Directors' Report

Dear Shareholders,

Your Directors have pleasure in presenting the 11th Annual Report together with the audited Balance Sheet and Profit and Loss Account of your Company for the year ended 31st March, 2007.

Financial Results

You are aware that your company has a unique business model. The Company carries all its businesses through subsidiaries formed and operated in accordance with the related concession agreements. Thus, the Company does not have any independent revenues other than dividends from its subsidiaries and interest income earned on the surplus funds. The consolidated results summarized below, hence, present the full revenues, expenses and the results of the business operations of the Company and its Subsidiaries. The Company's Standalone Financial Results for the year are also provided herewith.

Consolidated Financial Results

(Rs. in Crore)

Particulars	March 31, 2007	March 31, 2006
Gross Revenue	1987.05	1064.98
Fee paid to Airports Authority of India	271.98	–
Net Revenue	1715.07	1064.98
Expenditure	1431.76	958.85
Profit before tax	283.31	106.13
Provisions for taxation		
Current Year	24.12	11.23
Provision for deferred tax (Net)	14.27	(0.08)
Fringe benefit tax	3.15	1.36
Profit after tax	241.77	93.62
Minority interest	67.34	23.06
Surplus brought forward from previous year	117.46	67.90
Amount available for appropriation after minority interest	291.89	138.46
Earnings per share (Rs.)- Basic and Diluted	5.56	2.67

Consolidated gross revenues for the year increased by about 87% to Rs.1987.05 crore from Rs.1064.98 crore for the previous year and consolidated net revenues by about 61% to Rs.1715.07 crore from Rs.1064.98 crore. The increase in the revenues is due to higher generation of power and revenues from our new business, Delhi International Airport Private Limited.

The fee of Rs. 271.98 crore paid for the year to Airports Authority of India is towards the revenue share of 45.99% for Delhi International Airport in terms of the Operation, Maintenance and Development Agreement (OMDA).

For the year, in addition to the profits from new business of Delhi International Airport, profits from higher sales by energy subsidiaries and lower finance costs in road projects added to the consolidated profit after tax. A loss of Rs. 85.13 Crore, incurred by one of the power subsidiaries viz. Vemagiri Power Generation Limited (VPGL), had an adverse impact thereon. Though VPGL declared the COD in September, 2006, it could not continue the operations due to non-availability of natural gas.

In the consolidated financial statements for the year, the Company provided depreciation on fixed assets in power sector subsidiaries on uniform basis based on the estimated useful life thereof in line with depreciation rates prescribed under Schedule XIV to the Companies Act, 1956. Thus, the consolidated profit after tax for the year stands at Rs. 241.77 crore as compared to Rs.93.62 crore.

Standalone Financial Results

(Rs. in Crore)

Particulars	March 31, 2007	March 31, 2006
Gross Revenue	34.13	60.83
Expenditure	28.66	25.10
Profit before depreciation and tax	5.47	35.73
Depreciation	0.20	0.22
Profit before tax	5.27	35.51
Provisions for taxation		
Current Year	2.41	0.00
Provision for deferred tax (Net)	(0.17)	(0.08)
Fringe benefit tax	0.15	0.04
Profit after tax	2.88	35.55
Surplus brought forward from previous year	60.29	38.43
Amount available for appropriation	63.17	73.97
Appropriations :		
Debenture redemption reserve	(18.61)	3.75
Issue of Bonus shares	–	9.93
Surplus carried to Balance Sheet	81.78	60.29
Earnings per share (Rs.)- Basic and Diluted	0.09	1.34

Revenues of the company consist mainly of dividends received from subsidiary, GMR Energy Limited, and interest income earned on the surplus funds. The lower revenues of the company for the year are due to the lower dividend received as compared to the earlier year.

Dividend

You are aware that your company is implementing several new projects through its subsidiaries and also keeps bidding for new projects continuously. In order to meet the investment requirements for such new projects, which will enhance the shareholders' value in the long term, your Directors have not recommended any dividend for the financial year 2006-07.

Subsidiary Companies

During the year, your Company through its subsidiaries has undertaken several new projects which will enhance shareholders value in the years ahead.

The Subsidiaries of your Company as on 31st March 2007 were as under:

1. GMR Hyderabad International Airport Limited (GHIAL)
2. Delhi International Airport Private Limited (DIAL)
3. GMR Energy Limited(GEL)
4. GMR Power Corporation Private Limited (GPCPL)
5. Vemagiri Power Generation Limited (VPGL)
6. GMR Mining & Energy Private Limited (GMR Mining)
7. GMR (Badrinath) Hydro Power Generation Private Limited (GBHPL)
8. GMR Tambaram - Tindivanam Expressways Private Limited (GTTEPL)
9. GMR Tuni - Anakapalli Expressways Private Limited (GTAEPL)
10. GMR Ambala - Chandigarh Expressways Private Limited (GACEPL)
11. GMR Jadcherla Expressways Private Limited (GJEPL)
12. GMR Pochanpalli Expressways Private Limited (GPEPL)
13. GMR Ulundurpet Expressways Private Limited (GUEPL)
14. GVL Investments Private Limited (GVL)

15. Gateways for India Airports Private Limited (GFIAPL)
16. Hyderabad Menzies Air Cargo Private Limited (HMACPL)

The following Companies became subsidiaries of your Company after 31st March 2007

1. Delhi Aerotropolis Private Limited (DAPL)
2. GMR Aviation Private Limited (GAPL)
3. DIAL Cargo Private Limited (DCPL)
4. GMR Corporate Centre Limited (GCCL)

Review of Operations / projects of Subsidiary Companies

A brief overview of the significant operational and business developments in various businesses / projects is given below:

I) Airports Sector

- Delhi International Airport Private Limited (DIAL) took over the operations of Delhi Airport on May 3, 2006, after fulfilling the conditions precedent laid down in OMDA. Transition phase was completed on August, 2, 2006. DIAL successfully completed the improvement in key areas during the transition phase like terminal external and internal facelift, new seating etc. Honourable Supreme Court upheld the Honourable Delhi High Court's decision on award of Delhi airport modernization contract.
- DIAL submitted the Master Plan for airport development on 29th September, 2006 to Ministry of Civil Aviation. The Project is proposed to be developed in multiple phases; Phase 1, currently under implementation comprises the following two sub-phases. sub-phase(1A): Rebuilding of domestic terminal and revamping and up-gradation of terminal 2, construction of Runway and Sub-phase (1B): Construction of Terminal 3 and associated works. Sub phase 1A is scheduled to be completed by 2008 and the Sub phase 1B by 2010.
- DIAL awarded the contract for construction of Runway, new terminal 3 at Delhi Airport and associated works to Larsen & Toubro Ltd. and the construction work has commenced with the foundation stone laying ceremony on February 17, 2007.
- GMR Hyderabad International Airport (GHIAL) completed about 71.83% construction of the airport as on May 31, 2007. GHIAL also revised the planned passenger handling capacity to 12 million from earlier planned capacity of 7 million passengers and cargo handling capacity to 1,00,000 tons per annum. The revised project scope also includes construction of fuel farm and 308 room 4-star business hotel in the airport.
- Thus, GHIAL revised the project cost to Rs. 2,478 crore (an addition of Rs.718 crore) to meet the capital expenditure for additional airport facilities, construction of the fuel farm facility and hotel and it was fully funded by debt. The revised debt equity ratio of the project stands at 4:1.
- GHIAL awarded major concessions such as cargo handling, In-flight catering, airport hotel operations, fuel farm operations, duty free retail operations, airport lounge management, etc.
- GHIAL is expected to commence its operations early 2008.

2) Power Sector

- The Power Purchase Agreement (PPA) executed by GEL with Karnataka Electricity Board for a period of 7 years, which was subsequently assigned to Bangalore Electricity Company (BESCOM) and Mangalore Electricity Company (MESCOM), is expiring during 2008. GEL is working out post PPA strategy to maximize returns.
- GEL has signed Memorandum of Understanding with, Government of Orissa, for setting up of a 1000 MW Thermal Power Plant at Kamalanga in Dhenkanal District, Orissa on June 9, 2006. PPA was signed with GRIDCO, Orissa on September 28, 2006 for selling 25% power and another PPA with PTC India Ltd., for the sale of balance 75% power, on June 21,2007.
- GEL has signed the Memorandum of Agreement for implementation, operation and maintenance of a 160 MW Talong Hydro Power Project on BOOT basis, in the East Kameng district, on River Kameng, in the State of Arunachal Pradesh on January 24, 2007.
- GEL has signed a Memorandum of Understanding (MoU) with the Government of Chhattisgarh on June 4, 2007 for implementation, operation and maintenance of a 1000 MW Thermal Power Plant in the state of Chhattisgarh.
- GEL has participated in the competitive bidding process for two hydro projects based in Nepal viz. Upper Karnali for a 300 MW and Arun III for a 402 MW.
- GEL has submitted Expression of interest on January 11, 2007 with Ministry of Coal, Government of India (GoI), for developing coal based merchant power plants for which coal linkage / captive coal mine will be tied up.
- Continuing with the developmental activities, significant progress has been made on a 140 MW Hydro project located near Badrinath in Chamoli district of Uttaranchal.

- VPGL had declared commercial operation (CoD) on September 16, 2006, establishing a Gross Generation Capacity of a 387.625 MW which was acknowledged by APERC, vide their letter dated May 8, 2007. However, post CoD, the Plant has not been in operation due to non availability of gas.

3) Roads Sector

- The Ambala Chandigarh road project, a 35 kilometers stretch on Delhi-Chandigarh highway, being executed by GACEPL, achieved financial closure on May 11, 2006. The project cost of Rs. 391.14 Crore has been funded by way of debt and equity in the ratio of 2.57 : 1.
- The Farukhnagar-Jadcherla road project, a 46 kilometers stretch on Bangalore-Hyderabad highway, being executed by GJEPL, achieved the financial closure on August 18, 2006. The project cost of Rs.471 Crore has been funded by way of debt and equity in the ratio of 3:1.
- The Adloor Yellareddy – Pochanpalli road project, a 86 kilometers stretch on Hyderabad-Nagpur highway, being executed by GPEPL, achieved the financial closure on September 25, 2006. The project cost of Rs. 690 Crore has been funded by way of debt and equity in the ratio of 4:1.
- The Tindivanam-Ulundurpet road project, a 73 kilometers stretch on Chennai-Dindigul (NH- 45) highway, being executed by GUEPL, achieved the financial closure on October 16, 2006. The project cost of Rs.795 Crore has been funded by way of debt and equity in the ratio of 3:1.

  The overall implementation progress of all the above Road projects during the period under review was satisfactory.

Consolidated Financial Statements

As per Section 212 of the Companies Act, 1956, Company is required to attach the Directors' Report, Balance Sheet and Profit and Loss account of its Subsidiary Companies to its annual report. Vide its letter no. 47/332/2006 – CL – III dated 1st December, 2006, the Ministry of Corporate Affairs, Government of India (GOI), has granted exemption to your Company for not attaching the above documents of Subsidiaries with Annual Report of the Company for the F.Y. 2006-07. Accordingly, this annual report does not contain the reports and other statements of the Subsidiary Companies. The Company will make available the annual audited accounts and related detailed information of the subsidiary companies, upon request by any member of the Company / subsidiary company. These documents will also be available for inspection during business hours at the Registered Office of the Company and also at the Registered Offices of the subsidiary companies.

The statement, pursuant to above stated approval of GOI, about financial information of each subsidiary company containing details of (a) capital, (b) reserves, (c) total assets ,(d) total liabilities, (e) details of investment, (f) turnover, (g) profit before taxation, (h) provisions for taxation, (i) profit after taxation and (j) proposed dividend is annexed to this report.

Hyderabad Menzies Air Cargo Private Limited (HMACPL) was incorporated on 22nd February, 2006. GMR Hyderabad International Airport Limited (GHIAL), a subsidiary of the company acquired 51000 shares (51%) of HMACPL on 7th February, 2007. By virtue of Section 4(1)(c) of the Companies Act, 1956, HMACPL also become the subsidiary of the company with effect from 7th February, 2007. HMACPL has not closed its financial year as on 31st March, 2007. Hence the financial details of HMACPL are not provided.

As required by Accounting Standard – 21 and Listing Agreement with Stock Exchanges, the audited Consolidated Financial Statements of the Company and its subsidiaries are attached.

Initial Public Offer (IPO) of Equity Shares of the Company

During the year under review, your Company successfully completed the IPO of 3,81,36,980 equity shares of Rs. 10 each constituting 11.52% of the post issue paid up capital of the Company at a price of Rs. 210/- per share. The Company has issued 3,49,13,480 equity shares of Rs.10 each as fully paid up and 32,23,500 equity shares of Rs.10 each as partly paid up of Rs.5 each. Retail investors were given a discount of 5% on the issue price, translating to an effective price of Rs. 199.50. The issue was opened for subscription to public on July 31, 2006 and closed on August 04, 2006. In spite of the fact that the issue was made at a time when the market sentiments were not conducive, your Company's issue received an impressive response from the investors. The issue was subscribed 6.67 times on overall basis. The trading in the fully paid shares of the Company commenced on August 21, 2006 at BSE and NSE.

The due date for payment of the allotment money by partly paid shareholders was September 7, 2006. The company had issued 8 notices / reminders to the partly paid share holders for payment of allotment money due from them. Out of total issue of partly paid shares, balance allotment money is yet to be received in respect of 5675 shares as on June 30, 2007. The company is in the process of initiating the action for forfeiture of shares on which balance allotment money remains unpaid.

The Company has paid the listing fees payable to the BSE / NSE for the financial year 2007-08.

Changes in Share Capital

During the year under review the Company has issued and allotted shares as detailed below:

- 1,17,37,404 equity Shares of Rs.10 each for a cash consideration at a premium of Rs.75.20 per equity Share to India Development Fund on April 22, 2006;
- 95,78,544 equity Shares of Rs.10 each for a cash consideration at a premium of Rs.251 per equity Share to ICICI Trusteeship Services Limited (ICICI Emerging Sectors Fund) on April 25, 2006;
- 24,90,555 equity Shares of Rs.10 each for a cash consideration at a premium of Rs.260 per Equity Share to Quantum (M) Limited on May 13, 2006;
- 10,00,000 equity Shares of Rs.10 each for a cash consideration at a premium of Rs. 260 per equity Share to Punjab National Bank on May 13, 2006;
- 37,03,703 equity Shares of Rs.10 each for a cash consideration at a premium of Rs.260 per equity share to Citigroup Venture Capital International Mauritius Limited on June 5, 2006;
- 3,24,63,580 equity shares of Rs.10 each for a cash consideration at a premium of Rs.200 per equity share in the Initial Public Offer of the Company on August 17, 2006;
- 24,24,725 equity shares of Rs.10 each for a cash consideration at a premium of Rs. 189.50 per equity share in the Initial Public Offer of the Company on August 17, 2006;
- 32,08,300 equity shares of Rs.10 each (paid up value Rs. 5) for a cash consideration at a premium of Rs.189.50 per equity share in the Initial Public Offer of the Company on August 17, 2006.
- 3,975 equity shares of Rs.10 each for a cash consideration at a premium of Rs. 200 per equity share in the Initial Public Offer of the Company on August 24, 2006;
- 21,200 equity shares of Rs.10 each for a cash consideration at a premium of Rs.189.50 per equity share in the Initial Public Offer of the Company on August 24, 2006; and
- 15,200 equity shares of Rs.10 each (paid up value Rs. 5) for a cash consideration at a premium of Rs.189.50 per equity share in the Initial Public Offer of the Company on August 24, 2006.

Directors

Re-appointment

Mr. Srinivas Bommidala, Mr. G Kiran Kumar, Mr. B V Nageswara Rao and Mr. Arun K Thiagarajan, Directors retire by rotation and being eligible, offer themselves for re- appointment.

The Board recommends their appointment for your approval.

The professional background of the above directors is given under Section “Board of Directors”, in the Corporate Governance Report, attached in the Annual Report.

Appointment

Mr. Luis Miranda, Mr. T R Prasad and Mr. P B Vanchi were appointed as Directors during the period under review.

Resignation

Mr. Luis Miranda resigned as Director from the Board with effect from 16th August, 2006. Board places on record, its appreciation for the services rendered by him during his 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, 2007, 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, 2007, on a going concern basis.

Corporate Governance

The report on 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 attached to this report.

Auditors and Auditors' Report

M/s Price Waterhouse, Chartered Accountants, statutory auditors of the Company, 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 (1B) of the Companies Act, 1956.

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

Corporate Social Responsibility (CSR)

GMR Group is a socially committed organization and a socially responsible corporate citizen. It attaches great importance to discharging its overall social responsibilities to the community and the society at large.

The GMR Group social responsibility initiatives are implemented through GMR Varalakshmi Foundation (The Foundation), the CSR arm of the GMR Group. The Foundation is involved mainly in the areas of: Education, Health and Hygiene, Community based programs and Empowerment and Entrepreneurship Development. It reaches out with the objective of improving the quality of life of the economically deprived people in the places where the group has a presence. The Foundation carries its activities currently in Rajam, Mangalore, Chennai, Bangalore, Hyderabad, Rajahmundry, Delhi and Uttaranchal.

More details on the activities of the Foundation are given separately in the Annual Report.

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

The Particulars as required under 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 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 deposit from public.

Acknowledgments

Your Directors express their appreciation of the valuable support and co-operation received from lenders, business associates and various Statutory Authorities.

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

Sd/-
G. M. Rao
Chairman & Managing Director

Place: Bangalore
Date: June 30, 2007

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, 2007.

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 out go 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:

(Rs. In Crore)

Particulars	**As at 31 st March, 2007**	**As at 31 st March, 2006**
Traveling Expenses	0.26	2.19
Professional Charges	5.68	7.29
Others	0.00	2.91

For and on behalf of the Board

Sd/-
G. M. Rao
Chairman & Managing Director

Place: Bangalore
Date: June 30, 2007

ANNEXURE "B" TO THE DIRECTORS' REPORT

Information pursuant to Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules 1975 as amended and forming part of the Directors' Report for the year ended March 31, 2007.

(A) Employed through out the year and were in receipt of remuneration aggregating not less than Rs. 24 lacs per annum.

Name and Age	Designation and Nature	Remuneration received (Rs.)	Qualification and Experience (in years)	Date of joining	Particulars of last employment
A.S.Cherukupalli Age: 54 yrs	Company Secretary & Compliance Officer	30,79,782 p.a	FCA, FICWA, FCS, MBA (29 years)	20-11-2000	Director (Finance) & Company Secretary-ARM Ltd.

(B) Employed for part of the year under review and were in receipt of remuneration for any part of the year at a rate which in aggregate was not less than Rs. 2 lacs per month.

Name and Age	Designation and Nature	Remuneration received (Rs.)	Qualification and Experience (in years)	Date of joining	Particulars of last employment
		—— NIL ——			

Note:

1. None of the employee(s) (are) related to any of the Directors of the Company.
2. The nature of employment is contractual.
3. Managing Director has not received any remuneration during the Year. Accordingly, above employee(s) is (are) in receipt of remuneration which in aggregate is in excess of remuneration received by Managing Director. None of the employees by himself or along with his spouse and dependent children hold more than 2% shares of the Company.

For and on behalf of the Board

Sd/-
G. M. Rao
Chairman & Managing Director

Place: Bangalore
Date: June 30, 2007

Statement pursuant to approval of the Central Government under Section 212(8) of the Companies Act, 1956 about the financial information of the Subsidiary Companies

(As at 31st March, 2007)

(Rs. in Crore)

Subsidiary	Capital	Reserves & Surplus	Total Assets	Total Liabilities	Investments	Turnover	Profit before taxation	Provision for taxation	Profit after taxation	Proposed Dividend
GMR Energy Limited	399.52	268.18	713.30	593.15	547.55	624.11	131.79	15.13	116.66	2.78
GMR Power Corporation Pvt. Ltd	247.50	171.45	608.19	255.07	65.83	566.89	34.75	3.83	30.92	–
Vemagiri Power Generation Ltd.	274.50	(83.13)	1,125.53	937.57	3.41	3.88	(85.05)	0.08	(85.13)	–
GMR Tambaram–Tindivanam Expressways Pvt. Ltd.	107.04	28.99	612.42	476.58	0.18	84.21	18.44	2.15	16.29	–
GMR Tuni–Anakapalli Expressways Pvt. Ltd.	78.78	20.60	459.94	360.87	0.31	58.97	11.82	1.38	10.44	–
Delhi International Airport Pvt. Ltd.	200.00	29.34	632.07	454.50	51.76	316.02	45.23	15.89	29.34	–
GMR Ambala–Chandigarh Expressways Pvt. Ltd.	57.01	–	144.44	95.16	7.73	–	–	–	–	–
GMR Jadcherla Expressways Pvt. Ltd.	60.10	–	111.45	53.37	2.03	–	–	–	–	–
GMR Pochanpalli Expressways Pvt. Ltd.	70.38	–	143.01	78.84	6.21	–	–	–	–	–
GMR Ulundurpet Expressways Pvt. Ltd.	101.36	–	158.71	57.71	0.36	–	–	–	–	–
GMR Hyderabad International Airport Ltd.	0.06	107.00	1,215.92	1,152.00	43.14	–	–	–	–	–
Gateways For India Airports Pvt. Ltd.	0.01	–	25.18	25.17	–	–	–	–	–	–
GVL Investments Pvt. Ltd.	2.50	51.87	24.62	16.74	46.48	5.02	2.55	0.61	1.94	–
GMR (Badrinath) Hydro Power Generation Pvt. Ltd.	0.01	–	28.72	28.71	–	–	–	–	–	–
GMR Mining & Energy Pvt. Ltd.	0.02	–	0.05	0.03	–	–	–	–	–	–