The project is under implementation.

Your Company is also seeking to enter the power trading, transmission and distribution business in India, and holds a trading license issued by the Central Electricity Regulatory Commission to undertake power trading activities.

Airport Sector

Delhi International Airport Private Limited (DIAL)

In January 2006, GMR Group consortium led by your Company was awarded a long-term agreement to operate, manage and develop the Delhi Airport following a competitive bidding process. Other members of the consortium consist of Fraport AG of Germany, Malaysia Airports Holdings Berhad and The India Development Fund. Your Company, its Subsidiaries GMR Energy Limited and GVL Investments private Limited hold 30.1%, 10% and 9% Equity Shares respectively of DIAL. Subsequently, Delhi International Airport Private Limited (DIAL), entered into an Operation, Management and Development Agreement (OMDA), on April 4, 2006 with the Airport Authority of India (AAI) and received control of the operation and development on May 3, 2006. The initial term of the agreement is for 30 years and is renewable for an additional term of 30 years subject to fulfillment of certain conditions.

Reliance Airport Developer (Reliance), one of the unsuccessful bidders for the modernization of Delhi Airport has filed a writ petition in the Hon'ble Delhi High Court against the order of the Government awarding the contract of modernization of Delhi Airport to the Consortium led by the GMR Group. The said Writ Petition was dismissed by the Hon'ble Delhi High Court on April 21, 2006. Reliance has filed a Special Leave Petition in the Hon'ble Supreme Court of India, against the above order of the Hon'ble High Court of Delhi and the same is pending for hearing.

GMR Hyderabad International Airport Limited

During the year, the name of the company has been changed from Hyderabad International Airport Limited to GMR Hyderabad International Airport Limited.

The year saw the company taking significant steps in implementing the project with the commencement of many major activities. The project received clearance from the Bureau of Civil Aviation Security (BCAS) in the month of June 2005. The company achieved Financial Closure in August 2005. The Communication Navigation Services - Air Traffic Management (CNS-ATM) Agreement was signed with the Airports Authority of India on 11th August 2005. Airside Landside and Passenger Terminal Building contracts were awarded to Larsen & Toubro (L&T) and China State Construction Engineering (Hong Kong) Limited respectively.

The company's website was also launched under the domain name of www.newhyderabadairport.com

Others

GVL Investments Private Limited (GVL)

GVL Investments private Limited is a non banking finance company engaged in the investment activities having its registered office at Bangalore in the state of Karnataka. Your Company acquired 100% Equity Shares of GVL in April 2006 making it a wholly owned subsidiary.



Gateways For India Airports Private Limited (Gateways)

The Gateways is a Company promoted by GMR group for business development of airports and airport infrastructure. Your Company and its subsidiary Company GVL Investments Private Limited hold 37.84% and 36.94 % respectively of the Equity Shares of Gateways.

Bonus Issue

Your company issued and allotted in the form of bonus shares on 30th September 2005, 105,774,723 equity shares of Rs. 10 each in the ratio of 2:3 by capitalization of free reserves to the extent of Rs.1057.7 Million. With this bonus issue of shares the paid up capital of the company stands increased to Rs 2644.37 Million.

Private Placement of Equity shares of the Company

The members in the Extra ordinary General Meeting of the Company held on 19th April, 2006 and 25th April, 2006 had approved the issue of 33538168 Equity Shares of Rs. 10 each of the Company by way of preferential allotment to private investors. Of these shares your Company has privately placed 28510206 equity shares of Rs. 10 each, of the Company with the following investors by way of preferential allotment

1. India Development Fund - 11737404 Equity Shares at Rs. 85.20 per Share including Premium of Rs.75.20 per Share.
2. ICICI Trusteeship Services Limited - 9578544 Equity Shares at Rs. 261 per Share including Premium of Rs.251 per Share.
3. Quantum (M) Limited 2490555 Equity Shares at Rs. 270 per Share including Premium of Rs.260 per Share
4. Punjab National Bank -1000000 Equity Shares at Rs. 270 per Share including Premium of Rs.260 per Share.
5. Citigroup Venture Capital International Mauritius Limited - 3703703 Equity Shares at Rs. 270 per Share including Premium of Rs.260 per Share.

IPO of Equity Shares of the Company

The members in their Extra ordinary General Meeting held on 28th February, 2006, had approved the issuance of up to 13,50,00,000 Equity Shares of the Company by Initial Public Offer and / or Private placement basis. Of these shares, the company has already privately placed 2,85,10,206 shares as detailed above and proposes to issue 3,81,36,980 Equity shares of Rs. 10 of the Company each through the 100% book building process. The issue will constitute 11.52.% of the fully diluted post issue Paid-up capital of the Company. The draft Red herring Prospectus of the Company was filed with Securities and Exchange Board of India (SEBI) and the Bombay Stock Exchange Limited (BSE) and National Stock Exchanges for their observations on 2nd May, 2006 and the company has received observations of SEBI thereon on 5th June, 2006. The Equity Shares are proposed to be listed on the Bombay Stock Exchange Limited, Mumbai ("BSE") and the National Stock Exchange of India Limited ("NSE") and the Company has received in-principle approvals from these Stock Exchanges for the listing of its Equity Shares.

Subsidiary Companies

With a view to achieve consolidation of all infrastructure business of the Group under the control of the company and also to achieve operational synergy, the shareholding of certain group companies has been restructured. Consequently, a few more companies have become subsidiaries of the company during the year and also after the closure of the Financial Year. The company has also increased shareholding in its subsidiaries, GMR Energy Limited from 84.89% to 99.99% following the acquisition of 15.10% holding from India Development Fund. The List of all the subsidiaries of your company is presented below:

The Subsidiaries as on 31st March 2006:

1. GMR Energy Limited
2. GMR Power Corporation Private Limited
3. Vemagiri Power Generation Limited
4. GMR Mining & Energy Private Limited
5. GMR Tambaram - Tindivanam Expressways Private Limited
6. GMR Tuni - Anakapalli Expressways Private Limited.
7. GMR Ambala - Chandigarh Expressways Private Limited
8. GMR Jadcherla Expressways Private Limited
9. GMR Pochanpalli Expressways Private Limited
10. GMR Hyderabad International Airport Limited



New subsidiaries after 31st March 2006:

11. Delhi International Airport Private Limited
12. Gateways for India Airports Private Limited
13. GVL Investments Private Limited.
14. GMR Ulundurpet Expressways Private Limited
15. GMR (Badrinath) Hydro Power Generation Private Limited

The statement pursuant to section 212 of the Companies Act, 1956 containing details of subsidiaries of your Company as on 31st March 2006 is provided in the Annexure.

Consolidated Financial Statements

The audited consolidated Financial Statements of the company and its subsidiaries prepared in accordance with Accounting Standard - AS 21 issued by the Institute of Chartered Accountants of India are attached.

Directors

Mr. G B S Raju and Mr. K. Balasubramanian, Directors retires by rotation and being eligible offers themselves for re- appointment. Mr. G. M. Rao, Chairman, was appointed as Chairman and Managing Director by the Board of Directors with effect from 2nd September, 2005 for a period of five years subject to approval of the members. The Board recommends his appointment for approval.

Mr. Arun K Thiagarajan, Mr. K R Ramamoorthy, Dr. Prakash G. Apte, Mr. R S S L N Bhaskarudu, Mr. Udaya Holla and Mr. Uday M Chitale were appointed as additional Directors of the Company on 2nd September 2005. Mr. Luis Miranda and Mr. T R Prasad were appointed as additional Directors on 14th April 2006 and Mr. P B Vanchi was appointed as additional Director on 13th May 2006. All these Directors hold office till the date of the Annual General Meeting of the Company. The Company has received notices under Section 257 of the Companies Act, 1956 from shareholders proposing their appointments as Directors of the Company at the ensuing Annual General Meeting. The Board recommend the appointment of above Directors.

Mr. G.B.S. Raju, Group Director was appointed as Group Chief Financial Officer by the Board of Directors with effect from 25th April, 2006. The Board recommends his appointment for approval.

The professional background of the above directors is given in the notice of the Annual General Meeting.

Mr. K.V.K. Seshavatharam, resigned as a Director from the Board with effect from 2nd September, 2005. Mr. I.V. Srinivas Rao, resigned as a Manager cum Company Secretary with effect from 2nd September, 2005. Board placed on record, its appreciation for the services rendered by them during their tenure.

Directors' Responsibility Statement

Pursuant to the requirement under Section 217 (2AA) of the Companies Act, 1956 with respect to Directors' responsibility Statement, it is hereby confirmed:

1. That in the preparation of the annual accounts for the year ended March 31, 2006 the applicable accounting standards have been followed and proper explanations were provided for material departures if any.
2. that the Directors 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 as at the end of the financial year and of the profit of the company for the year.
3. That the Directors had taken proper and sufficient care for maintenance of adequate accounting records in accordance with the provisions of Companies Act, 1956 for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities.
4. That the Directors had prepared the accounts for the financial year ended 31st March, 2006 on a going concern basis.



Corporate Governance

As on date, the Shares of the Company are not listed on any Stock Exchanges, even then the Company has voluntarily implemented the Code of Corporate Governance suggested by SEBI / Stock Exchanges for Listed Companies, in pursuit of the best practices in this regard. A separate section on the Corporate Governance practices followed by your Company is set out in the annexure forming part of this report.

Management Discussion and Analysis Report (MDA)

The MDA on the operations of the Company is annexed to this report.

Auditors

M/s Price Waterhouse, Chartered Accountants retire at the conclusion of the ensuing Annual General Meeting of the Company. They have offered themselves for reappointment as statutory auditors and have confirmed that their appointment, if made, would be within the prescribed limits under section 224 (1-B) of the Companies Act, 1956.

The Notes to Accounts forming part of the financial statements are self-explanatory and need no further elaboration. There are no qualifications or adverse remarks in the Auditors' Report which require any clarification / explanation.

Conservation of Energy, Technical Absorption and Foreign Exchange Earnings, and outgo:

The Particulars as required under sub-section (1) (e) of section 217 of the Companies Act, 1956, read with the Companies (Disclosure of particulars in the report of Board of Directors) Rules, 1988, are set out in the annexure "A" included in this report.

Particulars of Employees

The Particulars as required under Section 217 (2A) of the Companies Act, 1956 read with Companies (Particulars of Employees) Rules, 1975, are set out in the annexure "B" included in this report.

Fixed Deposits

During the year under review, the Company had not accepted any deposits from public.

Acknowledgements

The Directors express their appreciation of the valuable support and co-operation received from the Bankers of the Company, Life Insurance Corporation of India, General Insurance Corporation of India, Infrastructure Leasing & Financial Services and Industrial Development Finance Company Limited and UTI Bank Limited.

Your Directors place on record their sincere appreciation of the contributions made by the employees of the Company and its Subsidiaries at all levels through their hard work, dedication, solidarity and support.

For and on behalf of the Board

G. M. Rao
Chairman

Place : Bangalore
Date : July 12, 2006



Annexure "A" To The Directors' Report

Information pursuant to Section 217(1) (e) of the Companies Act, 1956 read with the Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules 1988 as amended and forming part of the Directors' Report for the year ended March 31, 2006.

1. Conservation of energy and technology absorption:

Since the company is not engaged in any manufacturing activity the particulars are not applicable.

2. Foreign Exchange earnings or outgo in Foreign Exchange during the period:

The particulars relating to Foreign Exchange Earnings or outgo in foreign exchange incurred during the period are:

- i) There was no foreign exchange earning during the year.
- ii) The details of foreign exchange outgo are as shown below:

(a) Towards Expenses:

	As at 31st March 2006 (Rs. In Million)	As at 31st March 2005 (Rs. In Million)
Traveling Expenses	2.19	0.32
Professional Charges	7.29	6.47
Others	2.91	Nil

(b) Other Remittances:

Nil

For and on behalf of the Board

G. M. Rao
Chairman

Place : Bangalore
Date : July 12, 2006



Annexure "B" To The Directors' Report

Name and Age	Designation and Nature	Remuneration received (Rs.)	Qualification and Experience (in years)	Date of joining	Particulars of last employment
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(A) Employed through out the year and were in receipt of remuneration aggregating not less than Rs. 24 lacs per annum.

NIL

For and on behalf of the Board

Place : Bangalore
Date : July 12, 2006

G. M. Rao
Chairman



Statement Pursuant to Section 212 of the Companies Act, 1956 relating to Subsidiary Companies as at 31st March, 2006

	Name of Company	GMR Energy Ltd (GEL)	GMR Power Corporation (P) Ltd (GPCPL)	Vemagiri Power Generation Ltd (VPGI)	GMR Mining & Energy Private Ltd (GMEPL)	GMR Tambaram-Tindivanam Expressways Private Ltd* (GTTEPL)	GMR Tuni-Anakapalli Expressways Private Ltd* (GTAEPL)	GMR Ambala-Chandigarh Expressways Private Ltd (GACEPL)	(Rs. in Millions)
1	Financial Year of Subsidiary	1st April 2005 to 31st March 2006	1st April 2005 to 31st March 2006	1st April 2005 to 31st March 2006	1st April 2005 to 31st March 2006	1st April 2005 to 31st March 2006	1st April 2005 to 31st March 2006	14th July 2005 to 31st March 2006	
2	Date from which they became subsidiary Companies.	10.01.2000	30.3.2004	17.12.2003	25-10-2005	30-09-2005	30-09-2005	09/09/2005	
3	Shares of the Subsidiary held by GMR Infrastructure Limited on the above date a) Number and Face Value	276,826,898 Equity shares held by GIL & Rs. 2768,268,980	126,225,000 Equity shares held by GEL & Rs. 1,262,250,000	195,115,010 Equity shares held by GEL & Rs. 1,951,150,100	17,800 Equity shares held by GEL & Rs. 1,78,000	5,10,000 Equity shares held by GPCPL & Rs. 51,00,000; 130,000 Equity shares held by GEL & Rs. 13,00,000; 100,000 Equity shares held by GIL & 10,00,000	5,10,000 Equity shares held by GPCPL & Rs. 51,00,000; 130,000 Equity shares held by GEL & Rs. 13,00,000; 100,000 Equity shares held by GIL & 10,00,000	5,100 Equity shares held by GEL & Rs. 51,000; 4,800 Equity shares held by GIL & Rs. 48,000	
4	b) Extent of Holding	84.89%	51.00%	100.00%	89.00%	74.00%	74.00%	99.00%	
5	Net Aggregate amount of profit of the Subsidiary for the above Financial Year so far as it concerns members of GMR Infrastructure Limited for the year ended 31st March 2006 Dealt with in the accounts of GMR Infrastructure Limited for the year ended 31st March 2006 Not dealt with in the accounts of GMR Infrastructure Limited for the year ended 31st March 2006 Net Aggregate amount of profit for the previous Financial Year of the Subsidiary since it became subsidiary so far as it concerns members of GMR Infrastructure Limited	521.70	Nil	Nil	Nil	Nil	Nil	Nil	
	a) Dealt with in the accounts of GMR Infrastructure Limited	227.23	120.06	Nil	Nil	20.86	5.90	Nil	
	b) Not dealt with in the accounts of GMR Infrastructure Limited	442.92	Nil	Nil	NA	NA	NA	NA	
		358.60	157.43	Nil	NA	NA	NA	Nil	



Statement Pursuant to Section 212 of the Companies Act, 1956 relating to Subsidiary Companies as at 31st March, 2006

	Name of Company	GMR Jadcherla Expressways Private Limited (GJEPL)	GMR Pochanpalli Expressways Private Limited (GPEPL)	GMR Hyderabad International Airport Limited (GHIAL)	(Rs. in Millions)
1	Financial Year of Subsidiary	18th October 2005 to 31st March 2006	18th October 2005 to 31st March 2006	1st April 2005 to 31st March 2006	
2	Date from which they became subsidiary Companies.	18th November 2005	18th November 2005	26th September 2003	
3	Shares of the Subsidiary held by GMR Infrastructure Limited on the above date a) Number and Face Value	5,100 Equity shares held by GIL & Rs. 51,000 ; 1,000 Equity shares held by GEL & Rs. 10,000	5,100 Equity shares held by GIL & Rs. 51,000 ; 1,000 Equity shares held by GEL & Rs. 10,000	36,995 Equity shares held by GIL & Rs. 3,69,950	
	b) Extent of Holding	61.00%	61.00%	63.00%	
4	Net Aggregate amount of profit of the Subsidiary for the above Financial Year so far as it concerns members of GMR Infrastructure Limited for the year ended 31st March 2006 Dealt with in the accounts of GMR Infrastructure Limited for the year ended 31st March 2006	Nil	Nil	Nil	
	Not dealt with in the accounts of GMR Infrastructure Limited for the year ended 31st March 2006	Nil	Nil	Nil	
5	Net Aggregate amount of profit for the previous Financial Year of the Subsidiary since it became subsidiary so far as it concerns members of GMR Infrastructure Limited a) Dealt with in the accounts of GMR Infrastructure Limited b) Not dealt with in the accounts of GMR Infrastructure Limited	NA	NA	Nil	
		NA	NA	Nil	

