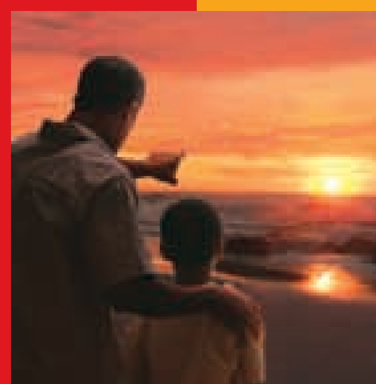
Airports

Energy

Roads



GMR
Creating tomorrow today

GMR Infrastructure Limited

11th Annual Report 2006-07

Infrastructure

The tool for development. The framework for progress.
The backbone of every economy.

A developed and advanced economy is not something that flows out of economic progress. It is rather, a prerequisite for the same. For telecommunications connect while energy empowers, petroleum fuels while roads, aviation and railways unite. And this is one of the prime reasons that the importance of infrastructure in the development of a nation could hardly be overemphasized.

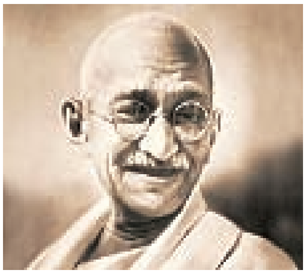
Sustaining economical growth, reforming the agricultural sector, improving education and healthcare, opening the economy to the benefits of globalisation and emerging as a true world power are but utopian dreams in the absence of adequate infrastructure development. Fortunately India has, since recent years, aptly recognised the importance of the same. Something that has resulted in a remarkable growth story.

Today, the resurgence of the Indian economy is an acclaimed example the world over. For it is among the fastest growing economies in the world—one that, in the last 10 years, has achieved tremendous growth, both in GDP growth rate and foreign exchange reserve. The exports too, have witnessed a phenomenal rise. Another noteworthy development in the recent years has been the expansion of the role of the private sector to achieve infrastructure development in both rural and urban areas.

These are but a few reflections of the efforts and initiatives that have contributed to the growth of the economy. With the kind of impetus that has been witnessed, India could very well boast of a world-class infrastructure, in the not-so-distant future. There are two obvious conditions that need to be adhered to, though. The first, and most important, being clarity of purpose. Secondly, a progressive and ongoing partnership of developmental programmes between the private sector and the government.

With the government clearly articulating its commitment to Infrastructure development, at GMR, we are actively pursuing this model of development. We are confident that this will usher in a new era of progress for the country.

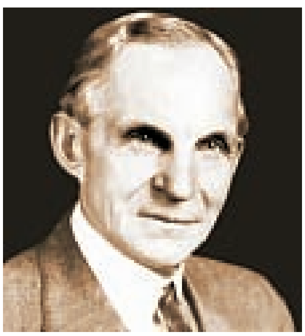
GMR Group - Values & Beliefs



HUMILITY

We value intellectual modesty and dislike false pride and arrogance

- Openly admit what you don't know
- Learn from all, no matter what age, level or hierarchy
- Let action speak louder than words
- We may not have all the answers; others may have suggestions and solutions



ENTREPRENEURSHIP

We seek opportunities - they are everywhere

- Scan the environment, keep an ear to the ground and be alert to opportunities
- See an opportunity in every problem
- Think out of the box
- Every decision has a risk and reward – take calculated risks and make informed judgments within your role
- Don't be afraid of taking tough decisions
- Look for value beyond cost
- Share entrepreneurial experiences and build an enterprising culture

TEAMWORK AND RELATIONSHIPS

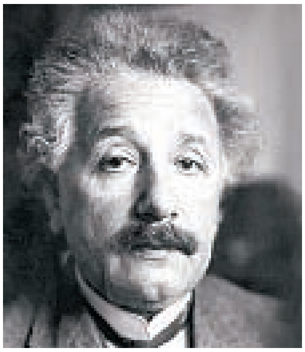
Going beyond the individual - encouraging boundaryless behaviour

- Seek boundaryless behaviour and discourage protection of function/ department
- Encourage collaboration, team rewards, and institutionalize cross-functional and self governing teams
- Strive for win-win solutions
- Take personal responsibility for mistakes and failures – share credit for success with all
- Celebrate success and encourage fun at work
- Be open to differences and dissent – check for minority views and drive for consensus as often as possible
- Stay committed to team decisions and do not distort or advocate a contrary position after the team has come to a consensus
- Be open and honest in your communication – No hidden agenda
- Praise in public. Do not embarrass team members in public
- Subordinate your ego and desires for the team, organization and larger good

DELIVER THE PROMISE

We value a deep sense of responsibility and self discipline to meet and surpass on commitments made

- Strive for high performance and stretch goals that surpass industry benchmarks and standards
- Don't promise what you can't deliver
- Obtain performance feedback continuously
- Set up and sustain methods for continuous improvement
- Meet deadlines and keep stakeholders informed in advance of any possible slippage and delay
- Be accountable to self, without being supervised
- Be dependable and punctual



LEARNING

Nurturing active curiosity - to question, share, and improve

- Learn from all irrespective of age, level, or hierarchy
- Learn from mistakes and failures – they are opportunities to begin again intelligently
- Seek feedback for improvement
- Document continuous improvement and share the learnings
- Share information openly
- Provide resources and reward innovative and breakthrough ideas

SOCIAL RESPONSIBILITY

Anticipating and meeting relevant and emerging needs of society

- Treat your community as you would treat your friends and family
- Be sensitive to diversity and other cultures
- Encourage and empower staff members to contribute personal time, attention and effort to community development and social causes.

RESPECT FOR INDIVIDUAL

We will treat others with dignity, sensitivity and honour

- Share information and involve individuals who are likely to be adversely affected well before the impact
- Provide regular feedback to individuals
- Be direct, talk straight and encourage candor at all levels
- Show care and concern for all
- Differentiate the message and the messenger – 'what" is more important than "who"
- Treat others like you would like to be treated
- Don't offend people in public or participate in rumours, gossip and denigrate individuals
- Present a balance view of individuals – acknowledge both their strengths and shortcomings
- Respect others' time and be punctual

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General Information

Board of Directors

G. M. Rao	- Chairman & Managing Director
Srinivas Bommidala	- Group Director
G. B. S. Raju	- Group Director & Group Chief Financial Officer
G. Kiran Kumar	- Group Director
B. V. Nageswara Rao	- Group Director
K. Balasubramanian	- Director
P. B. Vanchi	- Director
Arun K. Thiagarajan	- Independent Director
K. R. Ramamoorthy	- Independent Director
Dr. Prakash G. Apte	- Independent Director
R. S. S. L. N. Bhaskarudu	- Independent Director
T. R. Prasad	- Independent Director
Udaya Holla	- Independent Director
Uday M. Chitale	- Independent Director

Company Secretary & Compliance Officer

A. S. Cherukupalli

Audit Committee

K. R. Ramamoorthy	- Chairman
Arun K. Thiagarajan	- Member
Udaya Holla	- Member
Uday M. Chitale	- Member

Shareholders Transfer & Grievance Committee

Udaya Holla	-Chairman
K.R.Ramamoorthy	-Member
G.B.S. Raju	-Member
B.V.NageswaraRao	-Member

Bankers

Central Bank of India
ICICI Bank Limited
ING Vysya Bank Limited

Statutory Auditors

Price Waterhouse
Chartered Accountants
6-3-550, II Floor, L B Bhavan, Somajiguda, Hyderabad - 500082.

Registered Office

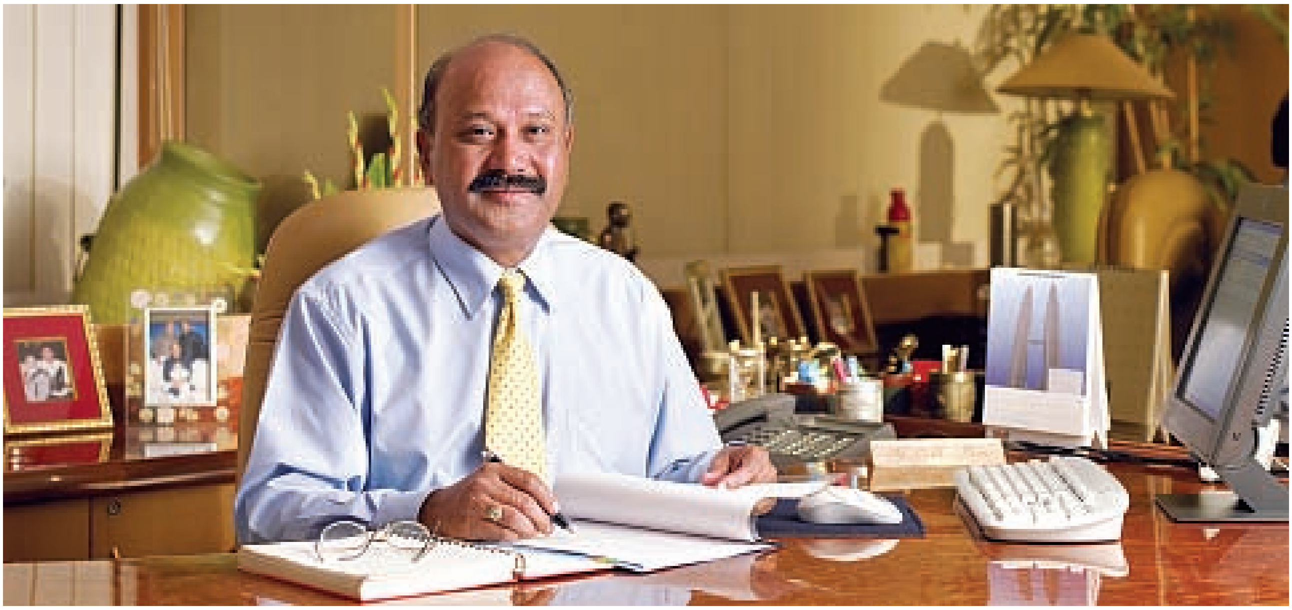
Skip House, 25/1, Museum Road, Bangalore - 560 025
Tel No. : 080 22070100
Fax : 080 22998118
website : www.gmrgroup.in

Registrar and Share Transfer Agent

Karvy Computershare Private Limited
No. 17-24, Vittalrao Nagar, Madhapur, Hyderabad - 500 081

Karvy Computershare Private Limited
No. 59, Skanda, Puttanna road, Basavannagudi, Bangalore-560 004

Chairman's Letter



Dear Shareholders

It is with great pleasure and a sense of profound satisfaction that I present the 11th Annual Report of your company, the first report after the maiden public issue and listing. At the outset, I place on record my deep gratitude to all the shareholders for making your company's Initial Public Offer successful, amidst tough capital market conditions prevalent during that time. I immensely value your trust and we would endeavour to live up to your faith.

The last twelve months have been a period of continued growth for our economy. The GDP grew by 9.4%, one of the highest growth rates in the world. What sets India apart from the other developing economies is its vast knowledge base, significant human resources capability blended with innovation and the entrepreneurial drive. These qualities ensure that India will continue to progress along the path of prosperity. This is reflected in the planning commission forecasts, which project GDP growth in the region of 9-10% p.a. over the next five years.

The key to unlocking this potential is the existence of world-class infrastructure facilities. Any sound economy is built upon the platform of robust infrastructure, which acts as an enabler for a nation to realise its economic potential. Although, there has been substantial infrastructure development in our country over the last few years, it has been inadequate to support India's pace of economic development. Surveys have shown that though India as a Foreign Direct Investment (FDI) destination provides a higher return on investment than other emerging markets even larger flows have been hindered due to lack of adequate infrastructure facilities. Frequent power cuts, poor roads and sub optimal air & seaport connectivity, are viewed as major economic bottlenecks to maintain this growth momentum. It is in fact true that rather than acting as enablers to the country's economic growth, the infrastructure facilities are a bottleneck, holding us back from achieving our true potential. Our honourable Finance Minister has gone on record saying that infrastructure bottlenecks are slowing our economic growth by as much as 1.5 – 2% per annum.

It is therefore imperative, that we focus on development of world-class infrastructure facilities. The development of world-class infrastructure facilities will entail much larger investments in infrastructure. As per current estimates, we need to spend at least 7-8% of our Gross Domestic Product (GDP) on infrastructure facilities to ensure sustained economic growth. Our current spend on infrastructure is a mere 4.7% ($ 37 billion) of GDP. This pales in comparison to China's infrastructure investments of $200 billion or around 9% of its GDP. At the target level of around 7-8%, India would need about $320 billion of investment (at 2005-06 prices) in various infrastructure projects over the Eleventh Five Year Plan period viz. 2007-12. Of this, power, roads and airport sectors alone would need more than $200 billion. Acknowledging this, the Government of India (GoI) has already initiated policy measures to promote investments in the Infrastructure industry. At the same time, private sector participation is being encouraged and going forward, more than half of the overall investment requirements of the country are expected to come from the private sector.

Role of your Company

I am confident your company will continue to be a key player in this arena in the years ahead. We have established ourselves firmly as leaders in the infrastructure domain with a healthy mix of operating assets and projects under development. Your company has been able to maintain its position as an industry leader by leveraging expertise from both within the organisation as well as through strategic alliances with some of the world's leading companies. This is reflected in the success achieved by your company in various spheres of the infrastructure industry.

I am delighted to share with you that the year 2006-07 was a period of growth for your company along with its subsidiaries. During the year your company grew its consolidated gross revenues from Rs. 1065 crore to Rs. 1987 crore, an increase of 86% buoyed by increase in revenue in Power Business and induction new revenue streams from Airport business. During the same period the consolidated net profit grew from Rs.94 Crore to Rs.242 Crore. The increase in your company's bottom line was largely driven by the increased profitability of the Power and Road businesses in addition to the profits from Airport business.

The energy business witnessed better than expected performance by the Chennai and Mangalore projects. This is reflected in the improved bottomlines of these companies. During the year your company commissioned its gas based project in Vemagiri. The performance of this project was adversely affected due to unavailability of natural gas. However, your company held discussions with the various stakeholders and renegotiated the terms of the Power Purchase Agreement (PPA) to cover the losses incurred in the earlier years till the gas availability. We believe that the project will overcome these unforeseen difficulties in the coming years.

The energy business continued its growth momentum by adding Hydro and Thermal projects to our portfolio in line with your company's identified strategy for the business. The addition of these projects adds diversity to our portfolio and also goes a long way in addressing fuel security concerns. Apart from these new projects, significant progress was achieved in developing the Alaknanda Hydro project in Uttaranchal.

The Roads business performed much better than expectations with higher profitability stemming from more efficient cash management. Apart from the two operating stretches, your company is currently developing four road projects and I am happy to mention that during the year all four projects achieved financial close as scheduled. We are harnessing the best practices in all aspects of project implementation to ensure that these projects are commissioned on schedule.

The airports business started the year with the signing of the OMDA (Operations, Maintenance and Development Agreement) for the Delhi International Airport. The Delhi International Airport Private Limited (DIAL) took over operations of the airport in May 2006. I am happy to report that with the dedicated efforts of the DIAL team and the support of Airports Authority of India (AAI), we were able to ensure smooth operations of the airport even through the period of handover. Towards the end of the year, DIAL achieved another major milestone when the foundation stone for the new terminal at the airport was laid. Our other airport project viz. the Hyderabad International Airport is on course for timely completion. The first flight is expected to land by March 2008.

The developments of the last twelve months have vindicated our belief in the vast growth opportunities that await us in the infrastructure industry in India. It's my firm belief that what we are witnessing currently is only the beginning. We have much more exciting and interesting times ahead that will unfold in breathtaking pace.

Your company has also set its sights beyond our shores and we are exploring potential opportunities to enter the global infrastructure space. We will pursue opportunities on merit in line with the identified strategy for the group.

Organization Development

To sustain the momentum of your company, we realise the need to lay a solid foundation of people, process and systems. I acknowledge the importance of these initiatives and hence I have taken this as a personal goal. Towards this goal, I am glad to share that your company has embarked upon major organizational development initiatives in the areas of building human resources capabilities, supported by a flexible organizational structure and robust technology platform. In an era where all organizations have access to the similar opportunities, same financial resources, strategies and markets, what differentiates excellent organizations from others are their intangible assets. These include our Organization Structure, People competencies, Systems & Processes, our Culture and most importantly our Values & Beliefs.

We have engaged the services of the world's leading business consultancy firm to work on our Organization structure design, to ensure that it can support the ambitious long-term growth objectives we have set out to achieve. To ensure sustainable growth, we have initiated a leadership development programme that would provide us with adequate leadership strength required for the long journey forward.

Simultaneously, we have formulated an Information Technology strategy to map the IT systems requirement for every core process of the business. A three-year implementation road map has been rolled out which will see full-scale transformation of business processes through the implementation of SAP Enterprise Resource Planning (ERP) system supported by simultaneous enhancement of the hardware and an integration platform. The world-class IT infrastructure once implemented will provide for sound operational controls, effective collaboration and intelligent decision support.

At this critical juncture, the importance of values & beliefs cannot be overstated. Our seven core values – simple and effective, have guided the organization in its progress so far and will serve as the foundation in building GMR Group into a vibrant institution. These are the values we would like every member of our group to espouse - now and in the coming generations. It gives me a great sense of satisfaction that we have recognized this and are now translating our core values into practical actions on an ongoing basis. The leadership team of the group in particular, would have a substantial component of their performance evaluated on their demonstration and 'living' of the Group's values.

Corporate Social Responsibility (CSR)

Your company believes that corporate entities have a special and continuing responsibility towards the society. The grim reality in India is that millions of people lack basic amenities - a situation that cannot be redressed by the government alone.

Your company is fully conscious of its corporate social responsibility and is working towards making a difference to society. With this objective, your company through GMR Varalakshmi Foundation has been focusing in areas of Education, Health, Hygiene, Community Service, Empowerment and Entrepreneur development. It has been providing vocational training to youth and women, particularly those drawn from rural areas, through specialized training. This has opened up employment opportunities for these less advantaged sections of the society.

Your company also actively promotes and ensures environment protection and compliances through best industry practices.

Corporate Governance

Good corporate governance, for us, does not mean just compliance with Clause 49 of the listing agreement and other regulatory requirements. We believe the spirit of corporate governance goes beyond the statutory form. Rather, true Corporate Governance is, protecting the interests of all stakeholders in a just and equitable manner and your company devotes considerable attention in ensuring that our actions are driven by this spirit of true corporate governance.

Acknowledgements

I express my sincere gratitude to the Shareholders, Lenders, Banks, Financial Institutions, Securities Exchange Board of India, Reserve Bank of India, National Highway Authority of India, Airport Authority of India, Central and State Governments and other regulatory authorities/agencies for providing continuous support. I wish to express my appreciation to my colleagues on the Board and our employees for their dedication and commitment. I express my sincere appreciation to the managements and workforce of GIL and its subsidiaries for their continued support. I am grateful to you for your support and the trust bestowed upon us and look forward to the same in a greater measure in the years ahead.

Thank you,

G. M. Rao

Profile of Directors

Mr. G. M. Rao, 58, Chairman and Managing Director, is the promoter and one of the first directors of the Company. He is a distinguished industrialist and the founder Chairman of the GMR Group of companies (Group) and GMR Varalakshmi Foundation, the CSR arm of the Group. He is a graduate in mechanical engineering from Andhra University. He was awarded the Doctorate in Philosophy in 2005 by the Jawaharlal Nehru Technological University, Hyderabad in recognition of his services to industry. He was a director on the Board of Vysya Bank for several years and also served as Non-Executive Chairman of ING Vysya Bank between October, 2002 and January, 2006.

"We have grown in assets but compared to other large groups, we are only begining. I don't want to be the biggest; I want to set up a good organisation."

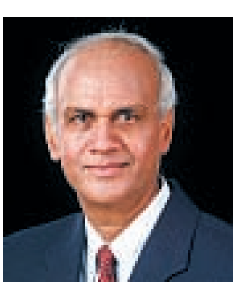
– G.M. Rao

Mr. Srinivas Bommidala, 44, Group Director, is the son-in-law of Mr. G. M. Rao and is one of the first directors of the Company. Currently, he is the Managing Director of Delhi International Airport Private Limited. He led the Company's foray into the power sector with setting up of 200 MW power plant at Chennai and was the Managing Director of GMR Power Corporation Private Limited (GPCPL). As the Managing Director of Vemagiri Power Generation Limited (VPGL), he led the implementation of the gas based power project in Vemagiri, Andhra Pradesh. He has over 23 years of experience in the agriculture, fast moving consumer goods and services sector.

Mr. G.B.S. Raju, 33, Group Director and Group Chief Financial Officer, is the elder son of Mr. G.M. Rao and has been on the Company's Board since 1999. He began his career as Managing Director of GMR Energy Limited and was responsible for setting up the 220 MW barge-mounted power plant. He led the Company's diversification into Roads Sector and is currently leading the Company's foray into Property Development business. He also heads various corporate functions, including Group finance function.

Mr. G. Kiran Kumar, 31, Group Director, is the younger son of Mr. G.M. Rao and has been on the Company's Board since 1999. He led the Company's foray into Airports business and currently as the Managing Director of GMR Hyderabad International Airport Limited (GHIAL), he is spearheading the implementation of the airport project at Hyderabad. He is also responsible for the development of new business in the airports sector. In addition, he heads Group HR and Corporate Communication functions. Before taking over the reins of GHIAL, he headed the Group's Finance function and the shared services.

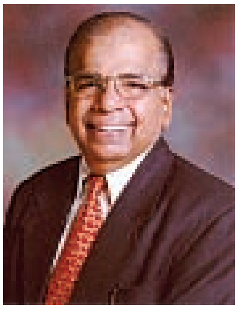
Mr. B. V. Nageswara Rao, 53, Group Director, has been associated with the Group since 1990 and is one of the first directors of the Company. He held various senior responsibilities in the Group and currently heads Energy Sector and Roads Sector businesses of the Company. He is a director on the Boards of several subsidiaries of the Company and is the Managing Director of GPCPL. In addition, he holds charge of the Corporate Relationships function at the Group level. During his stint with Andhra Bank before joining the Group, he gained extensive experience in the banking sector with specific focus in industrial finance. He holds a bachelor's degree in mechanical engineering.



Mr. K. Balasubramanian, 64, Director, has been on the Company's Board since 2004. He is also the Chairman of GPCPL and is on the Boards of some subsidiaries of the Company. Before he joined the Board, his last professional assignment was as the Managing Director and CEO of ING Vysya Bank. He has close to 40 years of experience in international banking and has worked with four large Banks in India and abroad. Through his 25 years tenure with American Express Bank, he held several senior positions such as the Country Head for Korea, India and Nepal as well as the Chief Credit Officer for the Asia-Pacific region and Indian subcontinent.

Mr. P.B. Vanchi, 54, Director, has been on the Company's Board since May, 2006. He has an honors degree in electrical engineering from the University of Madras in 1973 and has completed a Financial Management Programme from Harvard Business School. in 2001. He has over 34 years of experience in the power, oil and natural gas sectors with reputed companies in India and overseas. He has worked in senior management positions with electric utility and oil and gas companies in the Middle East. He served as the vice president and regional business head for PSEG Global Inc, an affiliate of Public Service Electric and Gas, New Jersey, U.S.A. and was responsible for India and Middle East for development and investment in large thermal electric generation projects. He received the Indira Gandhi Priyadarshini Award in the year 2002 in recognition of his notable contribution to the development of the Indian power sector. Till recently, he was head of the Group's Power Business Development Sector.

Mr. Arun K. Thiagarajan, 62, Director, has been on Company's Board in September, 2005. He is also a director on the Board of GMR Energy Limited, a subsidiary of the Company. He has done his masters in electrical engineering from the Royal Institute of Technology, Sweden. He has also obtained a management degree from Sweden and has done an advanced management program from Harvard Business School (USA). He held many senior positions in various global companies including President & Country General Manager - Hewlett-Packard India Limited, Vice Chairman- Wipro Limited and Managing Director- ABB Limited. He is also on the boards of several other companies.



Mr. K.R. Ramamoorthy, 66, Director, has been on Company's Board in September, 2005. He is on the Boards of some subsidiaries of the Company. He is a very senior banker, with over 41 years of commercial and banking experience in India. He served as the Chairman and Managing Director of Corporation Bank and Vysya Bank. He is currently the non-executive Chairman of ING Vysya Bank. He has been providing consultancy services to commercial banks in India and other developing countries. His services are also being availed by World Bank, IMF and IFC. He is a Director on the Boards of several subsidiaries of the Company. Presently, he is also on the Boards of several other Companies.

Dr. Prakash G. Apte, 60, Director, has been on the Company's Board since September, 2005. He holds a doctorate degree in economics from Columbia University. He also holds a post graduate diploma in management from the Indian Institute of Management, Kolkata and B.Tech. (Mechanical Engineering) from Indian Institute of Technology, Mumbai. Currently, he is a director and UTI chair professor at the Indian Institute of Management, Bangalore. He has taught Economics at the Vassar College, Poughkeepsie, USA, and Columbia University. He was a consultant at Edison Electric Institute, New York and a project manager at Centron Industrial Alliance, Mumbai. He has published four books and several articles in academic journals and professional media. He has served on expert committees appointed by NSE and SEBI and is a consultant to several leading organizations in Government, public and private sectors. He has also been a visiting faculty at the Katholieke Universiteit Leuven, Belgium. He is also on the Boards of several other Companies.

Mr. R.S.S.L.N. Bhaskarudu, 66, Director, has been on the Company's Board since September, 2005. He is also on the board of GHIAL, a subsidiary of the Company. He is a graduate Electrical Engineer from College of Engineering, Andhra University. He has over 44 years of experience with proven track record in management and leadership positions. He served more than twenty one years at Bharat Heavy Electricals Limited (BHEL). During his tenure in BHEL, he was involved in the development and production of Turbine Generator sets including auxiliaries all over the country. He also worked for over 16 years with Maruti Udyog Limited (MUL) from its inception. He served as the Managing Director of MUL. He also served as a Member / Chairman of the Public Enterprises Selection Board of the Government of India. Presently, he is also on the Boards of several other Companies.

Mr. T. R. Prasad, 65, Director, has been on Company's Board in April, 2006. He is a retired officer of the Indian Administrative Service of the 1963 batch. He served as Cabinet Secretary, Govt. of India, from 1st November 2000 till 31st March 2002. Later, he also served , as member of the 12th Finance Commission. Prior to that, he served as the Defence Secretary, Government of India; Secretary, Industrial Policy and Promotion, Ministry of Industry; Chairman, Foreign Investment Promotion Board; Secretary, Heavy Industry and Chairman, Maruti Udyog Limited. He was also a director of IDBI, EXIM Bank, Vizag Steel Plant, Hindustan Shipyard, Nagarjuna Chemicals and Fertilizers and Dredging Corporation of India. Presently, he is also on the Boards of several other Companies.

Mr. Udaya Holla, 56, Director, has been on the Company's Board since September, 2005. He is also a director on the Boards of some subsidiaries of the Company. He is a lawyer by profession and presently the Advocate General of the State of Karnataka. His main areas of specialization are corporate laws, mergers and acquisitions, foreign collaborations and joint ventures, FEMA and other legal matters. He has been practicing law for more than 34 years.

Mr. Uday M. Chitale, 57, Director, been on Company's Board since September, 2005. He is also a director on the Board of VPGL, a subsidiary of the Company. He is a practicing Chartered Accountant and is the Senior Partner of M.P. Chitale & Co, Mumbai, affiliated to DFK International. He is / has been director of some prominent companies including ICICI Bank Limited, ICICI Securities Limited and JSW Steel Limited. He is currently a Director on the global board of DFK International and Vice President in charge of Asia Pacific region. Mr. Chitale served on several expert committees set up by the Government of India, Insurance Regulatory & Development Authority, Reserve Bank of India, SEBI and professional bodies such as Institute of Chartered Accountants of India, Bombay Chartered Accountants Society. Mr. Chitale's core professional practice areas include corporate auditing and management advisory services especially to the financial sector. His special interests include international business negotiations and commercial dispute resolution. He is one of the pioneers who have contributed to the development of Alternative Dispute Resolution in India and is the founder Director of Indian Council for Dispute Resolution. In year 2000 he received accreditation as 'Certified Mediator' from the Centre for Effective Dispute Resolution (CEDR), UK.

GMR Group of over 2000 people is headed by the Chairman and Group Executive Council members. The council provides thought-leadership to the Group Companies in formulating strategies, identifying critical behaviours, supporting core values, ensuring employee programmes, driving these behaviours to make people accountable and creating an environment where people are respected and feel a part of the organisation.

GMR Group Executive Council (as on June 30, 2007)

Sitting - **Chairman G.M. Rao**

Standing from left to right - **Srinivas Bommidala, G.B.S. Raju, P.B. Vanchi, K. Balasubramanian, Kiran K. Grandhi & B.V.N. Rao**

DISCUSSION ON AND ANALYSIS OF FINANCIAL CONDITION AND OPERATIONAL PERFORMANCE

GROSS REVENUE

Gross Revenue = Income from Operations (including income from services in case of Power Sector) plus Other Income

Consolidated Gross Revenue has increased by 86% to Rs. 1987 Cr from Rs. 1065 Cr due to:

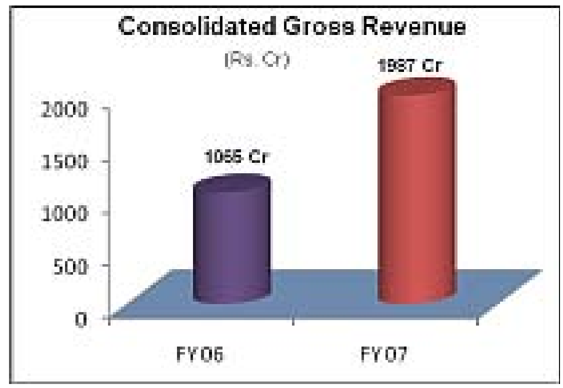
- induction of new revenue streams from Delhi Airport during the current Financial Year

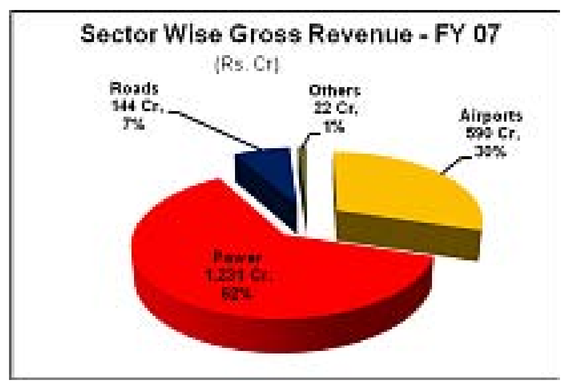
- higher revenues from power business

Plant Load Factor (PLF) of GMR Energy Limited has gone up to 26.4% in Current Year as against 12.7% during Previous Year

PLF in case of GMR Power Corporation Pvt. Ltd. has gone up to 52.1% in current year as against 44.3% during the Previous Year.

Power Sector revenues continue to have a dominant share in the total revenues with 62% share for the Current Year though its share in the total revenues has declined from 85%. The shift is mainly due to new stream of revenues from Delhi Airport which contributed 30% of total revenues for the Current Year.





DISCUSSION ON AND ANALYSIS OF FINANCIAL CONDITION AND OPERATIONAL PERFORMANCE (Contd.)

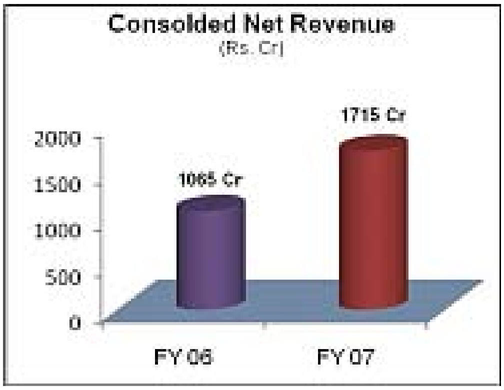
NET REVENUE

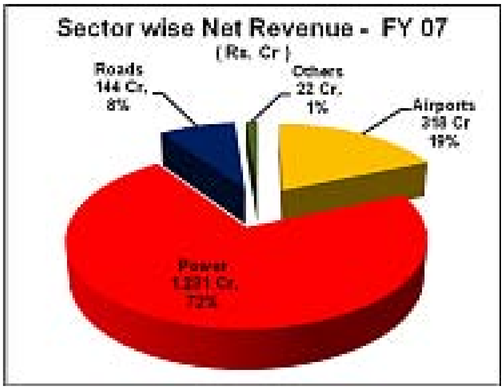
Net Revenue = Gross Revenue less Annual fee to Airport Authority of India in Delhi Airport

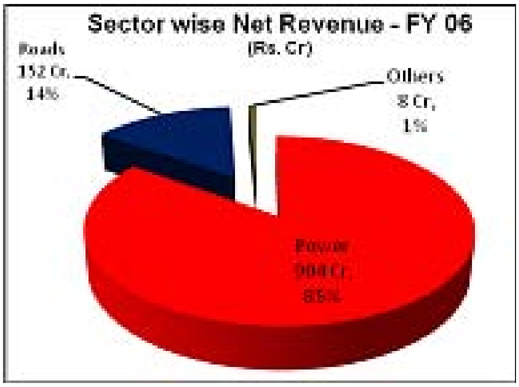
Consolidated Net Revenue has gone up by 61% to Rs. 1715 Cr from Rs. 1065 Cr for the reasons stated in Gross Revenue.

Share of Airport in Net Revenue is 19% as against 30% in Gross Revenues due to sharing of 45.99% of the gross revenues with Airport Authority of India.

Power Sector continues to have majority contribution of 72% of net revenue as against 85% during the Previous Year, though its share has reduced due to induction of airport revenues during the year.







DISCUSSION ON AND ANALYSIS OF FINANCIAL CONDITION AND OPERATIONAL PERFORMANCE (Contd.)

EBIDTA

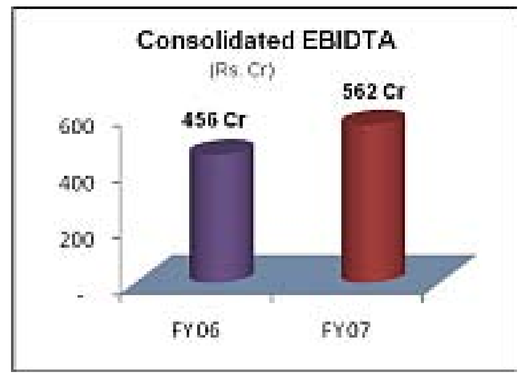
Consolidated EBIDTA for the Current Year has gone up by 23% to Rs. 562 Cr from Rs. 456 Cr, despite negative EBIDTA contribution from Vemagiri Power Generation Limited to the extent of Rs. 14 Cr

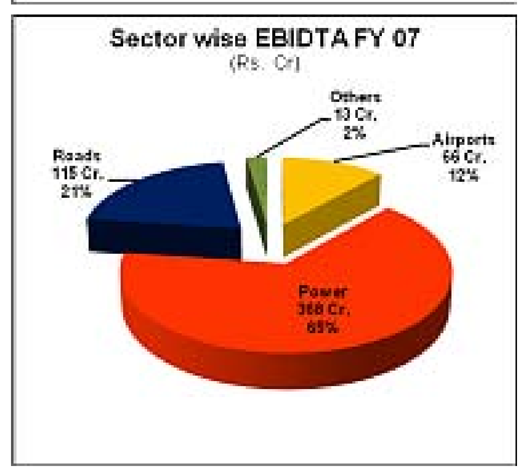
New stream of earnings from Delhi Airport contributed additional EBIDTA of Rs. 66 Cr during Current Year

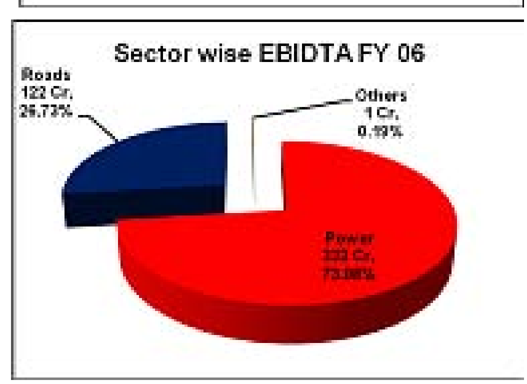
EBIDTA of Power Sector has increased by Rs. 35 Cr to Rs. 368 Cr from Rs. 333 Cr, due to higher Plant Load Factor and income from services.

EBIDTA of Road Sector has marginally declined from Rs. 122 Cr to Rs. 115 Cr, mainly due to reduction in revenues on account of one time variation works, granted by NHAI during the Previous Year.

Power Sector EBIDTA share continues to be dominant in the consolidated EBIDTA, though its share has declined from 73.08% to 65% in the Current Year.







EBIDTA MARGINS

Consolidated EBIDTA margins have gone down by about 10% from 43% to 33% for the year.

The drop in EBIDTA margins as a Percentage of Net Revenue is mainly due to the following factors:

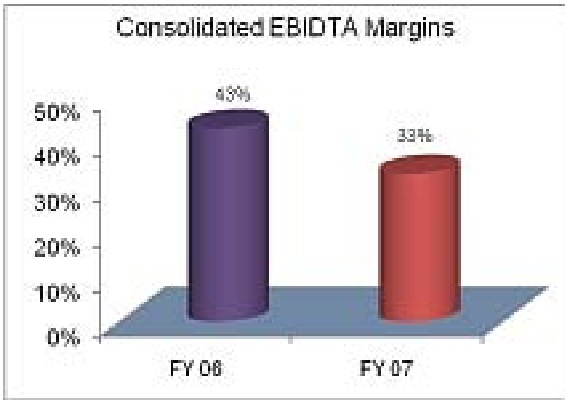
a) EBIDTA margins are lower in Delhi Airport on account of the sharing of gross revenue to the tune of 45.99% with AAI as per OMDA and due to certain inceptional expenditure in the first year of operations.

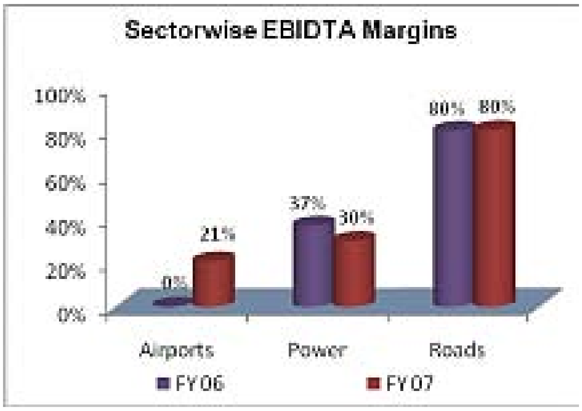
b) Hence, induction of Delhi Airport revenues, with relatively lower EBIDTA margins, in the consolidated Revenues for the year has partly led to the decline of consolidated EBIDTA margins.

c) Due to the take or pay contractual nature of power sector business, the EBIDTA quantum of this sector is relatively fixed. Hence, higher revenues in a particular year, while EBIDTA quantum mostly fixed, lead to lower EBIDTA Margins. As stated earlier, the revenues from Power Sector have gone up from Rs. 904 Cr to Rs. 1231 Cr for the Current Year. Thus, higher Power Sector revenues have resulted in decline of sector's EBIDTA margins from 37% to 30% for the year.

EBIDTA margins of Road Sector remain constant due to fixed nature of Annuity revenues and operating expenditure.

EBIDTA margins are computed on the basis of Net Revenue





DISCUSSION ON AND ANALYSIS OF FINANCIAL CONDITION AND OPERATIONAL PERFORMANCE (Contd.)

PAT

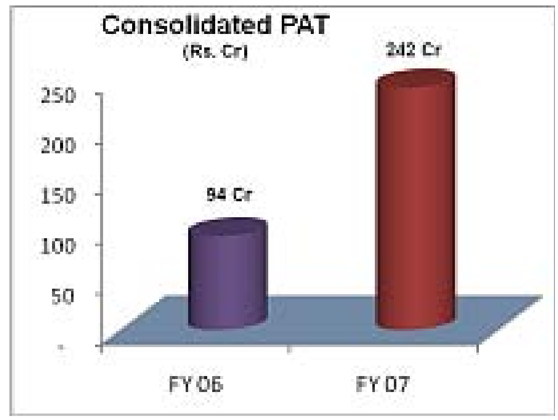
Consolidated PAT has gone up by 157% to Rs. 242 Cr from Rs. 94 Cr.

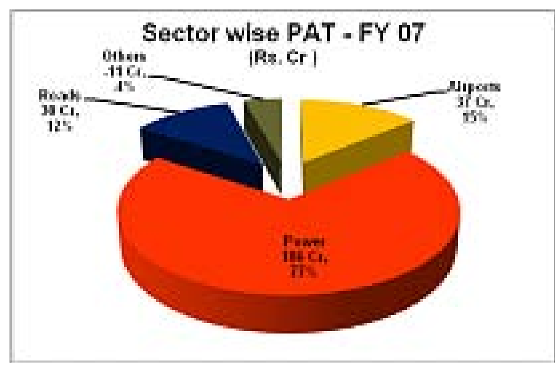
New Business Vertical i.e., Airport Sector (DIAL) has added Rs. 37 Cr (including consolidation adjustments) during the Current Year to the consolidated PAT.

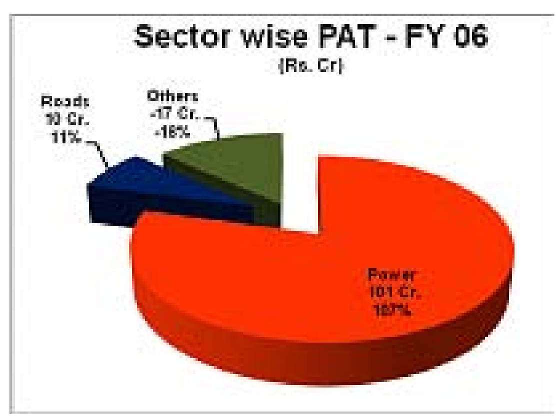
PAT from Power sector has gone up by Rs. 85 Cr (net of losses from Vemagiri Power to the tune of Rs. 85 Cr) due to lower depreciation for the year in consolidated financials on adoption of uniform depreciation rates for power assets as specified in the Schedule XIV to the Companies Act, 1956, due to higher operational efficiencies and new streams of service income.

PAT from Road Sector has gone up by Rs. 20 Cr mainly due to lower net finance costs for the year.

The losses from “others” segment have gone down to Rs.11 Cr from Rs.17 Cr as compared to the Previous Year due to interest income earned on IPO surplus funds in GMR Infrastructure Limited.







DISCUSSION ON AND ANALYSIS OF FINANCIAL CONDITION AND OPERATIONAL PERFORMANCE (Contd.)

PAT MARGINS

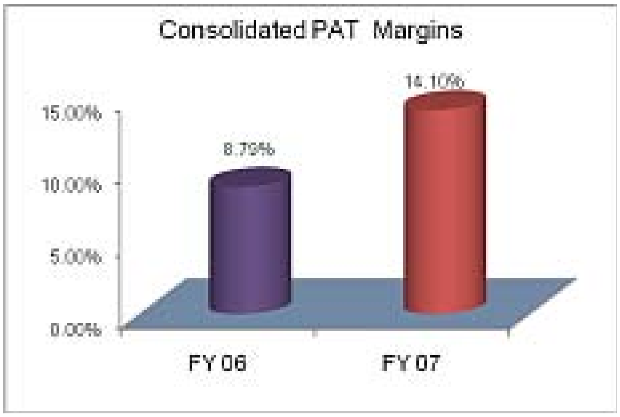
Consolidated PAT Margin over Net Revenue has registered a growth of about 60% to 14.10% from 8.79%

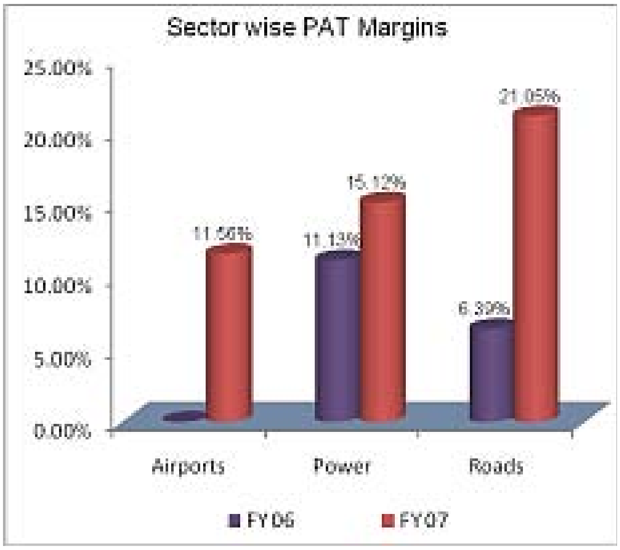
PAT margin in the Roads Sector has sharply gone up due to lower net finance costs for the year as compared to the Previous Year.

Despite a loss of about Rs.85 Cr from Vemagiri Power Plant, the Power Sector PAT margin has gone up on account of lower depreciation for the year in the consolidated financials due to adoption of uniform rates of depreciation for all power plants in accordance with the rates prescribed under Schedule XIV to the Companies Act, 1956, higher PLF resulting in higher operating efficiencies and income from services.

Ignoring the losses from Vemagiri Power Plant as these are non recurring in nature (the Plant is expected to make profits soon after the availability of gas in the next one or two years) the consolidated PAT margins for the year stands at 19.06 % and for the power sector at 22.11 % for the year.

PAT margins are computed on the basis of Net Revenue





ASSETS UNDER DEVELOPMENT / CONSTRUCTION

Gross Assets in Development/ Construction are based on Project Appraisal Reports, where Financial Closure has been achieved, and on current project cost estimates in case of other projects.

Assets under development are the projects for which we have won the bids or signed the agreements / MoUs and are in phase of pre-financial closure development activities.

Gross Assets under development/ construction have gone up by about Rs.14,803 Cr during current year due to following additions:

a) Increased project cost of Rs.718 Cr in Hyderabad Airport towards increased capacity and facilities

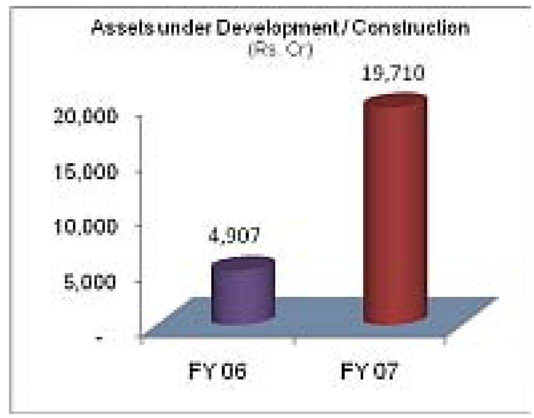
b) Rs. 8,600 Cr for Delhi Airport

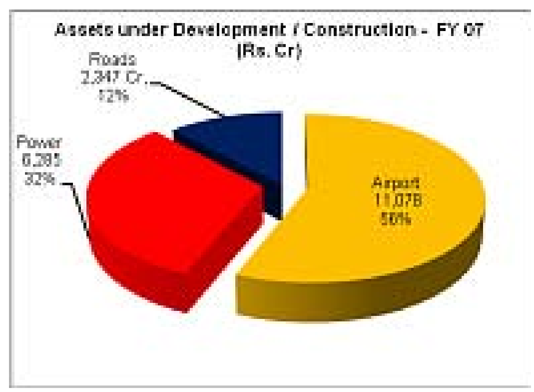
c) Rs.920 Cr for Talong Hydro Power Project with an installed capacity of 160 Mw

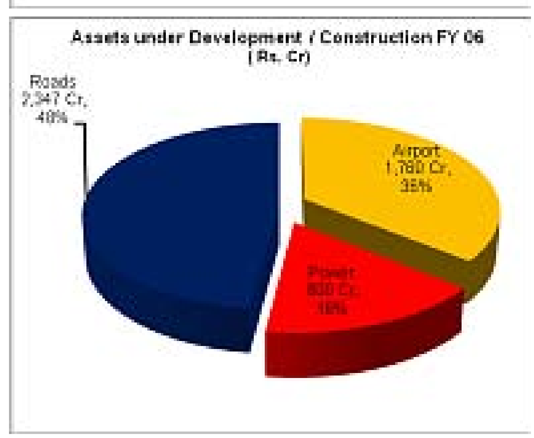
d) Rs. 4,565 Cr for coal based power project at Kamalanga in Orissa State with an installed capacity of 1000 Mw

The cost estimates for 1000 Mw coal based Power Project in the state of Chhattisgarh, are not included, as the feasibility study is currently under progress

The assets under development / construction of Rs.4907 Cr as at the end of the previous year consisted of Hyderabad Airport (Rs.1760 Cr), Bardrinath Hydro Project (Rs.800 Cr) and the four road project (Rs.2347 Cr).







DISCUSSION ON AND ANALYSIS OF FINANCIAL CONDITION AND OPERATIONAL PERFORMANCE (Contd.)

SOURCES OF FUNDS

Sources of Funds

Consolidated Sources of funds have gone up by Rs. 2259 Cr from Rs. 3965 Cr to Rs. 6224 Cr mainly due to IPO and Pre IPO Placements and additional Loan funds availed during the Current Year.

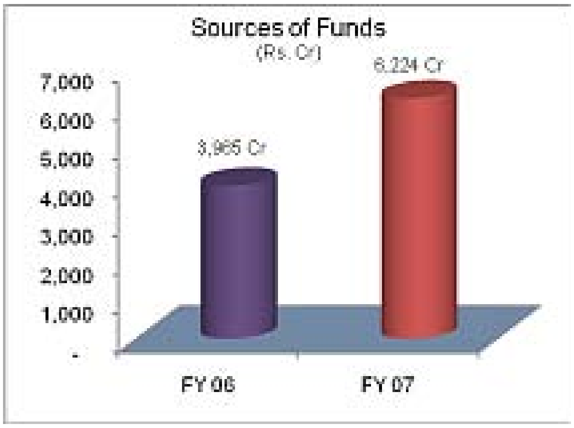
Equity Holders Funds:

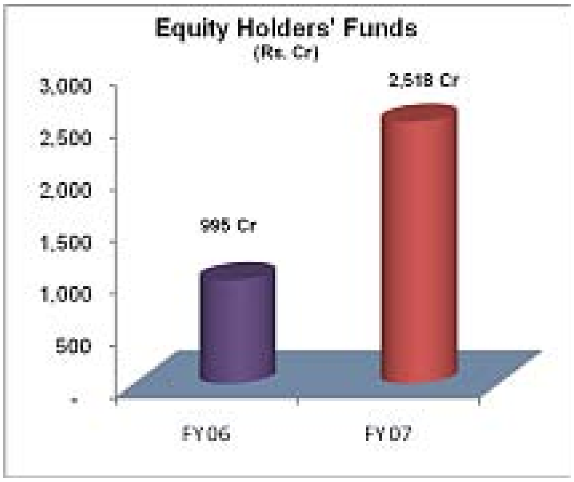
Consolidated Net worth has gone up by Rs. 1523 Cr from Rs. 995 Cr to Rs. 2518 Cr due to Proceeds from Initial Public Offer and Pre IPO Private Placement for an aggregate amount of ~Rs. 1311 Cr and current PAT of Rs. 242 Cr.

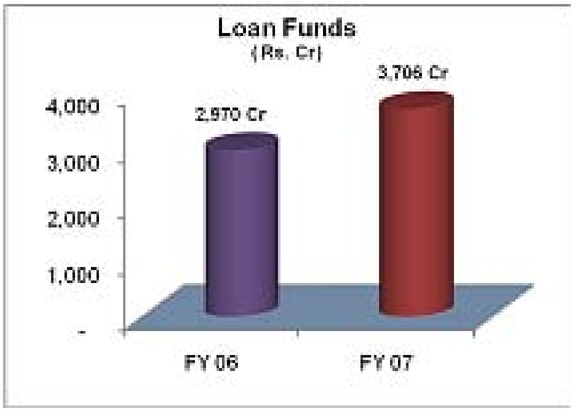
Loan Funds:

Loan Funds have gone up by Rs. 736 Cr due to net Loan availment of about Rs. 611 Cr in Airport Sector and about Rs. 170 Cr in Road sector and net increase of about Rs. 38 Cr in Power sector, adjusted by a repayment of Rs. 84 Cr in others.

Consolidated Debt to Equity for the Current Year stands 3:1 as against 3:2 for the Previous Year.







DISCUSSION ON AND ANALYSIS OF FINANCIAL CONDITION AND OPERATIONAL PERFORMANCE (Contd.)

CAPITAL EMPLOYED IN OPERATING COMPANIES AND ROCE

Capital Employed in operating companies = Equity Holders' Funds plus Loan Funds less Capital work in progress less Expenditure during construction period, pending allocation

Vemagiri Power is not considered as operating company as the plant is in not in operation though COD has been declared. Therefore, the Capital Employed and the losses of Rs.85 Cr of Vemagiri have been ignored for computation of ROCE

Hence, for the purpose of ROCE, operating companies consist of following companies:

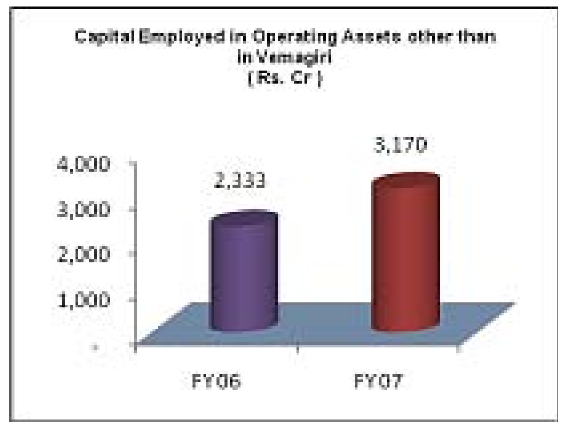
GMR Energy Limited

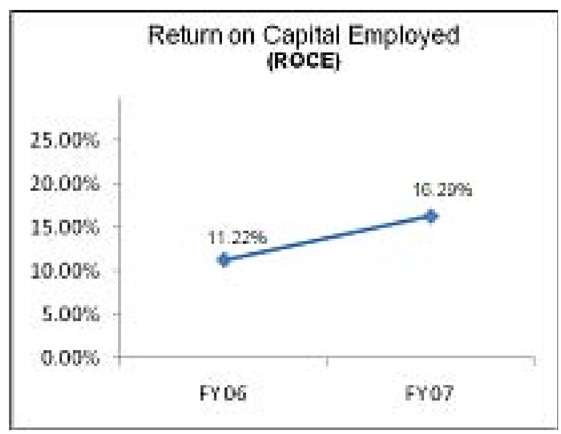
GMR Power Corporation Pvt. Ltd.

Delhi International Airport Pvt. Ltd.

GMR Tuni Anakapalli Expressways Pvt. Ltd.

GMR Tambaram Tindivanam Expressways Pvt. Ltd.





ROCE includes about Rs. 42 Cr interest income netted off in the interest expenditure in the consolidated financials.

Operating Companies have total Cash and Cash equivalents of Rs.1,393 Cr (PY – Rs863 Cr) as on the Balance Sheet date. Thus, the Invested Capital of Operating Companies is Rs. 1,777 Cr (PY- Rs.1,470 Cr)

ROCE is computed on the basis of Capital Employed at the end of each year.

Group Companies (As on 30th June 2007)

Holding Company

- GMR Holdings Private Limited

Subsidiaries of the Company

- GMR Energy Limited
- GMR Power Corporation Private Limited
- Vemagiri Power Generation Limited
- GMR (Badrinath) Hydro Power Generation Private Limited
- GMR Mining & Energy Private Limited
- GMR Tambaram-Tindivanam Expressways Private Limited
- GMR Tuni-Anakapalli Expressways Private Limited
- GMR Ambala-Chandigarh Expressways Private Limited
- GMR Jadcherla Expressways Private Limited
- GMR Pochanpalli Expressways Private Limited
- GMR Ulundurpet Expressways Private Limited
- GMR Hyderabad International Airport Limited
- Delhi International Airport Private Limited
- Gateways For India Airports Private Limited
- GVL Investments Private Limited
- Hyderabad Menzies Air Cargo Private Limited
- GMR Aviation Private Limited
- Delhi Aerotropolis Private Limited
- DIAL Cargo Private Limited

Other Subsidiary Companies of Holding Company

- GMR Industries Limited
- GMR Ferro Alloys & Industries Limited
- Ideaspace Solutions Limited
- GMR Estates Private Limited (formerly known as GMR Estates & Properties Private Limited)
- GMR Projects Private Limited
- GMR Highways Private Limited
- Raxa Security Services Limited
- Saci Sports Private Limited
- GMR Properties Private Limited (formerly known as Sucharitha Estates Private Limited)
- GMR Corporate Services Private Limited
- GMR Enterprises Private Limited

Other Group Companies

- GMR Varalakshmi Foundation
- Sri Varalakshmi Jute Twine Mills Private Limited
- GMR Corporate Centre Limited

Sector wise subsidiaries (As on June 30, 2007)

POWER

- GMR Energy Limited (GEL)
  - GMR Power Corporation Private Limited (GPCPL)
  - Vemagiri Power Generation Limited (VPGL)
  - GMR (Badrinath) Hydro Power Generation Private Limited (GBHPL)
  - GMR Mining & Energy Private Limited (GMEPL)

ROADS

- GMR Tambaram-Tindivanam Expressways Private Limited (GTTEPL)
- GMR Tuni-Anakapalli Expressways Private Limited (GTAEPL)
- GMR Ambala-Chandigarh Expressways Private Limited (GACEPL)
- GMR Jadcherla Expressways Private Limited (GJEPL)
- GMR Pochanpalli Expressways Private Limited (GPEPL)
- GMR Ulundurpet Expressways Private Limited (GUEPL)

AIRPORT

- GMR Hyderabad International Airport Limited (GHIAL)
- Delhi International Airport Private Limited (DIAL)
- Gateways for India Airports Private Limited (GFIAPL)
- Hyderabad Menzies Air Cargo Private Limited (HMACPL)
- Delhi Aerotropolis Private Limited (DAPL)
- DIAL Cargo Private Limited (DCPL)

OTHERS

- GVL Investments Private Limited (GVL)
- GMR Aviation Private Limited (GAPL)

Subsidiaries - Business Overview

The business overview of various subsidiaries in the business sectors of Power, Roads and Airports and Others of the Company is briefly presented below:

Power Sector – "Powering Growth"

The Company operates its Power Business through the following subsidiary Companies.

- GMR Energy Limited (GEL)
- GMR Power Corporation Private Limited (GPCPL)
- Vemagiri Power Generation Limited (VPGL)
- GMR (Badrinath) Hydro Power Generation Private Limited (GBHPL)
- GMR Mining & Energy Private Limited (GMR Mining)

Brief details of the above subsidiaries are presented below:

I) GMR Energy Limited (GEL)

GEL is the 100% subsidiary of the GMR Infrastructure Limited. It is in turn the holding company of all the aforesaid other companies in the power sector. GEL owns and operates a barge-mounted, naphtha-based combined cycle power plant with a contracted capacity of 220 MW situated at Tanir Bavi near Mangalore, in the state of Karnataka. This Project commenced operations during 2001. The plant operates under a seven year Power Purchase Agreement (PPA) with BESCOM and MESCOM[1], which is coming to a close during 2008. The company is working out strategy for continuity of operations post expiry of the PPA .

The plant is the only barge-mounted power plant in India and the biggest operational Independent Power Producer (IPP) in Karnataka, selling its entire output to the two distribution Companies in Karnataka. As on date the plant is ISO 14001, ISO 9001 and OHSAS certified.

Operating and Financial Performance

The Plant achieved a PLF of 26.4% while the PLF for the previous year was 12.7%. Brief details of financial performance of GEL during the last three financial years are as under:

(Rs. in Crore)

Year	2006-2007	2005-2006	2004-2005
Total Income	665.68	454.69	542.71
Profit After tax	116.66	88.21	80.15
Share Capital #	399.52	326.07	326.07
Free Reserves	268.18	170.43	141.71
Earning per share	3.57	2.71	2.46

Includes Rs.73.45 Crore of preference capital for 2006-07

GMR Energy has declared 5% total dividend on equity shares for the financial year 2006-07

[1] The PPA was originally with KPTCL, however, during the year the PPA was reassigned to the two distribution entities.

Upcoming Power Projects undertaken by GEL:

a) Orissa Power Project

GEL signed an MoU on 9th June, 2006 with Government of Orissa for developing and operating a 1000 MW coal based power project to be located in Kamalanga, Dhenkanal district in the state of Orissa. During the year, GEL signed a Power Purchase Agreement with GRIDCO, Government of Orissa. Under the terms of the PPA, up to 25% of the power produced by the plant at 80% Plant Load Factor (PLF) will be supplied to GRIDCO for a period of 25 years. (GRIDCO shall requisition the capacity up to 25% six months prior to the commencement of each 5 year block period and in the first block period six months prior to COD). GEL also entered into another PPA for sale balance power of 75% with PTC India Limited on 21st June, 2007 for a period of 25 years.

The project will obtain its coal supply from the coalfields within the state of Orissa. GEL has filed application with Ministry of Coal Government of India (GoI) for long-term coal linkage. The company has also made an application for award of captive coal mine for the project.

Notification under Land Acquisition Act for 940 acres of project land is published and gazetted on 14th June, 2007. IDCO also has applied for alienation of another 214.65 Acres of Govt. land

Company is currently undertaking developmental activities for the project and is expected to be commissioned by the middle of 2011.

b) Talong Hydro Power Project

At the start of 2007, GEL won the rights to develop the 160 MW Run of River Talong Hydro power project on Build-Own-Operate-Transfer (BOOT) basis. The project is located near the town of Seppa, the headquarters of the East Kameng district of Arunachal Pradesh. The Project shall be established on River Kameng, one of the tributaries of the Bramhaputra River.

The Project was awarded through a competitive bidding process. As per its winning bid, GEL offered 14% free power to the state and Two (2) paisa per kWh as additional benefit to the state towards welfare fund of the state government. As per terms of the bid, the Company had also offered 12% paid equity to the state in the SPV to be formed for development and implementation of the Talong Hydro power Project.

Pursuant to the award, GEL entered into a Memorandum of Agreement (MoA) with the Government of Arunachal Pradesh on 24th January 2007, for development, implementation, operation and maintenance of the project. The state of Arunachal Pradesh has the rights to purchase power from the project over and above the free power offered by it.

The Company has already commenced Project development activities including appointment of Hydro Power Engineering Consultants as owners Engineers and has already started applying the required statutory approvals. Contingent upon obtaining the required clearances on time, the project is likely to be commissioned by 2011-2012.

c) Chhattisgarh Thermal Power Project

GEL has signed a Memorandum of Understanding (MoU) with the Government of Chhattisgarh on June 04, 2007 for implementation, operation and maintenance of a 1000 MW Coal based, Thermal Power Plant in the state of Chhattisgarh.

As per the terms of the MoU, the State is entitled to avail 5% of net energy annually at Variable cost as determined by the appropriate regulatory commission. The State of Chhattisgarh has the right to purchase upto 30% of power from the Project for a period of 20 years through its nominated agency.

II) GMR Power Corporation Private Limited (GPCPL)

GPCPL, a subsidiary of GEL, operates a 200 MW power plant, located at Basin Bridge, Chennai, in the state of Tamil Nadu. GEL holds 51% share capital of GPCPL.

This project is the first Independent Power Producer in the state of Tamil Nadu. The Plant commenced commercial operations in February, 1999 and sells all of its electricity output to the Tamil Nadu Electricity Board (TNEB). The Power Purchase Agreement (PPA) entered between company and TNEB is valid for a period of 15 years and will remain in operation until 2014.The Plant is operated as a base load plant using Low Sulphur Heavy Stock (LSHS) as fuel.

DNV Certification, Netherlands, has certified the power plant to be ISO 14001 and OHSAS 18001 compliant. The Plant has received the prestigious Dr. M.S. Swaminathan Award for being an environment friendly project.

Review of Operations

The plant has successfully completed 8th year of operations. The plant availability for the year was 98.17% r against 92.47 % of the previous year. The PLF achieved for the current year is 52.1% (PY:44.3%)

Financial Performance

Brief details of financial performance of GPCPL during the last three financial years are as under:

(Rs. in Crore)

Year	2006-2007	2005-2006	2004-2005
Total Income	581.25	474.06	387.30
Profit After tax	30.92	27.73	36.36
Share Capital	247.50	247.50	247.50
Free Reserves	171.45	140.53	112.80
Earning per share	1.25	1.12	1.47

III) Vemagiri Power Generation limited (VPGL)

VPGL, a wholly owned subsidiary of GEL has set up a 388.5 MW combined cycle natural-gas based power project at Vemagiri in the State of Andhra Pradesh. This project is Company's third greenfield power project.

VPGL has signed a Gas Supply Agreement (GSA) for the supply of natural gas with the Gas Authority of India Limited (GAIL) for the term of the Power Purchase Agreement (PPA) with state distribution companies.

The construction of this Power Project started in January 2004 and the project has achieved Commercial Operation Date (COD) on September 16, 2006. However, the Plant is not continuing operations due to the non availability of Gas.

VPGL's PPA was originally contracted for a period of 15 years from the COD. Due to non-availability of gas, though VPGL, under the original PPA, had the rights to recover fixed costs after COD, in the interests of the public at large, it volunteered to surrender the said right in quid pro quo to the extension of PPA. Consequently, the PPA period was extended for a period to 23 years from COD. Further, the Project has also been permitted to sell the surplus of capacity not exceeding 17.625 MW to third parties. The said amendments to PPA were executed on 2nd May, 2007. The extended period and the permission to sell the aforesaid surplus capacity are intended to compensate the loss caused to the project due to the delay in operations of the plant due to non-availability of the gas.

Financial Performance

Brief details of financial performance of VPGL for the financial year 2006-07, the first year of operations is as under:

(Rs. in Crore)

Year	2006-2007
Total Income	4.52
Profit / Loss After tax	(85.12)
Share Capital	27.45
Free Reserves	2.00

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

The Project is part of the Prime Minister's 50,000 MW Hydro Power initiative and has been awarded by Government of Uttaranchal, through a two-stage competitive bidding process.

GBHPL, a subsidiary of GEL,[2] was incorporated on February 17, 2006 in Dehradun, in the State of Uttaranchal. GBHPL has been set up as a special purpose vehicle for putting up a 140 MW Hydroelectric Power Plant on the river Alaknanda in the Chamoli district of Uttaranchal.

Pursuant to the award, the Government of Uttaranchal has executed a Project Development Agreement (PDA) on October 22, 2005 with GEL for undertaking project development activities. As per the PDA, GEL is to carry out detailed investigations of the Project and prepare a Detailed Project Report (DPR) to establish the techno-economic viability of the Project.

The term of the PDA is 36 months from the date of execution at the end of which the Government of Uttarakhand shall enter into an Implementation Agreement (IA) with GEL to take up implementation of the Project. This term of the IA shall be 45 years from the date of its execution, with an option of extension thereafter. As per the PDA, GEL is free to sell the power from the Project to any customer within or outside the state. However, it is required to supply 12% of the net deliverable energy to the state of Uttaranchal as royalty energy.

The assignment of preparation of "Detailed Project Report" has been awarded to a reputed International Hydro Power Consultant. The Investigations as required for DPR preparation have been completed and the draft version of the DPR is ready. The final version of the DPR shall be firmed up duly considering the comments and suggestions of the Principal Engineer and Consultant (PE&C).

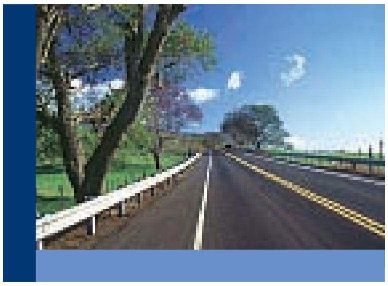
GBHPL has engaged a Hydro Power Consultant as Principal Engineer and Consultant (PE&C) to take forward the services of DPR review and detailed engineering.

V) GMR Mining & Energy Private Limited (GMR Mining)

GMR Mining was incorporated on September 23, 2005 in the State of Karnataka, at Bangalore with an object to carry on business of coal mining and power generation. GMR Mining is yet to identify a project and start its operations.

[2] GEL owns 51% in GBHPL and the remaining is owned by GIL.

Roads : "Networking India"



Your Company operates its two annuity Road projects through following Subsidiary Companies

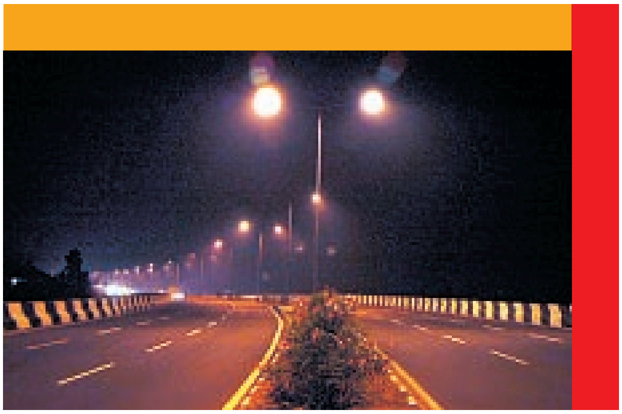
- GMR Tambaram-Tindivanam Expressways Private Limited
- GMR Tuni-Anakapalli Expressways Private Limited.

Your Company is implementing four road projects, one being annuity project and the other three being toll projects, through the following subsidiaries

- GMR Ambala-Chandigarh Expressways Private Limited
- GMR Jadcherla Expressways Private Limited
- GMR Pochanpalli Expressways Private Limited
- GMR Ulundurpet Expressways Private Limited

Brief details of the above subsidiaries are presented below:

I) GMR Tambaram-Tindivanam Expressways Private Limited (GTTEPL)



GMR Tambaram-Tindivanam Expressways Private Limited had implemented project for strengthening of existing 2 lanes and widening thereof to 4 lane dual carriageway, from Km. 28/0 to Km. 121/0 (93 km stretch) in Tambaram-Tindivanam section on NH-45 in the State of Tamil Nadu on build, operate and transfer basis.

The Company achieved commercial operations on 11th October, 2004, ahead of the Scheduled completion date. Operation and Maintenance of the project commenced upon achieving commercial operations. The Company started receiving annuities from May 2005. The company also received bonus for achieving the project completion ahead of the schedule. GTTEPL has a 17.5 year concession from NHAI, including the construction period.

Review of Operations

During the period under review, the Company achieved 100 % Lane Availability.

Financial Performance

Brief details of financial performance of GTTEPL during the last three financial years are as under:

(Rs. in Crore)

Year	2006-2007	2005-2006	2004-2005
Total Income	99.15	97.59	63.74
Profit After tax	16.29	4.84	7.86
Share Capital #	107.04	107.04	107.04
Free Reserves	28.99	12.70	7.86
Earning per Equity share (Rs.)	162.91	48.38	31.38

Includes Preference Share Capital of Rs.106.04 crore

II) GMR Tuni-Anakapalli Expressways Private Limited (GTAEPL)

GMR Tuni-Anakapalli Expressways Private Limited, had implemented the project for strengthening of existing 2 lanes and widening thereof to 4 lane dual carriageway, from Km. 300/0 to Km. 359/20 (59 km stretch) in Tuni-Anakapalli section on NH-5 in the State of Andhra Pradesh on build, operate and transfer basis.

The Company achieved commercial operations on 24th December and, 2004. the Company started receiving annuities from May 2005. GTAEPL has a 17.5 year concession from NHAI, including the construction period.

Review of Operations

During the period under review, the Company achieved 100 % Lane Availability.

Financial Performance

Brief details of financial performance of GTAEPL during the last three financial years are as under:

(Rs. in Crore)

Year	2006-2007	2005-2006	2004-2005
Total Income	68.96	65.56	23.34
Profit After tax	10.44	1.37	8.80
Share Capital #	78.78	78.78	78.78
Free Reserves	20.60	10.17	8.80
Earning per Equity share (Rs.)	104.38	13.68	68.28

Includes Preference Share Capital of Rs. 77.78 Crore

III) GMR Ambala-Chandigarh Expressways Private Limited (GACEPL)

GMR Ambala-Chandigarh Expressways Private Limited (GACEPL) is implementing, on a 20 year concession basis from NHAI, the project envisaging improvement, operation and maintenance, rehabilitation and strengthening of existing 2-lane road and widening to 4-lane Dual Carriageway from i) Km 5.735 – Km 39.960 of NH–22 and ii) Km 0.000 – Km 0.871 of NH-21 (Ambala – Chandigarh Section) on Build Operate and Transfer (BOT) Toll basis.

Project Progress

The Company has obtained necessary permissions and consents for tree cutting, utility shifting and land acquisition from state authorities of Punjab and Haryana. As a result tree cutting and utilities shifting have been duly completed. Land acquisition is completed in most areas and construction is under progress..

All major contracts have been awarded for project implementation. Highways and Structural works are as per schedule.

The overall performance of project during the period under review was satisfactory.

Project Finance

The total project cost of Rs.391 crore has been funded in the debt equity ratio 2.57 :1. (consisting of equity of Rs.109 crore and debt of Rs. 282 Crore). The project achieved financial closure in May, 2006.

During the year, the GACEPL received an equity contribution of Rs. 57 Crore and a debt disbursement of Rs. 81.62 Crore..

As on 31st March, 2007, GACEPL spent Rs.142.12 crore towards the project expenditure.

IV) GMR Jadcherla Expressways Private Limited (GJEPL)

GMR Jadcherla Expressways Private Limited (GJEPL) is implementing, on a 20 year concession basis from NHAI, the highway project envisaging Design, Construction, Development, Finance, Operation & Maintenance of 'Km 34.14 (Farukhnagar) to Km 80.05 (Jadcherla) on NH-7 in the state of Andhra Pradesh" and Improvement, Operation and Maintenance of Km 22.3 (Thondapalli) to Km 34.14 (Farukhnagar) on NH-7 on BOT Toll basis.

Project Progress

The company has obtained necessary permissions and consents for tree cutting, utility shifting and land acquisition from state authorities of Andhra Pradesh and other Statutory Authorities. Tree cutting has been completed and shifting of utilities has been completed to the extent of 90%. To speed up the works, Company has been endeavoring for timely mobilization of resources at the site to complete the project on time.

All major contracts have been awarded for project implementation. Highways and Structural works are being implemented as per schedule.

The overall performance of project during the period under review was satisfactory.

Project Finance

During the year, GJEPL achieved the financial closure for a total debt of Rs.353 crore. The total project cost of Rs.471 crore has been funded in the debt equity ratio of 3 : 1. The equity capital of the project is Rs.118 crore.

During the year, the GJEPL received equity capital of Rs.60 crore and a debt disbursement of Rs.43.60 crore.

As on 31st March, 2007, GJEPL spent Rs.106.46 crore towards the project expenditure.

V) GMR Pochanpalli Expressways Private Limited (GPEPL)

GMR Pochanpalli Expressways Private Limited (GPEPL) is implementing, on a 20 year concession basis from NHAI, the highway project envisaging Design, Construction, Development, Finance, Operation and Maintenance of 'Km 367.000 (Adloor Yellareddy) to Km 447.000 (Kalkallu) covering 80.745 Km and Improvement, Operation and Maintenance of Km 447.000 (Kalkallu) - Km 464.000 (Gundla Pochanpalli) covering 17.000 Km on NH-7 in the state of Andhra Pradesh on BOT – Annuity basis.

Project Progress

The Company has obtained necessary permissions and consents for tree cutting, utility shifting and land acquisition from state authorities of Andhra Pradesh and Other Statutory Authorities.

Tree cutting and shifting of utilities is complete up to 85%.
All major contracts have been awarded for project implementation. Highways and Structural works are as per schedule.

The overall performance of project during the period under review was satisfactory.

Project Finance

During the year, GPEPL achieved the financial closure for a total debt of Rs. 552 crore. The total project cost of Rs. 471 crore has been funded in the debt equity ratio of 4 : 1 The equity capital of the project is Rs. 138 crore.

During the year, the GPEPL received equity capital of Rs. 70.38 crore and a debt disbursement of Rs. 52.29 Crore.

As on 31st March 2007, GPEPL spent Rs. 131.43 crore towards the project expenditure

VI) GMR Ulundurpet Expressways Private Limited (GUEPL)

GMR Ulundurpet Expressways Private Limited (GUEPL) entered into 20 years Concession Agreement with NHAI on April 19, 2006, for implementing the highway project envisaging Design, Engineering, Construction, Development, Finance, Operation and Maintenance of 4 laning the existing 2 lane section from Km.121 (near Tindivanam) to Km. 192.25 (near Unuldurpet) on NH 45 in the state of Tamilnadu on Build Operate Transfer (BOT) basis. The project was awarded to GUEPL through International Competitive bidding process of National Highways Authority of India under National Highways Development Project.

Project Progress

The company has acquired necessary clearances, permits, consents for tree cutting, Utility Shifting, from Ministry of Environment and Forest clearances from the State Authorities of Tamil Nadu and other statutory authorities.

All major contracts have been awarded for project implementation. Shifting of utilities is completed up to 38% and 95% of Land acquisition has been achieved. Highways and Structural works are being implemented as per schedule. To speed up the works, Company is endeavoring for timely mobilization of resources at the site.

The overall performance of project during the period under review was satisfactory.

Project Finance

During the year GUEPL achieved the financial closure for a total debt of Rs. 596 crore. The total project cost of Rs. 795 crore has been funded in the debt equity ratio or 3 : 1 The equity capital of the project is Rs. 199 crore.

During the year , the GUEPL received equity capital of Rs. 101.36 crore and a debt disbursement of Rs. 37.82 crore.

As on 31st March 2007, GUEPL spent Rs. 120.09 crore towards the project expenditure.GMR Infrastructure Limited.

Airports – "Connecting India"

Company operates its Airport Business through following Subsidiary Companies:

- GMR Hyderabad International Airport Limited Delhi International Airport Private Limited
- Gateways For India Airports Private Limited
- Hyderabad Menzies Air Cargo Private Limited (Formerly known as Cadence Cargo Private Limited)
- DIAL Cargo Private Limited

I) GMR Hyderabad International Airport Limited (GHIAL)

GHIAL was formed to develop, construct and operate of Greenfield International Airport at Shamshabad, Hyderabad. GHIAL is a PPP joint venture , in which Airports Authority of India and Government of Andhra Pradesh hold 13% each and the balance of 74% is held by private participants. GMR Infrastructure Limited holds 63% in the project.

Development Plan & Implementation Schedule

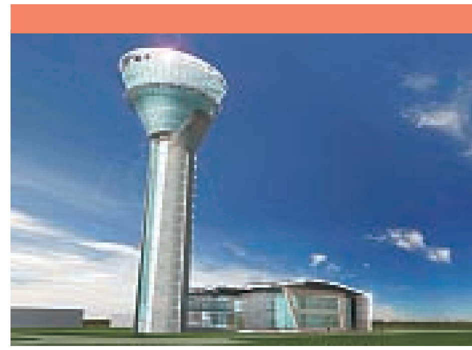
During the year, GHIAL modified the project scope and passenger handling capacity, increasing the passenger capacity to 12 million passengers per annum from the original plan of 7 million passengers per annum and the cargo handling capacity to 1,00,000 tons per annum. . The revised plan includes construction of fuel farm and 308 room 4-star business hotel in the airport. This capacity increase was mainly triggered by a 40% increase in the traffic growth at the existing Begumpet Airport in Hyderabad for the previous year.

The proposed facilities would be able to cater to the operation of New Large Aircrafts including the existing large aircrafts viz., B-747, A-340, B-757, B-767, etc. and new generation wide bodied aircrafts (A-380).

Consequently, the project cost was revised to Rs. 2,478 Crore (addition of Rs. 718 Crore for the new facilities) and the additional cost was fully funded by debt. The project cost is funded in the debt equity ratio of 4 : 1 and the equity includes a grant of Rs.107 crore from the Government of Andhra Pradesh.

Project Progress

The project is progressing well and in terms of percentage, 71.83% of the over all project was completed as on May 31, 2007.



The Air Traffic Control Tower works are 100% complete and the Run way works are 85.43% complete and The Civil works of the Passenger Terminal Building are 76.61% complete, the E & M works are 63.44% complete. IT Systems are progressing well with 57.12% execution. The Airside Landside works are also progressing swiftly with 71.56% completion.

Buildings work is progressing well. Crash Fire Rescue Stations, Ground Handling Workshop and Cargo Terminal Building works are completed to the extent of 83.76%, 83.71% and 70.80% respectively. Overall Buildings work is 74.26% completed.

The following are the details of major concessions awarded by GHIAL as on the date:

- Cargo handling operating to Menzies Aviation Plc.;
- In-flight Catering facilities & services to LSG Sky Chef and Sky Gourmet;
- Airport Hotel operations to AAPC Hotels Management Pte Limited, Singapore;
- Fuel Farm operations to Reliance Industries Limited.
- Duty Free Retail operations to Nuance Group (India) Private Limited & Shoppers Stop (India) Limited;
- Car Parking Management to Tenaga Parking (India) Private Limited;
- Lounge Management to Plaza Premium Lounge Management Limited, Hong Kong;
- Ground Handling Concession to Air India Limited, Indian Airlines Limited and Singapore Airport Terminal Services Limited (SATS);
- MRO – Lufthansa Technik AG;

GHIAL team is also working on other initiatives such as airport connectivity from the city, traffic management plan, city check-in-facilities, etc.

The project is expected to commence its commercial operations in early 2008.

Financials as at March 31, 2007:

As stated above, the total investment in the project is expected to be Rs. 2,478 Crore. As at 31st March, 2007, an amount of Rs. 1182.80 Crore has been expended on the project, which consists of Equity capital of Rs. 205.65 Crore, grant from Government of Andhra Pradesh of Rs. 107 Crore, unsecured loans of Rs. 333.47 Crore and Secured loans of Rs. 536.68 Crore.

During the year, Company had obtained sanctions to avail additional debt of Rs.718 Crore for provision of additional facilities at the new Airport for catering up to 12 million passengers and for construction of the fuel farm facility and airport hotel. The additional debt of Rs.718 Crore comprises of Rupee Term Loans of Rs.200 Crore from the Andhra Bank (Rs.120 Crores) and Vijaya Bank (Rs.80 Crore) and a US Dollar Loan of USD 125 million subject to a maximum rupee equivalent of Rs.518 Crore, from Abu Dhabi Commercial Bank, Abu Dhabi, UAE (External Commercial Borrowing).

Particulars	Rs. Crore
Sources of Funds	
Share Capital (including Share Application Money)	205.65
Secured Loans	536.68
Grants	107.00
Unsecured Loans	333.47
Total	**1,182.80**
Application of Funds	
Fixed assets	10.54
CWIP	953.00
Expenditure During Construction Pending Allocation	
Personnel Costs	50.66
Communication	3.05
Establishment / Business Dev	30.36
Movement	21.12
Financing Costs	4.67
Project Insurance	2.07
Consultancy & Professional Fee	39.60
Interest during construction period	29.16
Investments	43.14
Current Assets Loans & Advances	71.69
Current Liabilities & Provisions	(76.26)
Total	**1,182.80**

As the company is in the project state, no Profit & Loss Account has been prepared.

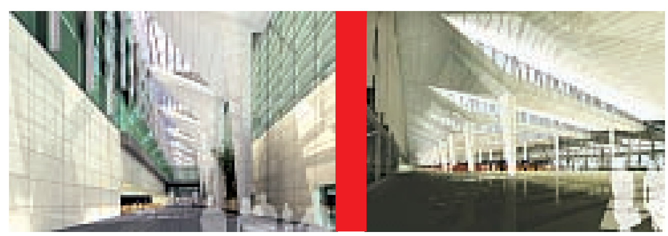
II) Delhi International Airport Private Limited (DIAL)

Delhi International Airport Private Ltd. was incorporated on March 1, 2006 with the objectives of operating, maintaining, developing, designing, constructing, upgrading, modernising, financing and managing the Indira Gandhi International Airport (IGI Airport), New Delhi. Operation, Management and Development Agreement (OMDA) with Airports Authority of India (AAI) was signed on April 4, 2006 to undertake these functions. The IGI Airport at Delhi is being developed to international standards airport with state of the art facilities and passenger amenities.

The project consortium comprising of GMR Infrastructure Ltd., and some of its subsidiaries, Malaysia Airports (Niaga) Sdn Bhd, Fraport AG Frankfurt Airport Services Worldwide and India Development Fund (IDF) won the bid for operating, maintaining, developing, designing, constructing, upgrading, modernising, financing and managing the Indira Gandhi International Airport. These private participants acquired 74% equity shareholding in April 2006. GIL and its subsidiaries hold 50.1% equity in DIAL while Airport Authority of India holds 26% equity capital in DIAL. Malaysia Airports and Fraport AG hold 10% equity each and the balance 3.9% is held by IDF. DIAL has signed the major Project Agreements like OMDA, State Support Agreement, Shareholders Agreement, CNS-ATM Agreement, Airport Operator Agreement, State Government Support Agreement, Lease Deed and Escrow Agreement.

Development Plan and Implementation

The Company has taken over the Airport operations from Airports Authority of India on May 3, 2006. DIAL made substantial improvements soon after take-over of the project viz., facelift of passenger terminal, new seating, renovation of washrooms, construction of new taxiways, etc.



Master Plan for development was submitted to Ministry of Civil Aviation on September 29, 2006. The Project is proposed to be developed in phases. Phase 1 comprising of rebuilding of domestic terminal and revamping and up-gradation of terminal 2, construction of Runway - (sub phase 1A), terminal 3 and associated works (sub phase 1B). Sub phase 1A would be completed by 2008 and Sub phase 1B would be completed by 2010.

Airport Operations

Delhi International Airport was one of the first airports to receive the Aerodrome License. Number of initiatives was undertaken in the area of Airport Operations. Company activated Emergency Response & Information Centre (ERIC) and Crisis Management Cell (CMC). The fog season was successfully managed by the Company with the help of Ministry of Civil Aviation, AAI, Directorate General of Civil Aviation (DGCA) and other Stakeholders.

On the airside, construction of nine parking stands for parking additional aircraft over night was completed. DIAL, in co-ordination with DGCA and ATC, finalized the plan for construction of new fillets at the newly constructed rapid exit taxiways “U” & “V”, to make the same operational. The fillets are expected to be commissioned shortly which will help in reducing the aircraft turnaround time. DIAL, again in co-ordination with the above agencies, introduced power in push back procedures at the domestic apron. It is now proposed to expand the application of this procedure, which may enable your Company to increase the number of parking stands

All Terminals are being run beyond their capacity except for Terminal 1A, which is underutilized. Measures to decongest T1B have been taken up by expanding the roads, positioning the Traffic Wardens, installation of new X-Ray machines, creating an additional gate for passengers (by banning visitors’ entry), providing passenger amenities like chairs, new sign boards etc.

Traffic

During the year 2006-07, the Total passenger (International and Domestic) traffic in the Delhi Airport increased to 20.44 Million with a growth of 26% as compared to the 2005-06. International passenger traffic has shown an increase of 15% as compared to the previous year. Domestic passenger traffic recorded an ample growth of 32% in 2006-07 as compared to 2005-06.

At IGI Airport during 2006-07 overall Aircraft movements recorded a growth of 21%. International aircraft movement recorded an increase of 13%, domestic aircraft movements rose by 28% and general aviation by 8%.

The total freight handled at IGI Airport touched to 0.389 million tonnes (International and Domestic) in the year 2006-07.

Commercial

Company has entered into various commercial contracts including duty free with Alpha Future and Sincere Watches; Food & Beverages outlets, kiosk with Nirulas, Baskin Robins, Coca Cola, Yo-China; Advertisement contract – Times OOH; car rental with Avis; other contracts with HLL, CNN-IBN, NDTV, Samsung, Airtel, etc.

Financial Performance

Brief details of financial performance of DIAL during the last financial year are as under:

(Rs. in Crore)

Particulars	Rs. Crore
Gross Income	591.38
Annual Fee to Airport Authority of India	271.98
Net Income	319.40
Profit After Tax	29.34
Share Capital	200.00
Free Reserves	29.34
Earnings per share (Rs.)	1.84

During the Financial Year, The Company received Rs.200 Crore towards equity contributions as per the Shareholders Agreement. The Company availed a short-term loan of Rs. 150 Crore, performance bond facility of Rs.500 Crore and tied up working capital facility of Rs.134.5 Crore.

ISO Certification

During the period under review DIAL Cargo terminal has received ISO 9001:2000 certification. Company is in the process of system implementation for obtaining ISO 9001:2000 certifications for the rest of the Company. Company has enrolled in Airports Council Internationals (ACI) – Airport Service Quality (ASQ) programme.

III) Gateways For India Airports Private Limited (GFIAPL)

Gateways For India Airports Private Limited (GFIAPL) was incorporated on January 12, 2005 in Hyderabad, Andhra Pradesh, with an object to establish, promote, develop and/or finance, plan, design, construct, alter, repair, set up, commission, operate, market, manage and maintain international airports and airport infrastructure and airport business development. The company was instrumental in preparation and submission of bids for modernization of International airports at Delhi and Mumbai. The company is looking out for undertaking suitable business development activity.

IV) Hyderabad Menzies Air Cargo Private Limited

The company was incorporated on February 22, 2006 in the name and style of Cadence Cargo Private Limited and effective from March 29, 2007, changed its name to Hyderabad Menzies Air Cargo Private Limited (Hyderabad Menzies).

The company was incorporated as a Joint Venture company between GHIAL and Menzies Aviation Plc., (Menzies) for the purpose of setting-up and operating a world class cargo terminal at the new Hyderabad international Airport at Shamshabad, near Hyderabad.

The Joint Venture Agreement between GHIAL and Menzies stipulate that GHIAL would hold 51% of the equity share capital of the company while Menzies would hold the balance 49%. The company, pursuant to allotment of shares in favour of GHIAL, became a subsidiary of GHIAL on February 07, 2007.

The cargo terminal will be built in an area of 3.5 acres in the new international airport premises at an estimated cost of Rs.50 crore, which will be equipped to handle 100,000 metric tones of cargo per annum.

Features of new cargo warehouse:

- Fully automatic cargo warehouse, with facilities such as elevated transfer vehicles to handle cargo.
- The terminal will use the state-of-the-art IT systems, which will ensure compatibility with customs and other user-agencies.
- It will have adequate truck dock system with truck dock-levelers etc, and also ultra-modern cold storage, heavy cargo, and hazardous cargo storage space and a disposal unit.

A special un-accompanied baggage area is being developed to take care of unaccompanied baggage.

The company is in the process of commencement of its business.

VI) Delhi Aerotropolis Private Limited (DAPL)

DAPL was incorporated on May 22, 2007 as a 100% subsidiary of DIAL with an objective of commercial property development at Indira Gandhi International Airport in New Delhi.
Delhi Aerotroplis" (DA) is an integrated planned commercial development on land parcels adjoining IGI Airport. DA consists of developments spread over 12 land parcels measuring approx. 250 acres adjoining central services spine of the airport. The area is well linked with the airport terminals as well as Delhi and its suburbs through network of roads and metro rails. This well planned community will have hierarchy of built-up and open spaces offering branded environment for whole range of hospitality services, airlines & commercial offices, retail shops, passenger facilities, logistics centers and other facilities that would complement the airport development.

VII) DIAL Cargo Private Limited

DIAL Cargo was incorporated on 28.06.2007 as 100% subsidiary of Delhi International Airport Private Limited with the objective to carry on the business of development, operation, providing, export, import, maintenance of cargo services, cargo terminals for providing cargo handling services and cargo handling system, re engineering systems and procedures for hassle free cargo terminal operations resulting in reduction of dwell time. The company is in the process of commencement of its business.

OTHERS:

GVL Investments Private Limited (GVL)

GVL Investments Private Limited (formerly Medvin Finance Private Limited) is a Non Banking Finance Company engaged in investment activities.

GVL became wholly owned subsidiary of your Company on 14th April, 2006, consequent upon acquisition of its entire equity capital by the latter.

Financial Performance

Brief details of financial performance of GVL during the last three financial years are as under:

(Rs. in Crore)

Year	2006-2007	2005-2006	2004-2005
Total Income	5.02	10.86	15.15
Profit After tax	1.95	3.19	6.58
Share Capital	2.50	2.50	2.50
Free Reserves	51.87	49.92	64.76
Earning per share (Rs.)	7.80	12.79	26.37

Corporate Social Responsibility

GMR VARALAKSHMI FOUNDATION

"We are very committed to our corporate social responsibility of giving back to the communities which sustain our business activities" G M Rao, Chairman GMR Group

Overview:

"*Corporate Social Responsibility (CSR) is the continuing commitment by business to behave ethically and contribute to economic development while improving the quality of life of the workforce and their families as well as of the local community and society at large.*" This holistic approach to business regards organizations as being full partners in their communities, rather than seeing them more narrowly as being primarily in business to make profits and serve the needs of their shareholders.

The notion of CSR has been in India ever since the concept of daan – giving voluntarily for greater good. CSR means that companies have obligation not just to their investors but also to the society and environment.

CSR is a social investment as opposed to philanthropy. It is important to distinguish CSR from charitable donations and "good works" (i.e., philanthropy, e.g., habitat for humanity). Corporations have often, in the past, spent money on community projects, the endowment of scholarships, and the establishment of foundations. They have also often encouraged their employees to volunteer to take part in community work and thereby create goodwill in the community, which will directly enhance the reputation of the company and strengthen its brand. CSR goes beyond charity and requires that a responsible company take into full account its impact on all stakeholders and on the socity / environment when making decisions. This requires the company to balance the needs of all stakeholders with its need to make a profit and reward shareholders adequately.

Like all business initiatives, CSR requires thorough research, a detailed and proactive plan, regular management monitoring, constant interaction and feedback from the audience for whom the programme is run. In short, a commitment deeper than just lip service. The key factors here are sustainability, continuity and constant monitoring and reporting.

Initiatives of GMR Group

GMR Varalakshmi Foundation (GMRVF or Foundation), is the Corporate Social Responsibility arm of the GMR Group. The Group has been undertaking CSR activities on a significant scale since 1991.

The Foundation's mandate is to work with under served sections of society wherever the Group Companies take up projects. GMRVF works in four specific areas: Education: Health, Hygiene and Sanitation; Empowerment and Livelihoods; and Community-based programmes. Today, the Foundation's activities span the length and breadth of the country, with ongoing initiatives in Bangalore, Chennai, Delhi, Hyderabad, Mangalore, Rajahmundry, Rajam, Uttarankhand, etc.

The Foundation is registered as a Section 25 (not-for-profit) Company.

Some Significant Initiatives

1. Education

1a. Educational Institutions

The Foundation has set up several state-of-art educational institutions with the view to increase access to good education in areas which lack these facilities. These include:

A1. GMR Institute of Technology (GMRIT)

GMR Institute of Technology, situated at Rajam, Srikakulam District of Andhra Pradesh is an ISO certified engineering college affiliated to the Jawaharlal Nehru Technological University. GMRIT has emerged as a premier institute offering Bachelors Degree in Engineering in seven engineering streams to over 1800 students.

Its Chemical, Mechanical, Electronic and Electrical Engineering, Electronic and Chemical Engineering & Information Technology courses are NBA (National Board for Accreditation). The stress is not only on the quality of technical education, but also on providing inputs for overall development of the students who mostly hail from interior places, and often lack exposure. The location of the college in a rural area enables students in and around the area to access good education. At the same time, the institution makes all efforts to overcome the disadvantages of the location through use of technology—whether it be use of Video-conferencing, or making the campus wi-fi. Through an MOU with Andhra Bank, GMRIT makes education loans accessible to students. GMRIT students are in demand with the best employers. 290 students of the batch passing out in 2007 have placed with top companies like IBM, Wipro, Polaris, etc., apart from the GMR Group. Campus placements for the batch to pass out in 2008 have already commenced, with 56 being placed in TCS and 26 in Infosys.

A2. Sri GCSR Degree College (SGCSR)

An English Medium college established in the year 1993, SGCSR offers Bachelor Degree Programme in Science, Arts, Commerce and Computer Applications, and a Post Graduate Degree in Mathematics. The college with over 850 students is affiliated to the Andhra University. Intermediate education was also introduced in the current academic year. The college stresses on holistic development of students and encourages them to take part in various extra curricular activities. In 2006-07 the college continued its efforts to provide quality education.

The college will offer a Post graduate degree in Computer Applications (MCA) from the next academic year and is also in the process of introducing a Bachelor's degree in Education (B.Ed.).

A3. Bhavans' Varalakshmi Vidyashram (BVV)

GMRVF has built a full-fledged school with the necessary infrastructure at Rajam and has handed it over to Bharathiya Vidya Bhavan for its administration and management. The school began its operations from 2001. The students pay a nominal fee. The Foundation absorbs the financial deficit of the school.

BVV is a co-educational, English Medium school affiliated to the CBSE Board. Over 650 students from in and around Rajam study at BVV. The entire 2006-07 batch of std. 10 students passed in First Class and have received high percentage of marks.

A4. Seethamahalakshmi DAV School (SMLDAV)

On the lines of BVV, GMRVF has also built and handed over a full-fledged school to Dayanand Anglo Vedic Society to run. SMLDAV established in 2004 follows the CBSE syllabus. Nearly 300 boys and girls from the Srikakulam district (AP) and its neighbourhood come to study in SMLDAV. The school presently has classes from K.G. to the 7th grade and plans to add the 8th grade next year.

The Foundation also supports the St. Ann's School at Rajam.

These educational institutions are contributing significantly to improving educational standards in this remote area.

1b. Pre-School Education

The Foundation runs 60 Bala Badis (pre-schools) in remote villages. Over 1700 children attend these centers which impart not only joyful learning but also work on inculcating good habits. A nutritious snack is provided daily to the children. The concerted efforts with 3-5 year age group helps in school-preparedness and also gets parents motivated and involved in their children's learning.

GMRVF is running tuition classes for children in various locations including Chennai, Rajam, Hyderabad and Delhi. These children usually come from homes where parents cannot help them with their studies. This intervention, which is today availed by over 4000 students, has resulted in improved academic performance of students.

The Foundation also supports innovative and joyful education through provision of Teaching-Learning materials to government schools; through facilitating teacher training, etc.

1c. Supporting Government Efforts for Education

GMRVF works in collaboration with the local educational authorities towards improving quality of education in government schools. It has provided Vidya Volunteers in about 50 schools where the teacher-student ratio is poor. It has also contributed to physical infrastructure development like building of toilets, towards mid-day meals etc. The Foundation volunteers work closely with the community to ensure that dropouts are enrolled, that parents are aware of the importance of education, etc. Over the years, over 950 dropouts have been enrolled, thanks to the Volunteers' efforts.

1d. Supporting Meritorious Students

The Foundation has several schemes for helping poor and bright students to access quality education. Today GMRVF is supporting over 70 children to get education in the best of schools through its 'Gifted Children Scheme', under which these children are supported right from kindergarten to professional education. These children are from the poorest of poor families and selected through a rigourous process.

GMRVF provides close to 100 scholarships and interest-free loans for poor students for undertaking a variety of professional course including engineering, nursing, CA, etc.

'Vidya Jyothi' is a scheme for degree students of the SGCSR college run by the Foundation. These are merit-cum-means scholarships to bright students to pursue degree courses. They in turn have to provide free tuitions to school students in their villages. About 100 students are part of this scheme.

2. Health, Hygiene and Sanitation

2a. Health

GMRVF, in collaboration with Helpage India, is running 3 Mobile Medical Units, in Rajam, Rajahmundry and Shamshabad area around Hyderabad. These cater to over 90 villages every week. These Units operate with the mandate of delivering healthcare to the doorstep of the aged. They visit every week and provide free check-ups and medicines to the 60+ age group patients. Over 4500 people benefit from these services.

The Foundation also runs ambulances in Rajam, Rajahmundry and Uttarkhand for emergencies. In the remote areas where these ambulances operate, the timely availability of such a facility to take a patient to healthcare establishment can make the difference between life and death. Each ambulance attends to 30-40 calls per month, and has saved many a life.

General and specific medical camps are conducted in all the Foundation's work areas. GMRVF stresses on school health check-ups and health education in schools and communities.

Where necessary, the Foundation also runs regular clinics for the communities.

In the last year, the Foundation has also started working in the area of AIDS awareness in the communities it works with.

2b. Hygiene and Sanitation

The Foundation has built and is maintaining 8 public toilets in villages and slums. These are maintained at the highest standards of hygiene. Communities avail these facilities at a very nominal charge of Rs. 10 per family per month. This step has helped not only in improved sanitation in the areas, but also in restoring dignity to the women of the communities.

In a Public-Private partnership with the Municipal Corporation of Hyderabad, the Foundation is building and operating Pay and Use toilets in the city. These facilities, in the short time they have been in operation, have won recognition as setting a new standard for public facilities. They have been developed on the basis of thorough research and high level of professional design inputs. Constant monitoring and inspections help to keep up maintenance standards.

The Foundation also stresses sanitation education in a bid to break the vicious cycle of ill-health due to poor personal and environmental sanitation.

3. Empowerment and Livelihoods

3a. Livelihood Training Institutes

The Foundation has set up and is running several institutes of Entrepreneurship development. Three of these are in partnership with Andhra Bank. These are:

- NIRED: Nagavalli Institute of Rural Entrepreneurship Development (Rajam):
- BIRED: Bellikoth Institute of Rural Entrepreneurship Development (Kasaragod)
- SIRED: Swarna Bharathi Institute of Rural Entrepreneurship Development (Nellore)
- JIRED: Jarjangi Institute of Rural Entrepreneurship Development (Jarjangi)
- Hyderabad – The Foundation has recently started a similar youth training initiative in Hyderabad

These institutes train unemployed youth in a variety of skills, from plumbing to tailoring to two-wheeler repairs to photography and videography. Apart from the technical skill, great emphasis is placed on developing the entrepreneurial spirit of the participants, strengthening their motivation, communication skills, confidence, etc. After the training, the Foundation closes the loop by facilitating bank loans for those who want to set up micro-enterprises, and works with potential employers for placements. About 2000 young people are trained every year, and the settlement rate is upwards of 75%. The Foundation extends hand-holding support to trainees for two years after the training, to ensure that they are able to build on their training. In the coming year, the Foundation will develop infrastructure and facilities for such an institute in Hyderabad.

3b. Self-Help Groups

The Foundation is currently facilitating 80 SHGs through group processes, motivation, training, etc. These SHGs have managed to get loans of upwards of Rs20 lakh. The SHG members are engaged in a variety of income generation activities, from petty shops to fast food joints to shell picking.

4. Community-Based Programmes

4a. Urban programmes

GMRVF works with 5 poor communities in Rajam, including Medaras or basket weavers; dhobhis; cleaners, etc. The approach to these programmes is to analyze what is holding back the community, and then to work with it in overcoming these barriers. For instance, in the case of Medaras, it was found that on the one hand there were serious problems of alcoholism which was leading to a lot of ‘leakage’ of income, besides other social and familial problems. On the other hand, the weavers were not able to access reasonable loans for purchase of raw materials and so were going to money-lenders for high interest loans. Interventions included counseling for de-addiction; formation of SHGs; provision of interest-free loans, etc.

In late 2006, illegal encroachments were cleared from the Delhi Airport site. These families have been provided land in a re-settlement colony. The Foundation has been working with this community, in a bid to help them improve their lives and livelihoods.

4b. Rural programmes

The Foundation works in 50 villages with the aim of participatory rural development and strengthening of village communities and their institutions. These efforts include working on strengthening education in the village; creating health awareness; facilitating training for members of local institutions; working with youth clubs; developing village libraries; facilitating clean and green efforts, etc. The efforts are continued vigorously in 2006-07.

GMR INFRASTRUCTURE LIMITED

CONSOLIDATED FINANCIAL STATEMENTS

Auditors' Report

To
The Board of Directors
GMR Infrastructure Limited
Skip House
25/1, Museum Road
Bangalore - 560 025

Dear Sirs,

1. We have audited the attached Consolidated Balance Sheet of GMR Infrastructure Limited ('the Company') and its subsidiaries and associate (collectively referred to as 'the Group') as at March 31, 2007, the Consolidated Profit and Loss Account and the Consolidated Cash Flow statement for the year ended on that date, annexed there to, which we have signed under reference to this report. These Consolidated Financial Statements are the responsibility of the Company's management and have been prepared by the management on the basis of separate financial statements and other financial information regarding components. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

2. We have conducted our audit in accordance with auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are prepared, in all material respects, in accordance with an identified financial reporting framework and are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

3. We did not audit the financial statements of certain subsidiaries, whose financial statements reflect total assets of Rs. 1,173.45 Crore as at March 31, 2007 and total revenues of Rs. 173.12 Crore for the year ended on that date, and net cash inflows of Rs. 20.96 Crore for the year ended on that date and an associate whose financial statements reflect the Group's share of profits of Rs. 0.002 Crore for the year ended March 31, 2007, considered in the consolidated financial statements. These financial statements have been audited by other auditors whose reports have been furnished to us, and our opinion, in so far as it relates to the amounts included in respect of such subsidiaries and associate, is based solely on the report of the other auditors.

4. We report that the Consolidated Financial Statements have been prepared by the Company in accordance with the requirements of Accounting Standard 21, 'Consolidated Financial Statements' and Accounting Standard 23, 'Accounting for Investments in Associates in Consolidated Financial Statements' issued by the Institute of Chartered Accountants of India and on the basis of the separate audited financial statements of the Company and its subsidiaries and an associate included in the Consolidated Financial Statements.

5. On the basis of the information and explanations given to us and on consideration of the separate audit reports on individual audited financial statements of the Company and its aforesaid subsidiaries and associate, in our opinion, the Consolidated Financial Statements give a true and fair view in conformity with the accounting principles generally accepted in India:

   (a) in the case of the Consolidated Balance Sheet, of the consolidated state of affairs of the Group as at March 31, 2007;

   (b) in the case of the Consolidated Profit and Loss Account, of the consolidated results of operations of the Group for the year ended on that date; and

   (c) in the case of the consolidated cash flow statement, of the consolidated cash flows of the Group for the year ended on that date.

P. Ramakrishna
Partner
Membership Number 22795
For and on behalf of
Price Waterhouse
Chartered Accountants

Place: Bangalore
Date: June 30, 2007

Consolidated Balance Sheet as at March 31, 2007

(Rs. in Crore)

Particulars	Schedule	March 31, 2007		March 31, 2006	
I. Sources of Funds					
1. Shareholders' Funds					
(a) Capital	1	331.07		264.44	
(b) Reserves and Surplus	2	1,661.22	1,992.29	306.00	570.44
2. Minority Interest			526.08		424.34
3. Loan Funds					
(a) Secured Loans	3	3,021.96		2,592.45	
(b) Unsecured Loans	4	683.72	3,705.68	377.82	2,970.27
4. Deferred Tax Liabilities			14.45		0.18
Total			**6,238.50**		**3,965.23**
II. Application of Funds					
1. Fixed Assets					
(a) Gross Block	5	4,140.61		2,455.89	
(b) Less: Depreciation		1,240.65		1,105.12	
(c) Net Block		2,899.96		1,350.77	
(d) Capital Work-in-Progress (including capital advances)		1,423.18	4,323.14	1,386.83	2,737.60
2. Expenditure during construction period, pending allocation (net)	6		482.80		245.01
3. Investments	7		262.47		255.69
4. Current Assets, Loans and Advances					
(a) Inventories	8	30.41		35.86	
(b) Sundry Debtors	9	386.02		236.85	
(c) Cash and Bank Balances	10	1,300.04		675.75	
(d) Other Current Assets	11	13.72		84.14	
(e) Loans and Advances	12	187.02		105.15	
		1,917.21		1,137.75	
Less: Current Liabilities and Provisions	13				
(a) Liabilities		662.66		337.63	
(b) Provisions		84.46		73.19	
		747.12		410.82	
Net Current Assets			1,170.09		726.93
Total			**6,238.50**		**3,965.23**
Statement on Significant Accounting Policies and Notes to the Consolidated Accounts	19				

The schedules referred to above form an integral part of the Consolidated Balance Sheet.

This is the Consolidated Balance Sheet referred to in our report of even date.

For and on behalf of the Board of Directors

Sd/-
P. Rama Krishna
Partner
For and on behalf of
Price Waterhouse
Chartered Accountants

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

Sd/-
G B S Raju
Group Director &
Group CFO

Sd/-
A.S.Cherukupalli
Company Secretary

Place: Bangalore
Date: June 30, 2007

Consolidated Profit And Loss Account for the year ended March 31, 2007

(Rs. in Crore)

Particulars	Schedule	March 31, 2007	March 31, 2006
I. Income			
Sales and Operating Income	14	1,968.72	1,061.65
Less: Annual fees paid to Airports Authority of India		271.98	-
		1,696.74	1,061.65
Other Income	15	18.33	3.33
		1,715.07	**1,064.98**
II. Expenditure			
Generation and Operating Expenses	16	884.40	505.79
Administration and Other Expenses	17	268.66	102.82
Interest and Finance Charges	18	144.14	130.27
Depreciation		134.56	219.97
		1,431.76	**958.85**
III. Profit Before Taxation and before Minority Interest/Share of profits of Associate		**283.31**	**106.13**
Provision for Taxation			
- Current		28.77	11.23
- Less: MAT Credit availed		4.65	-
- Deferred		14.27	(0.08)
- Fringe Benefit		3.15	1.36
IV. Profit after Taxation and before Minority Interest/Share of profits of Associate		**241.77**	**93.62**
Minority Interest		67.34	23.06
V. Net Profit after Minority Interest/Share of profits of Associate		**174.43**	**70.56**
Surplus brought forward		117.46	67.90
VI. Amount available for appropriation		**291.89**	**138.46**
Appropriations:			
Transfer (from)/to Debenture Redemption Reserve		(18.61)	3.75
Transfer (from)/to Goodwill/Capital Reserve on acquisitions - (net)		(0.44)	-
Issue of bonus shares		-	9.93
Dividend Distribution Tax		2.33	7.32
VII. Available Surplus carried to Balance Sheet		**308.61**	**117.46**
Earnings Per Share (Rs.) - Basic and Diluted		5.56	2.67
Statement on Significant Accounting Policies and Notes to the Consolidated Accounts	19		

The schedules referred to above form an integral part of the Consolidated Profit and Loss Account.

This is the Consolidated Profit and Loss Account referred to in our report of even date.

For and on behalf of the Board of Directors

Sd/-
P. Rama Krishna
Partner
For and on behalf of
Price Waterhouse
Chartered Accountants

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

Sd/-
G. B. S. Raju
Group Director &
Group CFO

Sd/-
A.S.Cherukupalli
Company Secretary

Place: Bangalore
Date: June 30, 2007

Schedules forming part of the Consolidated Balance Sheet as at March 31, 2007

(Rs. in Crore)

Schedule 1	March 31, 2007	March 31, 2006
CAPITAL		
Authorised		
400,000,000 Equity shares of Rs. 10 each	400.00	400.00
	400.00	**400.00**
Issued, Subscribed and Paid Up		
331,084,000 (2006: 264,436,814) Equity Shares of Rs. 10 each fully paid-up	331.08	264.44
Notes:		
Of the above,		
(i) 105,774,723 equity shares of Rs.10 each fully paid-up were allotted during the year ended March 31, 2006, by way of bonus shares by capitalising free reserves of the company.		
(ii) 266,722,722 (2006 : 264,435,751) Equity Shares of Rs 10 each fully paid-up are held by the holding company, GMR Holdings Private Limited.		
	331.08	**264.44**
Less: Calls unpaid	0.01	-
Total	**331.07**	**264.44**

(Rs. in Crore)

Schedule 2	March 31, 2007	March 31, 2006
RESERVES AND SURPLUS		
Capital Reserve on consolidation		
As at the commencement of the year	144.79	76.87
Add: Additions for the year	-	67.92
Less: Reduction on account of acquisition	19.10	-
	125.69	**144.79**
Capital Redemption Reserve		
At the commencement of the year	-	18.50
Less : Utilised towards issue of bonus shares	-	18.50
	-	**-**
Securities Premium Account		
At the commencement of the year	-	55.30
Add: Received/Receivable towards public issue of equity shares (Refer Note (iii) (A) and (B) on Schedule 19)	1,272.52	-
Less: Utilised towards share issue expenses	70.67	-
Less : Calls Unpaid	0.07	-
Less : Utilised towards issue of bonus shares	-	55.30
	1,201.78	**-**
Debenture Redemption Reserve		
At the commencement of the year	43.75	40.00
Add: Transfer from Profit and Loss Account	-	3.75
Less: Transfer to Profit and Loss Account	(18.61)	-
	25.14	**43.75**
Special Reserve		
(under Section 45 IC of the Reserve Bank of India Act, 1934)		
At the commencement of the year	-	22.04
Less : Transfer to General Reserve	-	22.04
	-	**-**
General Reserve		
At the commencement of the year	-	-
Add: Transfer from Special Reserve	-	22.04
Less : Utilised towards issue of bonus shares	-	22.04
	-	**-**
Balance in Profit and Loss Account	**308.61**	**117.46**
Total	**1,661.22**	**306.00**

Schedules forming part of the Consolidated Balance Sheet as at March 31, 2007

(Rs. in Crore)

Schedule 3		March 31, 2007	March 31, 2006
SECURED LOANS			
	Debentures		
(i)	**185,000 (2006: 555,000) Secured Redeemable Non-Convertible Debentures of Rs. 100 each**	0.93	4.63
	(Out of the above, debentures amounting to Rs. 0.33 bear interest at the rate of 10% per annum (14% up to March 31, 2004) and debentures amounting to Rs. 0.60 bear interest at the rate of 10% per annum (14% up to December 31, 2004) These debentures are redeemable in 20 equal quarterly installments from October 1, 2002).		
(ii)	**300,000 (2006: 600,000) Secured Redeemable Non-Convertible Debentures of Rs. 100 each**	3.00	6.00
	(These debentures bear interest at the rate of 10% per annum and are redeemable in 4 equal annual installments from January 8, 2005).		
(iii)	**162,500 (2006: 325,000) Secured Redeemable Non-Convertible Debentures of Rs. 100 each**	1.63	3.25
	(These debentures bear interest at the rate of 10% per annum and are redeemable in 4 equal annual installments from February 4, 2005).		
	[The above debentures (i) to (iii) are secured, on pari passu basis, by the first charge through hypothecation of all movable and immovable properties of the Company, both present and future, pledge of equity shares of the Company held by promoter shareholders and their associates.]		
(iv)	**950 (2006: 1,100) Secured Redeemable Non-Convertible Debentures of Rs. 1,000,000 each**	95.00	110.00
	(These debentures bear interest at the rate of 9.81% per annum (8.91% up to September 30, 2006).		
(v)	**Nil (2006: 220) Secured Redeemable Non-Convertible Debentures of Rs. 1,000,000 each**	-	22.00
	(These debentures bear interest at the rate of 8.71% per annum).		
	(The above debentures (iv) and (v) are secured by immovable property of the Company, pledge of 41,253,000 Shares of the Company held by the promoter shareholders and other third party securities. These debentures are redeemable in 10 annual installments from September 30, 2005)		
(vi)	**Nil (2006: 3,000) Secured Redeemable Non-Convertible Debentures of Rs. 100,000 each**	-	30.00
	(These debentures bear interest at the rate of 9% per annum. These debentures are redeemable in 10 equal semi annual installments from December 1, 2003).		
	(Secured by the hypothecation of immovable property of the Company, pledge and by the exclusive first charge on dividends to be declared/received by the company on 48,000,000 (2006: 48,000,000) equity shares in GMR Energy Limited)		
	Term Loans		
	Rupee loans		
	From Financial Institutions	242.77	268.25
	(Out of the above Rs.52 (2006 : Rs. 76) relating to GMR Energy Limited was secured by first charge on all the intangibles, and cash flows, both present and future, in the form of dividends and management/consultancy fees from subsidiary companies and a joint mortgage of the immovable properties ranking pari-passu. Further secured by second charge on the movable properties, both present and future, rights, title, interests, benefits, claims and demands in the operating cash flows, treasury income, revenues/receivables and by a first charge by way of pledge of 64,350,000 Equity shares held in a subsidiary company and 52,171,861 Equity shares of the company held by the holding company.)		
	From Banks	1,972.30	1,504.07
	Interest accrued and due	0.03	-

Schedules forming part of the Consolidated Balance Sheet as at March 31, 2007

(Rs. in Crore)

Schedule 3 (contd.)	March 31, 2007	March 31, 2006
Foreign currency loans		
From Financial Institutions	102.44	177.40
From Banks	151.53	240.38
(Foreign currency loans from financial institutions and banks of GMR Energy Limited amounting to Rs. 58.88 (2006 : Rs. 192.19) are secured by an English Mortgage on all movable and immovable assets, tangible and intangible, both present and future, including all revenues and receivables and rights, interest and title in the project documents, trust and retention account balances and guarantees.)		
(Rupee and Foreign currency term loans of GMR Power Corporation Private Limited amounting to Rs. 106.54 (2006 : Rs. 165.48) and Rs. 17.81 (2006 : Rs. 32.63) respectively, are secured by way of joint equitable mortgage by deposit of the title deeds of the leasehold land of the Company and are also secured by pari-passu first charge on the Company's movables including movable plant and machinery, machinery spares, tools and other movable assets (save and except book debts) both present and future subject to charges created/to be created in favour of Company's bankers on inventories, book debts and such other movables as may be specifically permitted for securing the working capital requirements. Further secured by the irrevocable personal guarantees by some of the Directors of the Company and pledge of 6,18,75,000 shares of company held by the holding company.)		
(Rupee and Foreign currency term loans of Vemagiri Power Generation Limited amounting to Rs. 608.62 (2006 : Rs. 490.24) and Rs. 177.31 (2006 : Rs. 192.93) are secured by way of pari passu first charge over land, Company's moveable and other assets, both present and future. Further secured by the right, title, interest, benefits, claims and demands of the Company in respect of the project agreements, executed/ to be executed, insurance policies both present and future and all right, title, interest, benefits, claims and demands of the Company in respect of monies lying to the credit of trust and retention account and other accounts. Further secured by way of pledge of 141,015,000 equity shares of the company held by the holding company.)		
(Rupee term loans from banks of GMR Tambaram Tindivanam Expressways Private Limited amounting to Rs. 453.49 (2006 : 478.60) and GMR Tuni Anakapalli Expressways Private Limited amounting to Rs. 351.76 (2006 : 371.78) are secured by movable and immovable assets of these companies by way of deed of hypothecation and by way of legal mortgage in English form respectively.)		
(Rupee term loans from banks of GMR Jadcherla Expressways Private Limited amounting to Rs. 43.65 (2006 : Rs. Nil) are secured by way of pari passu first charge over company's movable properties, both present and future, including plant and machinery. Further secured by the right, title, interest, benefit, claims, of the company in respect of the project agreements executed / to be executed, insurance policies both present and future, and all rights, title, interest, benefit, claims, demands of the company in respect of monies lying to the credit of trust and retention account and other accounts. Further secured by way of pledge of 16,227,202 equity shares and 1,803,023 equity shares of the Company held by GMR Infrastructure Limited (GIL) and GMR Energy Limited (GEL) respectively.)		
(Rupee term loans from banks and financial institutions of GMR Pochanpalli Expressway Private Limited amounting to Rs. 47.31 (2006 : Rs. Nil) and Rs. 4.98 (2006 : Rs. Nil) respectively, are secured by way of pari passu first charge over company's movable properties, both present and future, including plant and machinery. Further secured by the rights, title, interest, benefit, claims, of the company in respect of the project agreements executed/to be executed, insurance policies both present and future, and all rights, title, interest, benefit, claims, demands of the company in respect of monies lying to the credit of trust and retention account and other accounts. Further secured by way of pledge of 19,002,600 equity shares and 2,111,400 equity shares of the Company held by GMR Infrastructure Limited and GMR Energy Limited respectively)		
(Rupee term loans from banks of GMR Ulundurpet Expressway Private Limited amounting to Rs. 37.82 (2006 : Rs. Nil) are secured by way of pari passu first charge over company's movable properties, both present and future, including plant and machinery. Further secured by the rights, title, interest, benefit, claims, of the company in respect of the project agreements executed/to be executed, insurance policies both present and future, and all rights, title, interest, benefit, claims, demands of the company in respect of monies lying to the credit of trust and retention account and other accounts. Further secured by way of pledge of 27,367,875 equity shares and 30,40,875 equity shares of the Company held by GMR Infrastructure Limited and GMR Energy Limited respectively)		
(Rupee term loans from banks of GMR Ambala Chandigarh Expressway Private Limited amounting to Rs. 81.62 (2006 : Rs. Nil) are secured by way of pari passu first charge over company's movable properties, both present and future, including plant and machinery. Further secured by the rights, title, interest, benefit, claims, of the company in respect of the project agreements executed/to be executed, insurance policies both present and future, and all rights, title, interest, benefit, claims, demands of the company in respect of monies lying to the credit of trust and retention account and other accounts. Further secured by way of pledge of 13,774,800 equity shares and 15,302,960 equity shares of the Company held by GMR Infrastructure Limited and GMR Energy Limited respectively)		

Schedules forming part of The Consolidated Balance Sheet as at March 31, 2007

(Rs. in Crore)

Schedule 3 (contd.)	March 31, 2007	March 31, 2006
From Others	109.38	61.47
(Term loans of GMR Hyderabad International Airport Limited for Phase I are Secured by mortgage of Leasehold Land and first charge on all movable and immovable assets and intangibles and revenues, both present and future, as well as assignment of all right, title, interest, benefits, claims and demands available under the concession agreement and other project documents, security interest in the Trust and Retention Account, Debt Service Reserve Account and further secured by pledge of certain equity shares, both present and future, held or to be held, as the case may be, by both, the holding company and another shareholder)		
(Term Loans of GHIAL for expansion phase are secured by mortgage of Leasehold Land and first charge on all movable and immovable assets, operating cash flows, book debts, receivables, intangibles, both present and future, and as well as, assignment of security interest in the Trust and Retention Account, Debt Service Reserve Account and other reserves established or to be established and any other bank account wherever maintained, in pari passu with the Lenders of the Phase I)		
Short Term Loans		
Cash Credit, Demand Loans and Working Capital Loans from Banks	70.29	116.74
(The facilities of Delhi International Airport Private Limited amounting to Rs. 0.47 are secured by pledge of shares of the sponsors and charge on all the revenues/receivables of the company to the extent permissible as per project documents)		
(The facilities of GMR Energy Limited amounting to Rs. 69.80 (2006 : Rs. 93.73) are secured by hypothecation of the stocks and book debt, both present and future, and further secured by creation of a joint mortgage by deposit of title deeds in respect of immovable properties together with all plant and machinery attached to the earth).		
Bills Discounted	196.04	48.26
(The facilities of GMR Energy Limited are secured against letters of credit issued by Canara Bank, Bank of India, Bank of Baroda and Andhra Bank)		
Bank Overdraft	76.62	-
(The facilities of GMR Infrastructure Limited are secured by pledge of 2,850,000 fully paid-up equity shares of Rs.10 each of GMR Industries Limited, held by GMR Holdings Private Limited and by way of Guarantee issued by GMR Holdings Private Limited).		
Total	**3,021.96**	**2,592.45**

(Rs. in Crore)

Schedule 4	March 31, 2007	March 31, 2006
UNSECURED LOANS		
Short Term		
From Banks	160.97	84.95
Interest accrued and due	-	0.03
From Others	1.30	51.80
Other than Short Term		
From Banks	141.10	21.10
Interest free loan from Government of Andhra Pradesh	315.00	157.50
Deposit from Concessionaires	7.50	-
From Others	57.85	62.44
Total	**683.72**	**377.82**

Schedule 5

Fixed Assets

(Rs. in Crore)

Description	Gross Block					Depreciation					Net Block	
	As at March 31, 2006	Additions	Additions on inclusion of subsidiaries	Withdrawals	As at March 31, 2007	As at March 31, 2006	For the year	On account of inclusion of subsidiaries	On Withdrawals	As at March 31, 2007	As at March 31, 2007	As at March 31, 2006
Goodwill on Consolidation	20.96	352.29	-	0.16	373.09	-	-	-	-	-	373.09	20.96
Tangible Assets												
Land	12.85	0.95	-	-	13.80	-	-	-	-	-	13.80	12.85
Buildings	116.91	117.81	-	1.33	233.39	34.22	8.18	-	-	42.40	190.99	82.69
Plant and Machinery	1,625.34	1,032.90	-	36.86	2,621.38	1,003.64	77.24	-	0.73	1,080.15	1,541.23	621.70
Office Equipment	14.39	15.18	-	0.61	28.96	3.89	2.51	-	0.45	5.95	23.01	10.50
Capitalised Software	0.97	0.46	-	-	1.43	0.26	0.32	-	-	0.58	0.85	0.71
Leasehold Improvements	0.64	1.56	-	-	2.20	0.11	0.60	-	-	0.71	1.49	0.53
Furniture and Fixtures	5.03	4.84	-	0.60	9.27	1.93	0.88	-	0.03	2.78	6.49	3.10
Vehicles	1.60	1.54	-	0.15	2.99	0.61	0.27	-	0.15	0.73	2.26	0.99
Intangible Assets												
Carriage Ways	657.20	1.39	-	-	658.59	60.46	43.90	-	-	104.36	554.23	596.74
Airport Concessionaire Rights	-	195.51	-	-	195.51	-	2.99	-	-	2.99	192.52	-
Total	**2,455.89**	**1,724.43**	**-**	**39.71**	**4,140.61**	**1,105.12**	**136.89**	**-**	**1.36**	**1,240.65**	**2,899.96**	**1,350.77**
Capital work in progress (including capital advances)											**1,423.18**	**1,386.83**
Previous year	**2,427.48**	**29.51**	**0.68**	**1.78**	**2,455.89**	**885.67**	**220.76**	**-**	**1.31**	**1,105.12**	**1,350.77**	**-**

Notes:

1. Plant and Machinery is net of foreign exchange fluctuations capitalised Rs. 24.37 (including Rs. 1.20 reversal during the current year) upto March 31, 2007 (2006 - Rs. 18.76)
2. Capital work in progress is net of foreign exchange fluctuation amounting to Rs. Nil (2006 : Rs. 3.28)
3. Buildings with a gross book value of Rs. 109.51 (2006 - Rs. 107.36) are on leasehold land.
4. Depreciation for the year includes Rs. 2.33 (2006 : Rs. 0.79) relating to certain consolidated entities in the project stage which is included in Schedule 6.
5. Carriage Ways are mainly intangible assets, being the right to operate and maintain the highways on Build, Operate and Transfer basis.
6. Additions/Deletions and depreciation for the year include the effect of regrouping/reclassification of assets.
7. The capitalised software have useful lives ranging from 6-7 years. Amortisation of these assets is based on straight line method.

Schedules forming part of the Consolidated Balance Sheet as at March 31, 2007

(Rs. in Crore)

Schedule 6		Upto and as at March 31, 2007	Upto and as at March 31, 2006
Expenditure during construction period, pending allocation (net)			
Fuel Cost (including transmission charges)		71.18	36.10
Operation and Maintenance		11.14	5.92
Salaries, allowances and benefits to employees		73.70	30.51
Contribution to provident fund and others		2.84	0.60
Staff welfare expenses		7.11	3.50
Pre-closing date development expenses		-	2.03
Rent		14.74	9.61
Repairs and Maintenance - Others		3.99	3.62
Rates and taxes		7.63	2.90
Insurance		12.69	8.23
Consultancy and professional charges		128.38	18.85
Director's Sitting Fees		0.17	0.07
Remuneration to auditors		0.55	0.31
Travelling and conveyance		41.61	17.03
Income Tax		1.70	1.00
Fringe Benefit Tax		2.65	0.94
Depreciation		3.67	1.35
Interest on fixed loans		119.62	60.27
Bank/ other finance charges		94.49	22.05
Loss on account of foreign exchange fluctuations (net)		6.92	0.30
Loss on sale of fixed assets (net)		0.20	4.32
Miscellaneous expenses		59.53	23.94
Negative Grant [Refer Note vii (B) on Schedule 19]		109.63	-
		-	
	(i)	**774.14**	**253.45**
Less: Other Income			
Sale of Power		10.28	0.49
Interest income (gross)		4.83	3.75
[Tax deducted at source - Rs. 0.32 (2006: Rs. 0.15)]			
Income from investments - Other than trade (gross)		12.00	3.98
[Tax deducted at source - Rs. Nil (2006: Nil)]			
Profit on sale of investments		0.19	0.13
Miscellaneous income		1.16	0.09
Rent Received - Land Sub Lease		0.38	-
[Tax deducted at source - Rs. 0.08 (2006: Nil)]		-	
	(ii)	**28.84**	**8.44**
Total Expenditure during construction period, pending allocation (net) - [(i) - (ii)]		**745.30**	**245.01**
Less: Apportioned over cost of Fixed Assets		257.79	-
Less: Charged to Profit and Loss Account		4.71	-
Total		**482.80**	**245.01**

Schedules forming part of the Consolidated Balance Sheet as at March 31, 2007

(Rs. in Crore)

Schedule 7	As at March 31, 2007	As at March 31, 2006
INVESTMENTS		
Long term		
In Shares of Subsidiary Company		
Hyderabad Menzies Air Cargo Private Limited	0.05	-
(51,000 (2006: Nil) Shares of Rs.10 each)		
In shares of associate company		
(At cost plus share of profits based on equity accounting)		
GMR Highways Private Limited	0.03	-
(25,000 (2006: 25,000) shares of Rs.10 each)		
Gateways for India Airports Private Limited	-	0.00
(Nil (2006: 3,784) Equity Shares of Rs.10/- each, fully paid up)		
Others		
In equity shares of Rs.10/- each, fully paid up		
Vemagiri Power Services Limited	0.01	
(5,000 (2006: Nil) equity shares)		
Ideaspace Solutions Limited		-
(725 (2006: 725) equity shares)	0.00	
Business India Publications Limited		
(5,000 (2006: 5,000) equity shares)	0.06	-
Ujjivan Financial Services Private Limited		
(5,000 (2006: Nil) equity shares)	0.04	-
In bonds		
Industrial Development Bank of India - Growing Interest Bond	-	0.25
(Nil (2006: 500) Bonds of Rs.5,000 each)		
(i)	**0.19**	**0.25**
Current		
Other than trade - unquoted*		
(Purchased during the year)		
Mutual Funds		
Principal Mutual Fund	3.51	-
(3,511,453.87 (2006: Nil) units of Rs 10 per unit)		
Reliance Liquidity Fund	31.77	-
(31,753,571.61 (2006: Nil) units of Rs 10 per unit)		
Reliance fixed Horizon Fund - Annual Plan #	15.00	-
(15,000,000 (2006: Nil) units of Rs 10 per unit)		
UTI Liquid Cash Fund #	13.06	-
(1,28,073.14 (2006: Nil) units of Rs 1,000 per unit)		
ING Vysya Liquid Fund	1.05	-
(1,049,314.36 (2006: Nil) units of Rs 10 per unit)		
DBS Chola Mutual Fund	5.00	-
(5,090,850 (2006: Nil) units of Rs 10 per unit)		
UTI - Liquid Cash Plan Institutional - Daily Income Option	1.46	-
(14,316.492 (2006: Nil) units of Rs 1,019.45 each)		

Schedules forming part of the Consolidated Balance Sheet as at March 31, 2007

(Rs. in Crore)

Schedule 7 (contd.)	As at March 31, 2007	As at March 31, 2006
Reliance Liquid Fund - Daily Dividend Option	8.56	-
(8,559,934.372 (2006: Nil) units of Rs 10 each)		
Lotus India FMP	5.00	-
(5,000,000 (2006: Nil) units of Rs 10 per unit)	-	
LIC Mutual Fund - Daily Dividend Reinvestment Plan	0.50	-
(450,995.03 (2006: Nil) units of Rs 10.9801 per unit)		
Principal Cash Management Liquid Fund - Institutional Premium Daily Dividend	19.11	-
(19,104,702.042 (2006: Nil) units of Rs 10.0007 per unit)		
Prudential ICICI Liquid Fund - Super Institutional Daily Dividend	12.76	-
(12,757,812.133 (2006: Nil) units of Rs 10 per unit)		
ING Vysya Liquid Fund Institutional Daily Dividend #	12.75	-
(12,737,289.160 (2006: Nil) units of Rs 10.0121 per unit)		
DBS Chola Short Term Floating Rate Fund - Daily Dividend	6.62	-
(6,599,526.358 (2006: Nil) units of Rs 10.0274 per unit)		
Standard Chartered Liquidity Manager Plus Daily Dividend	0.53	-
(5,298.582 (2006: Nil) units of Rs 1000.10 per unit)		
ICICI Prudential - Daily Dividend Scheme	9.75	-
(9,753,918 (2006: Nil) units of Rs 10 per unit)		
ING Vysya Mutual Fund (AAA rating) - Daily Dividend Scheme	6.21	-
(6,137,941.112 (2006: Nil) units of Rs 10.1169 per unit)		
ING Vysya Mutual Fund - Daily Dividend Scheme	0.36	-
(356,146.758 (2006: Nil) units of Rs 10.0048 each)		
Chola Mutual Fund-Liquid Institutional Plus Daily Dividend	-	127.01
(Nil (2006: 126,615,675.93) units of Rs.10 per unit)		
Canbank Mutual Fund-Liquid Fund-Institutional Dividend	-	1.71
(Nil (2006: 1,702,419.31) units of Rs.10 per unit)		
HDFC Mutual Fund Cash - Management Fund	-	0.71
(Nil (2006: 680,980.78) units of Rs.10 per unit)		
LIC Liquid Fund Daily Dividend	3.04	2.34
(2,770,667.86 (2006: 2,140,839.45) units of Rs 10.9801 per unit)		
Kotak Mutual Fund - Institutional Premium Plan - Daily Dividend	-	9.66
(Nil (2006: 7,899,088.39) units of Rs.10 per unit)		
ING Vysya Liquid Fund Super Institutional - Daily Dividend Option	10.74	4.00
(10,729,495 (2006: 3,999,627.99) units of Rs.10 per unit)		
ICICI Prudential Fund Daily Dividend Option	1.68	-
(1,680,722.83 (2006: Nil) units of Rs 10 per unit)		
Can Liquid Fund - Institutional Daily Dividend Reinvest	-	3.18
(Nil (2006: 3,162,010.85) units of Rs.10 per unit)		
Chola Mutual Fund - Liquid Institutional Dividend Reinvestment Plan	1.61	39.55
(1,609,316.88 (2006: 39,466,853.06) units of Rs. 10 per unit)		
Kotak Liquid Institutional Premiun Plan Daily Dividend	-	35.04
(Nil (2006: 28,652,496.38) units of Rs.10 each)		
Bonds :		
8.20% 2007 Housing Urban Development Corporation Bonds	10.00	-
(100 (2006: Nil) Bonds of Rs 1,000,000 each)		
8.95% Central bank of India Bonds	10.15	-
(100 (2006: Nil) Bonds of Rs. 1,000,000 each)		
7.45% State Bank of India Bonds #	9.84	-
(100 (2006: Nil) Bonds of Rs. 1,000,000 each)		
7.1% Power Grid Corporation of India Limited Bonds #	4.51	-
(50 (2006: Nil) Bonds of Rs 1,000,000 each)		
(ii)	**204.57**	**223.20**

Schedules forming part of the Consolidated Balance Sheet as at March 31, 2007

(Rs. in Crore)

Schedule 7 (contd.)	As at March 31, 2007	As at March 31, 2006
Other than Trade - Quoted		
Government Securities**		
6.35% Government of India 2020	12.90	13.30
(1,500,000 (2006: 1,500,000) units of Rs. 100 per unit)		
6.05% Government of India 2019	4.21	4.33
(500,000 (2006: 500,000) units of Rs. 100 per unit)		
5.59% Government of India 2016	8.83	-
1 (2006: Nil) unit of Rs. 10.0 crores per unit)		
7.38% Government of India 2015	10.45	-
(1 (2006: Nil) unit of Rs. 10.00 crores per unit)		
7.46% Government of India 2017	4.88	4.01
(1 (2006: Nil) unit of Rs. 1.00 crores per unit)		
(iii)	**41.27**	**21.64**
Equity Shares***		
(Purchased during the year)		
Akruthi Nirman Limited	0.12	-
(2,918 (2006: Nil) shares of Rs. 10 each fully paid up)		
Alstom Projects India Limited	-	1.44
(13,092 (2006: 1,000) shares of Rs. 10 each, fully paid up)		
Andhra Bank	0.99	2.73
(129,765 (2006: 337,728) shares of Rs. 10 each,fully paid up)		
Aban Offshore Limited	0.23	-
(1,500 (2006: Nil) shares of Rs 2 each fully paid up)		
Bank of Baroda	-	1.11
(Nil (2006: 58,108) shares of Rs. 10 each,fully paid up)		
Bajaj Hindustan Limited	-	0.10
(Nil (2006: 5,000) shares of Re.1 each, fully paid up)		
Century Textiles and Industries Limited	-	0.16
(Nil (2006: 5,000) shares of Rs.10 each, fully paid up)		
Coromandel Fertilisers Limited	-	0.08
(Nil (2006: 10,000) shares of Rs.2 each, fully paid up)		
Cipla Limited	-	0.06
(Nil (2006: 1,000) shares of Rs.2 each, fully paid up)		
Eimco Elecon (India) limited	2.44	-
(84,972 (2006: Nil) shares of Rs 10 each fully paid up)		
Elecon Engineering Limited	-	0.04
(Nil (2006: 500) shares of Rs.10 each, fully paid up)		
Federal Bank Limited	0.04	0.09
(950 (2006: 5,000) shares of Rs.10 each, fully paid up)		
GMR Industries Limited	0.98	-
(1,071,920 (2006: Nil) shares of Rs 10 each, fully paid up)		
Great Eastern Shipping Co Limited	-	0.12
(5,000 (2006: 2,000) shares of Rs.10 each, fully paid up)		
Hindalco Limited	-	0.06
(Nil (2006: 3,303) shares of Re.1 each, fully paid up)		
ING Vysya Bank Limited	2.57	
(282,810 (2006: Nil) shares of Rs. 10 each, fully paid up)		
Indian Petrochemicals Corporation Limited	-	0.12
(Nil (2006: 5,000) shares of Rs. 10 each, fully paid up)		
Jain Irrigations Systems Limited	-	0.18
(Nil (2006: 10,000) shares of Rs. 10 each, fully paid up)		
Karur Vysya Bank Limited	4.89	-
(794,735 (2006: Nil) shares of Rs. 10 each)		
Kasturi Foods Limited	0.02	-
(15,000 (2006: Nil) shares of Rs. 10 each)		
Kesoram Industries Limited	-	0.20
(Nil (2006: 10,000) shares of Rs.10 each, fully paid up)		

Schedules forming part of the Consolidated Balance Sheet as at March 31, 2007

(Rs. in Crore)

Schedule 7 (contd.)	As at March 31, 2007	As at March 31, 2006
Morgan Stanley	-	0.10
(Nil (2006: 25,000) shares of Rs.10 each, fully paid up)		
Neyveli lignite Corporation Limited	-	0.34
(Nil (2006: 50,000) shares of Rs.10 each, fully paid up)		
NIIT Technologies Limited	-	0.09
(Nil (2006: 5,000) shares of Rs. 10 each, fully paid up)		
Power Finance Corporation Limited	0.12	-
(14,248 (2006: Nil) shares of Rs. 10 each fully paid up)		
Patel Engineering limited	0.05	-
(1,500 (2006: Nil) shares of Re. 1 each fully paid up)		
Punjab National Bank Limited	-	0.05
(Nil (2006: 1,000) shares of Rs.10 each, fully paid up)		
Ranbaxy Laboratories Limited	-	0.10
(Nil (2006: 2,500) shares of Rs.5 each, fully paid up)		
Ramco Industries Limited	2.60	-
(33,376 (2006: Nil) shares of Rs 10 each fully paid up)		
Ramco Systems Limited	0.68	0.29
(52,812 (2006: 15,000) shares of Rs.10 each, fully paid up)		
Reliance Industries Limited	-	0.92
(25,000 (2006: 5,000) shares of Rs.10 each, fully paid up)		
Reliance Natural Resource Limited	-	0.12
(Nil (2006: 20,000) shares of Rs. 5 each, fully paid)		
Reliance Communications Limited	0.06	-
(1,445 (2006: Nil) shares of Rs 5 each fully paid up)		
Reliance Communication Ventures Limited	-	0.76
(Nil (2006: 22,500) shares of Rs. 5 each, fully paid)		
State Bank Of India Limited	-	0.19
(Nil (2006: 2,000) shares of Rs.10 each, fully paid up)		
Tanla Solutions Private Limited	0.37	-
(13,816 (2006: Nil) shares of Rs 2 each fully paid up)		
Tata Steel Limited	0.20	-
(4,500 (2006: Nil) shares of Rs 10 each fully paid up)		
The Karnataka Bank Limited	0.37	-
(23,000 (2006: Nil) shares of Rs 10 each fully paid up)		
Tech Mahindra Limited	0.14	-
(1,000 (2006: Nil) shares of Rs.10 each, fully paid up)		
TRF Limited	-	0.94
(Nil (2006: 30,637) shares of Rs.10 each, fully paid up)		
Uniphos Enterprises Limited	-	0.07
(Nil (2006: 23,174) shares of Rs.10 each, fully paid up)		
Webtel-SI-Energy Systems Limited	0.04	0.14
(1,111 (2006: 7,609) shares of Rs.10 each, fully paid up)		
Less: Provision for diminution in the value of Investments	(0.47)	-
(iv)	**16.44**	**10.60**
Total (i)+(ii)+(iii)+(iv)	**262.47**	**255.69**

Notes:

* Aggregate Net Asset Value of Mutual Funds and Bonds - Rs. 204.97 (2006: Rs. 223.22)

** Aggregate Market value of Government securities - Rs. 41.27 (2006: Rs. 21.63)

*** Aggregate Market Value of short term quoted equity shares - Rs. 49.58 (2006: Rs. 12.09)

These includes investments aggregating to Rs. 40.59, representing balance of unutilised monies out of IPO

Schedules forming part of the Consolidated Balance Sheet as at March 31, 2007

(Rs. in Crore)

Schedule 8	March 31, 2007	March 31, 2006
INVENTORIES		
Stores and spares	15.52	17.77
Raw Materials	14.89	18.09
Total	**30.41**	**35.86**

(Rs. in Crore)

Schedule 9	March 31, 2007	March 31, 2006
SUNDRY DEBTORS		
(Trade, unless otherwise stated)		
Debts outstanding for a period exceeding six months:		
Secured - considered good	21.39	29.49
Secured - considered doubtful	22.26	17.67
Less Provision for doubtful debts	22.26	17.67
	21.39	29.49
Unsecured - considered good	6.42	-
	27.81	**29.49**
Other debts:		
Secured - considered good	195.58	151.35
Secured - considered doubtful	1.98	1.61
Less Provision for doubtful debts	1.98	1.61
	195.58	**151.35**
Unsecured - considered good*	137.53	50.55
Unsecured - other than trade - considered good	25.10	5.46
Total	**386.02**	**236.85**
* includes unbilled revenue amounting to Rs. 113.39 (2006: Rs. 54.58)		

(Rs. in Crore)

Schedule 10	March 31, 2007	March 31, 2006
CASH AND BANK BALANCES		
Cash and Cheques on hand	0.32	0.12
Balances with scheduled banks		
- On Current Account - Balance of unutilised monies raised by way of IPO	0.30	-
- On Current accounts - others	45.98	31.78
- On Deposit Accounts - Balance of unutilised monies raised by way of IPO	250.00	-
- On Deposit accounts - others	986.89	638.58
- On Margin Money*	16.55	5.27
Total	**1,300.04**	**675.75**
* includes Rs. 6.54 out of balance of unutilised monies raised by way of IPO		
The margin money deposits are towards letters of credit and Bank Guarantees issued by the bankers on behalf of the Company.		

(Rs. in Crore)

Schedule 11	March 31, 2007	March 31, 2006
OTHER CURRENT ASSETS		
(Unsecured and Considered Good)		
Interest accrued but not due on deposits	9.12	3.11
Claims receivable	4.56	9.34
Grant receivable from authorities	0.04	71.69
Total	**13.72**	**84.14**

Schedules forming part of the Consolidated Balance Sheet as at March 31, 2007

(Rs. in Crore)

Schedule 12	March 31, 2007	March 31, 2006
LOANS AND ADVANCES		
(Unsecured and considered good, unless otherwise stated)		
Loans to Employees	2.13	-
Loans to Others	4.32	-
Advance towards share application money	2.90	11.25
Advances recoverable in cash or in kind or for value to be received		
- considered good	101.85	48.04
- considered doubtful	-	2.87
Deposit with government authorities	2.29	1.46
Deposits with others	33.85	23.56
Balances with customs, excise, etc.,	14.29	11.64
Advance tax (net of provision)	20.74	9.20
MAT credit entitlement	4.65	-
	187.02	**108.02**
Less: Provision for doubtful advances	-	2.87
Total	**187.02**	**105.15**

(Rs. in Crore)

Schedule 13	March 31, 2007	March 31, 2006
CURRENT LIABILITIES AND PROVISIONS		
a) Liabilities		
Sundry Creditors		
Dues to small scale industrial undertakings	0.07	-
Dues to other than small scale industrial undertakings	408.33	247.30
	408.40	**247.30**
Book overdraft	1.73	2.90
Interest accrued but not due	0.95	2.47
Share Application Money Refunds - not claimed	0.08	-
Advances/Deposits from customers/concessionaires	72.24	-
Retention Money	61.75	72.98
Other liabilities	117.51	11.98
	662.66	**337.63**
b) Provisions		
Dividend distribution tax	0.05	7.32
Provision for employee benefits	6.57	1.67
Provision for Operations and Maintenance (net of advances)	77.84	64.20
	84.46	**73.19**
Total	**747.12**	**410.82**

Schedules forming part of the Consolidated Balance Sheet as at March 31, 2007

(Rs. in Crore)

Schedule 14	March 31, 2007	March 31, 2006
SALES AND OPERATING INCOME		
Income from sale of electrical energy	1,220.50	919.64
Less: Prompt Payment Rebate	25.61	16.38
Income from electrical energy	**1,194.89**	**903.26**
Income from Airport Operations		
Aeronautical	268.37	-
Non - Aeronautical	162.53	-
Cargo Operations	157.10	-
Income from Airport Operations	**588.00**	**-**
Annuity income from expressways	138.08	139.25
Income from variation works - Expressways	5.11	11.19
Income from management and other services	22.14	1.25
Interest income (gross)	17.23	0.91
[Tax deducted at source - Rs. 2.19 (2006: Rs. 2.46)		
Dividend income (gross)	3.27	5.79
[Tax deducted at source - Rs. Nil (2006 : Rs. Nil)]		
Total	**1,968.72**	**1,061.65**

(Rs. in Crore)

Schedule 15	March 31, 2007	March 31, 2006
OTHER INCOME		
Income from investments- other than trade (gross)	12.82	3.64
[Tax deducted at source - Rs. Nil (2006 : Rs. Nil)]		
Gain on account of foreign exchange fluctuations (net)	0.40	0.05
Profit/(Loss) on sale of investments	3.77	(1.77)
Miscellaneous income	1.34	1.41
Total	**18.33**	**3.33**

(Rs. in Crore)

Schedule 16	March 31, 2007	March 31, 2006
GENERATION AND OPERATING EXPENSES		
Consumption of fuel and lubricants	698.83	408.08
Operations and maintenance	74.53	56.88
[net of claims relating to earlier years and warranty claims - Rs. 8.24 (2006 : Rs. 3.11) and includes stores and spare parts consumed Rs. 18.76 (2006 : Rs. 16.22)]		
Cost of variation works	3.44	10.21
Airport operator fee	10.00	-
Cargo handling charges	10.23	-
Insurance	3.09	-
Technical consultancy fee	4.83	10.23
Salaries, allowances and benefits to employees	0.83	0.57
Electricity and water charges (net of recoveries of Rs. 24.33 (2006 : Rs. Nil)	22.65	0.15
Repairs and maintenance:		
Plant and machinery (net of claims)	8.67	2.04
Buildings	28.24	5.45
Others	1.37	0.24
Lease rentals [net of sub lease rentals - Rs. 0.28 (2006: Rs 0.28)]	7.00	11.94
Others	10.69	-
Total	**884.40**	**505.79**

Schedules forming part of the Consolidated Balance Sheet as at March 31, 2007

(Rs. in Crore)

Schedule 17	March 31, 2007	March 31, 2006
ADMINISTRATION AND OTHER EXPENSES		
Salaries, allowances and benefits to employees	49.63	29.42
Operation support cost paid to Airports Authority of India	77.79	-
Contribution to Provident and other funds	3.63	1.32
Staff welfare expenses	7.11	0.91
Rent	11.48	5.23
Repairs and maintenance		
Buildings	0.09	0.07
Others	0.42	0.52
Rates and taxes	3.54	1.74
Insurance	9.01	8.20
Consultancy and other professional charges	36.21	10.59
Directors' sitting fee	0.45	0.11
Electricity charges	1.95	0.32
Remuneration to auditors	0.57	0.29
Traveling and conveyance	34.90	9.29
Communication expenses	3.54	1.75
Provision for doubtful advances/ write off of claims and debts	4.97	15.65
Provision for diminution in value of investments	5.69	-
Donations	7.64	6.46
Loss on sale of fixed assets	-	(0.01)
Fixed Assets written off	0.13	0.47
Miscellaneous expenses	22.13	10.49
Less: Reimbursement of expenses	12.22	-
Total	**268.66**	**102.82**

(Rs. in Crore)

Schedule 18	March 31, 2007	March 31, 2006
INTEREST AND FINANCE CHARGES		
Interest on term loans (net)	124.20	100.20
Interest - others	7.20	2.96
Bank/other finance charges/prepayment premium (net of reimbursement)	12.74	27.11
Total	**144.14**	**130.27**

Notes to the Consolidated Accounts

Schedule 19

STATEMENT ON SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO THE CONSOLIDATED ACCOUNTS

1. DESCRIPTION OF BUSINESS

GMR Infrastructure Limited ('GIL' or 'the Company') and its consolidated subsidiaries and associate (hereinafter collectively referred to as Group) are mainly engaged in generation of power, development of expressways and airport infrastructure facilities. GIL is a holding company with its investments mainly within the group companies. It is also involved in the development of the infrastructure and other projects as mentioned above.

Power business

Certain entities of the Group are involved in the generation of power. These are separate special purpose vehicles formed which have entered into Power Purchase Agreements with the electricity distribution companies of the respective state governments either on Memorandum of Understanding basis or on bid basis.

Airport Infrastructure business

Certain entities of the Group are engaged in development of airport infrastructure i.e. the Greenfield International Airport at Hyderabad on build, own, operate and transfer basis along with a consortium of sponsors like Airport Authority of India, State Government of Andhra Pradesh and Malaysian Airport Holdings Berhad under concessionaire agreement and the operations and modernization of Delhi Airport as a joint venture between the Group and Airports Authority of India.

Development of expressways

Certain entities of the Group are engaged in development of expressways on build, operate and transfer basis. There are special purpose vehicles which have entered into concessionaire agreements with National Highways Authority of India for carrying out these projects.

2. PRINCIPLES OF CONSOLIDATION

The consolidated financial statements include accounts of GMR Infrastructure Limited ('the Company') and its subsidiaries and associate. Subsidiary undertakings are those companies in which GIL, directly or indirectly, has an interest of more than one half of voting power or otherwise has power to exercise control over the operations. Subsidiaries are consolidated from the date on which effective control is transferred to the Group till the date such control exists. The consolidated financial statements have been prepared in accordance with historical cost convention, the applicable accounting standards issued by the Institute of Chartered Accountants of India and the relevant provisions of the Companies Act, 1956.

All inter company transactions, balances and unrealised surpluses and deficits on transactions between group companies are eliminated.

Investments in the Associates have been accounted in these consolidated statements as per Accounting Standard 23 on Accounting for Investments in Associates in Consolidated Financial Statements. Investments in associate companies which have been made for temporary purposes have not been considered for consolidation.

The companies considered in the consolidated financial statements in each of the years are listed below:

(Rs. in Crore)

Sl. No.	Name of the Company	Relationship	Percentage of ownership interest	
			March 31, 2007	March 31, 2006
1	GMR Energy Limited (GEL)	Subsidiary	99.99%	84.90%
2	GMR Power Corporation Private Limited (GPCPL)	Subsidiary	51.00%	51.00%
3	Vemagiri Power Generation Limited (VPGL)	Subsidiary	100.00%	84.90%
4	GMR (Badrinath) Hydro Power Generation Private Limited (GBHPL)	Subsidiary	51.00%	-
5	GMR Hyderabad International Airport Limited (GHIAL)	Subsidiary	63.00%	63.00%
6	Delhi International Airport Private Limited (DIAL)	Subsidiary	50.10%	-
7	Gateways for India Airports Private Limited (GFIAPL)	Subsidiary / (Associate in the previous year)	74.33%	37.84%

Notes to the Consolidated Accounts

Schedule 19 (Contd.)

(Rs. in Crore)

Sl. No.	Name of the Company	Relationship	Percentage of ownership interest March 31, 2007	Percentage of ownership interest March 31, 2006
8	Hyderabad Menzies Air Cargo Private Limited (HMACL)	Subsidiary	32.13%	-
9	GMR Tuni Anakapalli Expressways Private Limited (GTAEPL)	Subsidiary	49.01%	43.12%
10	GMR Tambaram Tindivanam Expressways Private Limited (GTTEPL)	Subsidiary	49.01%	43.12%
11	GMR Ambala Chandigarh Expressways Private Limited (GACEPL)	Subsidiary	100.00%	51.00%
12	GMR Jadcherla Expressways Private Limited (GJEPL)	Subsidiary	100.00%	59.49%
13	GMR Pochanpalli Expressways Private Limited (GPEPL)	Subsidiary	100.00%	59.49%
14	GMR Ulundurpet Expressways Private limited (GUEPL)	Subsidiary	100.00%	-
15	GMR Highways Private Limited (GMR Highways)	Associate	50.00%	-
16	GVL Investments Private Limited (GVL)	Subsidiary	100.00%	-
17	GMR Mining and Energy Limited (GMEPL)	Subsidiary	89.00%	89.00%

3 SIGNIFICANT ACCOUNTING POLICIES - GROUP CORPORATE POLICIES

(i) REVENUE RECOGNITION

In case of power generating companies, revenue from sale of energy is recognised on accrual basis in accordance with the provisions of the Power Purchase Agreement (PPA). Claims for delayed payment charges and any other claims, which the company is entitled to under the Power Purchase Agreement, on grounds of prudence, are accounted for in the year of acceptance. Insurance claims are accounted on finalization and acceptance. The PPA provides for payment of fixed tariff based on cumulative availability of plant and also the fuel cost at a predetermined station heat rate.

In case of companies involved in construction and maintenance of roads, annuity is accrued on time basis in accordance with the provisions of the Concessionaire Agreement entered into with National Highways Authority of India ('NHAI'). Claims raised on NHAI under Concessionaire Agreement, on grounds of prudence, shall be accounted for in the year of acceptance.

In case of airport infrastructure companies, revenue is recognised on accrual basis and is net of service tax, applicable discounts and collection charges.

Significant items of income and expenditure on accrual basis except in case of those with significant uncertainties. Income from management/technical services is recognised as per the terms of the agreement and on the basis of services rendered.

Expenses incurred on developmental projects are charged to revenue. These are dealt with at appropriate time for recovery/capitalization.

(ii) ANNUAL FEE

In case of airport infrastructure companies, the annual fee computed as a percentage of revenues, pursuant to the terms and conditions of the Operations, Maintenance and Development Agreement (OMDA) is recognised as a charge in the Profit and Loss Account.

(iii) OPERATIONS AND MAINTENANCE

GEL has entered into a Long Term Service Agreement (LTSA) for maintenance of the main plant, Operations and Maintenance Agreement for regular and major maintenance and Long Term Assured Parts Supply Agreement (LTAPSA) for supply of parts for planned and unplanned maintenance over the term of the agreement. Amounts payable under the agreements are charged to the Profit and Loss Account based on actual factored fired hours of the Gas Turbines during the period on the basis of average factored hour cost including Customs Duty applicable at the current prevailing rate. Periodical minimum payments are accounted as and when due.

Schedule 19 (Contd.)

Operations and Maintenance Agreements have been entered by certain subsidiary companies for operations, regular and major maintenance of the Carriageways. Amounts payable under such agreements are charged to the Profit and Loss Account on accrual basis.

(iv) FIXED ASSETS

Fixed Assets are stated at cost of acquisition less depreciation. Cost of acquisition is inclusive of freight, duties, levies and all incidentals attributable to bringing the asset to its working condition. Assets under installation or under construction as at the balance sheet date are shown as Capital Work in Progress.

Assets under construction and the related advances as at the Balance Sheet date are shown as Capital Work in Progress.

Borrowing costs that are attributable to the acquisition or construction of qualifying assets are capitalized as part of the cost of such assets. A qualifying asset is one that takes substantial period of time to get ready for its intended use or sale. Other borrowing costs not attributable to the acquisition of any capital asset or investments are recognised as expenses in the period in which they are incurred.

All the fixed assets are assessed for any indication of impairment at the end of each financial year. On such indication, the impairment (being the excess of carrying value over the recoverable value of the asset) is charged to the profit and loss account in the respective financial year. The impairment loss recognised in the prior years is reversed where the recoverable value exceeds the carrying value of the asset upon re-assessment in the subsequent years.

Intangible Assets

Intangible Assets in nature of, upfront fee and other costs paid to Airports Authority of India (AAI), pursuant to the terms and conditions of the OMDA and Carriage Ways (costs incurred to construct, widen and rehabilitate expressways) are recognised as intangible assets. The carrying amounts of assets are reviewed at each Balance Sheet date to assess whether they are carried in excess of their recoverable amount.

(v) DEPRECIATION

Tangible Assets

The Group provides depreciation on fixed assets, other than those specifically stated below, on straight line method at the rates specified under Schedule XIV to the Companies Act, 1956 except for assets costing less than Rs. 5,000, which are fully depreciated in the year of acquisition. Leasehold improvements are amortised over the period of the lease or estimated useful life whichever is shorter. Depreciation on adjustments to the historical cost of the assets on account of foreign exchange fluctuations is provided prospectively over the residual useful life of the asset.

Intangible Assets

Intangible assets are amortised over the period of the respective Concessionaire Agreements.

(vi) INVESTMENTS

Long term investments are carried at cost less provision made to recognise any decline, other than temporary, in the value of such investments. Current investments are valued at cost or market value whichever is lower. Cost of acquisition is inclusive of expenditure incidental to acquisition. Income from investments is recognised in the year in which it is accrued and stated at gross.

Gains/losses, on investment in futures, both equity and index, being the difference between the contracted rate and the rate on the settlement or sale date, whichever is earlier, are recognised in the Profit and Loss Account on settlement/sale. The open contracts as at the year end are marked-to-market and the resultant loss, if any, is charged to the Profit and Loss Account.

(vii) INVENTORIES

Inventories are valued at lower of cost or net realisable value. Cost is determined on a weighted average basis and includes all applicable costs incurred in bringing goods to their present location and condition.

(viii) RETIREMENT BENEFITS

Retirement Benefits are accounted for on accrual basis in respect of contribution schemes such as Provident Fund and Superannuation Fund with contributions charged against revenue each year. Liability for gratuity is

Schedule 19 (Contd.)

funded through a scheme administered by an insurer and provision is made based on actuarial valuation carried out as at Balance Sheet date. Provision for leave encashment is made on actual liability basis for the leave outstanding as at the year end.

(ix) FOREIGN CURRENCY TRANSACTIONS

All foreign currency transactions are accounted for at the exchange rates prevailing on the date of such transactions. Monetary assets and liabilities are translated at the exchange rate prevailing on the balance sheet date and the resultant gain /loss is recognized in the financial statements. The original cost of fixed assets acquired prior to April 1, 2004 and imported fixed assets acquired on or after April 1, 2004, through foreign currency loans at the end of each financial year is adjusted for any change in liability arising out of expressing the outstanding foreign currency loan at the rate of exchange prevailing at the date of the Balance Sheet. The amounts so adjusted are depreciated over the remaining useful lives of the respective assets.

(x) EARNINGS PER SHARE

The earnings considered in ascertaining the Company's Earning Per Share (EPS) comprise of the net profit after tax less dividend (including dividend distribution tax) on preference shares. The number of shares used for computing the basic EPS is the weighted average number of shares outstanding during the year. The number of shares used in computing Diluted EPS comprises of weighted average shares considered for deriving basic EPS, and also the weighted average number of equity shares which could have been issued on the conversion of all dilutive potential equity shares. Dilutive potential equity shares are deemed converted as of the beginning of the year, unless they have been issued at a later date. The number of shares and potentially dilutive shares are adjusted for bonus shares issued.

(xi) TAXES ON INCOME

Current tax is determined based on the amount of tax payable in respect of taxable income for the year. Deferred tax is recognised on timing differences; being the difference between the taxable income and the accounting income that originate in one year and are capable of reversal in one or more subsequent years. Deferred tax assets and liabilities are computed on the timing differences applying the tax rates and tax laws that have been enacted or substantively enacted by the Balance Sheet date. Deferred tax assets arising on account of unabsorbed depreciation or carry forward of tax losses are recognised only to the extent that there is virtual certainty supported by convincing evidence that sufficient future taxable income will be available against which such deferred tax assets can be realized.

4. NOTES TO THE CONSOLIDATED ACCOUNTS

(i) Contingent Liabilities

(Rs. in Crore)

Particulars	As at March 31, 2007	As at March 31, 2006
Bank guarantees outstanding	88.48	607.07
Corporate guarantees	62.50	275.96
Performance Guarantees	805.44	-
Stamp Duty Payable for registration	0.30	0.30
Matters relating to Income tax under dispute	0.92	-
Matters relating to Water cess under dispute	1.30	-
Matters relating to Custom Duty under dispute	14.74	-
Arrears of dividend on cumulative preference shares of GTAEPL and GTTEPL	-	24.04

Notes to the Consolidated Accounts

Schedule 19 (Contd.)

(ii) Capital Commitments

(Rs. in Crore)

Particulars	As at March 31, 2007	As at March 31, 2006
Estimated value of contracts remaining to be executed on capital account, not provided for (net of advances)	8,095.03	898.21
Investment in equity shares of subsidiary companies	512.23	207.72

(iii) Equity Shares

A. Pursuant to the decision of the shareholders of the Company at their Extra Ordinary General Meetings, 28,510,206 equity shares of face value of Rs. 10 each have been allotted as a Pre-IPO preferential allotment, to various parties at an aggregate share premium of Rs. 515.74 Crore.

B. Pursuant to the decision of the shareholders of the Company at the Extra Ordinary General Meeting held on February 28, 2006, 38,136,980 equity shares of face value of Rs. 10 each have been allotted by way of initial public offer (IPO) on August 17, 2006 and August 24, 2006. The details of funds received and their utilisation up to March 31, 2007 are given below:

(Rs. in Crore)

Particulars	Amount
Funds received	
Equity Share Capital	38.14
Share Premium (Refer Note (i) below)	756.78
Interest on delayed payment of call money	0.05
Less: Calls unpaid	0.08
Total	**794.89**

(Rs. in Crore)

Particulars	Amount
Utilisation up to March 31, 2007	
Investment in Subsidiary Companies (including Share Application Money, pending allotment) – Refer Note (ii) below	220.65
Repayment of Unsecured Loans	55.00
Payment to GMR Holdings Private Limited and GMR Operations Private Limited for acquisition of equity shares of GVL Investments Private Limited	155.86
Expenses incurred towards the IPO	62.96
Deposit with Bombay Stock Exchange (BSE)	3.00
Margin Money towards Bank Guarantee issued to BSE	6.54
Total Utilisation	**504.01**
Balance of unutilised monies out of IPO, details of which are given below:	**290.88**
Investments in Short Term Securities (included in Schedule 7)	40.58
Investments in Fixed Deposits (included in Schedule 10)	250.00
Amount lying in current accounts	0.30
Total	**290.88**

Notes:

(i) In case of 5,669,425 equity shares allotted to the retail investors' category, a discount of five percent on the issue price was given in accordance with the terms of the Company's prospectus dated August 7, 2006.

(ii) Represent investment made directly by the company, through its subsidiary companies and by way of repayment of loans taken for the purpose of investment in subsidiary companies.

Notes to the Consolidated Accounts

Schedule 19 (Contd.)

C. GTAEPL and GTTEPL have filed applications before the Hon'ble High Court of Andhra Pradesh on September 13, 2006 for reduction of their Preference Share Capital of Rs. 77.78 Crore and Rs. 106.04 Crore respectively, at par and without payment of the cumulative dividend.

(iv) Reserves and Surplus

GHIAL has received a grant of Rs. 107.00 Crore from Government of Andhra Pradesh towards Advance Development Fund Grant, as per the State Support Agreement. This being in the nature of financial support for the project, the grant has been considered as Capital Reserve.

(v) Secured Loans

In case of GTTEPL and GTAEPL, the Secured Loans as at March 31, 2007 are in the nature of advances received towards the assignment of future Annuity/Receivables under the Concession Agreement with National Highway Authority of India and are further secured by way of mortgage of all the present and future immovable fixed assets of the company and by way of hypothecation over the movable fixed assets.

(vi) Fixed Assets

A. For the purpose of consolidation, depreciation in respect of power sector subsidiaries has been uniformly considered based on the rates as prescribed under Schedule XIV to the Companies Act, 1956 amounting to Rs. 86.49 Crore. Depreciation on assets of such subsidiaries is charged in the financial statements of the individual entities on different basis, aggregating to Rs. 213.65 Crore, following accounting policies/rates which are considered appropriate in each case.

B. In pursuance of the State Support Agreement, HIAL has entered into a Land Lease Agreement with Government of Andhra Pradesh, for obtaining the Land on Lease for the development of Airport Project. As per the agreement, the lease term is in line with the term of the Concession Agreement entered into with the Ministry of Civil Aviation. The lease rentals are payable from the eight anniversary of the COD. HIAL has taken the possession of the said land during the year 2004-05. Capital Work-in-progress as on March 31, 2007 of Rs. 953.00 Crore includes Boundary Wall, Site Preparation Works, progress on passenger terminal building and airside landside works, roads and fuel farm on such Leasehold Land.

(vii) Expenditure during construction period, pending allocation (net)

A. In respect of Companies in construction stage, no Profit and Loss Account has been drawn up. All expenditure incurred (net of income earned) during the construction stage are grouped and disclosed under 'Expenditure during construction period, pending allocation (net)' in Schedule 6.

B. In accordance with the terms of the Concessionaire Agreements entered into with National Highways Authority of India (NHAI) by GACEPL, GJEPL and GUEPL, dated November 16, 2005, February 20, 2006 and April 19, 2006 respectively, the Companies have paid an aggregate of Rs. 109.63 Crore towards 'negative grant' to NHAI which has been included in 'Expenditure during construction period, pending allocation (net)' in Schedule 6.

(viii) Sundry Debtors

In case of GPCPL, the amounts due from Tamil Nadu Electricity Board are subject to reconciliation and confirmation.

(ix) Operating Income

A. In case of DIAL, security component of passenger service fees being in the nature of 'pass through', the same has not been considered as a part of the Company revenues. The balance at the period end has been disclosed under the respective heads in the Balance Sheet.

(x) Others

A. DIAL had entered into Operation, Management and Development Agreement (OMDA) with AAI on April 4, 2006, which gives DIAL an exclusive right to operate, maintain, develop, modernize and manage the Delhi Airport for an initial term of 30 years, which can be extended by another 30 years, subject to satisfaction of certain conditions, on a revenue share model, pursuant to terms and conditions of the OMDA. DIAL has taken over the operations of the Delhi Airport with effect from May 3, 2006.

Notes to the Consolidated Accounts

Schedule 19 (Contd.)

B. In case of VPGL, claims/counterclaims arising out of the project related contracts including Power Purchase Agreement and Engineering, Procurement and Construction (EPC) contracts, on account of delays in commissioning of the project or any other reasons, are pending settlements/negotiations with the concerned parties. Accordingly, the outstanding balances of these parties as at March 31, 2007 are subject to confirmation. Any adjustment on account of reconciliation with these parties would be adjusted to the cost of fixed assets.

C. HMACL has been incorporated on February 22, 2006. The Company has decided to prepare financial statements for fifteen months period considering that this is the first year of incorporation. Since the financial statements as at March 31, 2007 have not been prepared, consolidation of the subsidiary has not been carried out.

D. Interest on Term Loans included in Schedule 19 is net of interest income amounting to Rs. 42.04 Crore (2006: Rs. 25.51 Crore)

(xi) Operating Leases

The Group has entered into certain cancelable operating lease agreements mainly for office premises and a non-cancelable operating lease agreement for a gas turbine for a period of 75 months. The lease rentals charged during the year (included in Schedule 6, 16 and 17) and the maximum obligation on the long term non-cancelable operating lease payable as per the agreement are as follows:

(Rs. in Crore)

Particulars	Year Ended March 31,	
	2007	2006
Lease Rentals under cancelable leases	21.91	5.23
Lease Rentals under non-cancelable leases	2.24	7.19
Obligations on non-cancelable leases:		
Not later than one year	3.49	2.24
Later than one year and not later than five years	-	3.49

(xii) Earnings Per Share (EPS)

(Rs. in Crore)

Particulars	Year Ended March 31,	
	2007	2006
Nominal Value of Equity Shares (Rs. per Share)	10	10
Total number of Equity Shares outstanding at the beginning of the year	264,436,814	158,662,091
Add: Issue of Equity Shares on preferential basis on various dates [Refer Note (iii)(A)above]	28,510,206	-
Add: Issue of Equity Shares through initial public offer (Refer Note (iii)(B) above)	38,136,980	-
Add: Bonus Shares issued out of Free Reserves on September 30, 2005 (Refer Note below)	-	105,774,723
Total number of Equity Shares outstanding at the end of the year	331,084,000	264,436,814
Weighted average number of Equity Shares outstanding at the end of the year	**314,000,449**	**264,436,814**
Net Profit after tax (Rs. in Crore)	**174.43**	**70.56**
EPS – Basic and Diluted (Rs.)	**5.56**	**2.67**

Notes:

A. During the year ended March 31, 2006, the company had issued 105,774,723 bonus shares to the shareholders in the ratio of two shares for every three shares held by them. Since it is an issue of Equity Shares without consideration, the issue has been treated as if it had occurred prior to the beginning of the year 2006, the earliest period reported.

B. As at March 31, 2007, Rs. 0.01 Crore was receivable towards Equity Shares and for the computation of weighted average number of Equity Shares outstanding at the end of the year, these have been considered as partly paid-up shares.

C. Since the company did not have any dilutive securities, the basic and diluted earnings per share are the same.

Schedule 19 (Contd.)

(xiii) Deferred Tax

Deferred tax liability comprises mainly of the following as at March 31,

(Rs. in Crore)

		2007		2006	
S. No	**Particulars**	**Deferred tax Asset**	**Deferred tax liability**	**Deferred tax Asset**	**Deferred tax liability**
1	Depreciation		16.29		0.22
2	Preliminary Expenses	0.41		0.02	
3	Other 43B disallowances	0.05		0.02	
4	Carry forward losses	1.38			
	Total	**1.84**	**16.29**	**0.04**	**0.22**
	Deferred tax liability (net)		**14.45**		**0.18**

A. In case of GIL, in view of the management's assessment that the future income mainly in the form of dividends is tax free, deferred tax asset on carry/brought forward losses have not been recognised by the Company, on the grounds of prudence.

B. In case of GEL and VPGL, deferred tax asset to the extent not reversing within the tax holiday period of the Company has not been recognised on the grounds of prudence in view of the management's assessment of future profitability of these companies.

C. In case of GPCPL, GTAEPL and GTTEPL, as the timing differences are originating and reversing within the tax holiday period of the Company under the provisions of section 80-IA of the Income Tax Act, 1961, deferred tax has not been recognised by these Companies.

(xiv) Provisions

(Rs. in Crore)

Particulars	**As at April 1, 2006**	**Provision made during the year**	**Amount used during the year**	**As at March 31, 2007**
Provision for operations and maintenance	64.20 (48.37)	13.70 (17.89)	0.06 (2.06)	77.84 (64.20)

Note: Previous year figures are mentioned in brackets.

(xv) Segment Reporting:

a. The segment report of GIL and its consolidated subsidiaries and associates (the Group) has been prepared in accordance with Accounting Standard 17 "Segment Reporting" issued by the Institute of Chartered Accountants of India.

b. The corporate strategy of the Group aims at creating multiple drivers of growth anchored on its core competencies. The Group is currently focused on four business groups: Power, Roads, Airport Infrastructure and Others. The Group's organisational structure and governance processes are designed to support effective management of multiple businesses while retaining focus on each one of them.

c. The Group's activities are restricted within India. The conditions prevailing within India being predominantly uniform, no separate geographical segment disclosure is considered necessary.

d. For the purpose of reporting, business segments are primary segments and the geographic segment is a secondary segment.

Notes to the Consolidated Accounts

Schedule 19 (Contd.)

e. The various business segments comprise of the following companies:

S. No.	Segment	Name of the Company
1.	Power	GMR Energy Limited GMR Power Corporation Private Limited Vemagiri Power Generation Limited GMR Mining and Energy Limited GMR (Badrinath) Hydro Power Generation Private Limited
2.	Roads	GMR Tuni-Anakapalli Expressways Private Limited GMR Tambaram-Tindivanam Expressways Private Limited GMR Ambala Chandigarh Expressways Private Limited GMR Jadcherla Expressways Private Limited GMR Pochanpalli Expressways Private Limited GMR Ulundurpet Expressways Private Limited GMR Highways Private Limited
3.	Airport Infrastructure	GMR Hyderabad International Airport Limited Delhi International Airport private Limited Gateways for India Airports Private Limited Hyderabad Menzies Air Cargo Private Limited
4.	Others	GMR Infrastructure Limited GVL Investments Private Limited

Notes to the Consolidated Accounts

Schedule 19 Contd.

xv (f). The details of Segment information are given below:

(Rs. in Crore)

Business Segments	Power		Roads		Airport Infrastrature		Others		Inter Segment		Total	
	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006
Revenue												
Revenue from Customers	1,194.90	903.27	143.18	150.43	316.02	-	42.64	7.95	-	-	1,696.74	1,061.65
Inter Segment Revenue	-	-	-	-	-	-	16.58	52.17	(16.58)	(52.17)	-	-
Total Revenues	**1,194.90**	**903.27**	**143.18**	**150.43**	**316.02**	**-**	**59.22**	**60.12**	**(16.58)**	**(52.17)**	**1,696.74**	**1,061.65**
Operating Expenses	773.30	477.93	20.10	22.86	94.50	-	-	-	(3.50)	5.00	884.40	505.79
Depreciation/Amortisation	86.48	175.85	43.98	43.90	3.90	-	0.20	0.22	-	-	134.56	219.97
Segment Operating												
Profit/(Loss)	335.12	249.49	79.10	83.67	217.62	-	59.02	59.90	(13.08)	(57.17)	677.78	335.89
Interest Income/(expense), net	(76.24)	(44.73)	(37.64)	(67.34)	(9.02)	-	(21.48)	(18.20)	0.24	-	(144.14)	(130.27)
Other income/(expense), net	(72.22)	(77.03)	(11.21)	(9.34)	(155.83)	-	(7.57)	(6.20)	(3.50)	(6.92)	(250.33)	(99.49)
Profit/(Loss) before tax	186.66	127.73	30.25	6.99	52.77	-	29.97	35.50	(16.34)	(64.09)	283.31	106.13
Taxation -												
Current tax	17.72	10.56	3.38	0.67	-	-	3.02	0.00	-	-	24.12	11.23
Deferred Tax	-	-	-	-	14.44	-	(0.17)	(0.08)	-	-	14.27	(0.08)
Fringe benefit tax	1.33	1.22	0.15	0.10	1.52	-	0.15	0.04	-	-	3.15	1.36
Net Profit/(Loss) for the year	167.61	115.95	26.72	6.22	36.81	-	26.97	35.54	(16.34)	(64.09)	241.77	93.62
Other Information												
Segment Assets	3,215.82	2,959.97	1,641.79	1,098.46	1,967.91	751.15	1,909.53	651.08	(1,753.07)	(1,087.46)	6,981.98	4,373.20
Capital Expenditure	51.19	367.70	500.89	7.75	1,024.12	500.07	351.62	(0.11)	-	(10.00)	1,927.82	865.41
Depreciation / Amortisation	86.48	175.85	43.98	43.90	3.90	-	0.20	0.22	-	-	134.56	219.97
Segment Liabilities	1,786.67	1,822.41	1,117.53	882.36	1,386.43	453.80	215.38	285.06	(53.23)	(56.38)	4,452.78	3,387.25

Notes to the Consolidated Accounts

(xvi) Related Party Transactions

A. Names of related parties and description of relationship:

Sl. No.	Relationship	Name of the Parties
(i)	Holding Company	GMR Holdings Private Limited
(ii)	Shareholders' having substantial interest/ Enterprises in respect of which the reporting enterprise is an associate/ Joint Venture	Airports Authority of India (AAI) Malaysia Airports Holdings Berhad (MAHB) Government of Andhra Pradesh (GoAP) Fraport AG Frankfurt Airport Services Worldwide (FAG) Malaysia Airports (Mauritius) Private Limited (MAMP) U E Development India Private Limited (UEDI) India Development Fund (IDF)
(iii)	Enterprises where significant influence exists	GMR Varalakshmi Foundation (GVF) GVL Investments Limited (For previous year) GMR Operations Private Limited (For previous year)
(iv)	Fellow Subsidiary	GMR Industries Limited (GIDL) Raxa Security Services Limited (RSSL)
(v)	Enterprises where key management personnel and their relatives exercise significant influence exists	Sucharitha Estates Private Limited (SEPL) GMR Projects Private Limited (GPPL)
(vi)	Key Management Personnel	Mr. G.M.Rao Mr. G.B.S.Raju Mr. G. Kiran Kumar Mr. B.V.N.Rao Mr. Srinivas Bommidala Mr. O Bangaru Raju Mr. K. Balasubramanian Mrs G Varalakshmi Mrs B Ramadevi

B. Summary of transactions with the above related parties is as follows:

(Rs. in Crore)

Nature of transaction	2007	2006
Sale of equity shares		
- Holding Company	-	19.07
- Key Management Personnel	-	-
Purchase of equity shares		
- Key Management Personnel	0.02	0.10
- Holding Company	399.33	-
Share Application Money Received		
- Holding Company	-	291.26
- Shareholders' having substantial interest/ Enterprises in respect of which the reporting enterprise is an associate/ Joint Venture	115.10	317.50
Share Application Money Refunded		
- Holding Company	-	3,31.25
- Shareholder's having substantial interest/ Enterprises in respect of which the reporting enterprise is an associate/ Joint Venture	-	2,64.00
- Enterprises where significant influence exists	-	2,52.54
Unsecured Loans taken and repaid		
- Holding Company	303.04	120.55
- Enterprises where significant influence exists	-	0.27
Interest on unsecured loans		
- Holding Company	0.56	-
- Enterprise where significant influence exists	-	0.52
Share Application Money Invested		
- Enterprises where significant influence exists	-	269.80
Redemption of preference shares		
- Enterprises where significant influence exists	-	20.51

Notes to the Consolidated Accounts

Schedule 19 (Contd.)

(Rs. in Crore)

Nature of Transaction	2007	2006
Issue of Bonus Shares - Holding Company - Key Management Personnel	 - -	 105.77 -
Pre-Closing Date Development cost - Shareholders' having substantial interest/ Enterprises in respect of which the reporting enterprise is an associate/Joint Venture	-	1.16
Operation and Maintenance Services - Shareholders' having substantial interest/ Enterprises in respect of which the reporting enterprise is an associate/Joint Venture - Holding Company	 21.89 3.67	 5.23 3.66
Technical Service Fee - Holding Company	10.50	10.23
Remuneration -Key Management Personnel	19.33	29.29
Donations - Enterprises where significant influence exists	6.54	6.25
Security Services Rendered -Fellow Subsidiary	3.37	0.01
Retention Money Release - Shareholders' having substantial interest/ Enterprises in respect of which the reporting enterprise is an associate/Joint Venture	10.49	-
Aircraft Usage Charges - Fellow Subsidiary	22.47	-
Capital expenditure towards Engineering, Procurement and Construction contract (including mobilization advance) - Enterprises where Key management Personnel and their relatives exercises significant influence exists	317.84	-
Rent Deposit Paid - Enterprises where key management personnel and their relatives exercise significant influence exists	18.79	-
Logo License Fee - Holding Company	0.001	-
Consultancy Fee - Fellow Subsidiary	0.43	-
Upfront Fee - Shareholders' having substantial interest/ Enterprises in respect of which the reporting enterprise is an associate/Joint Venture	150.00	-
Annual Fee - Shareholders' having substantial interest/ Enterprises in respect of which the reporting enterprise is an associate/Joint Venture	271.98	-
Operation Support Cost - Shareholders' having substantial interest/ Enterprises in respect of which the reporting enterprise is an associate/Joint Venture	77.79	-
Capital Work in Progress - Shareholders' having substantial interest/ Enterprises in respect of which the reporting enterprise is an associate/Joint Venture	73.16	-
Airport Operators Agreement - Shareholders' having substantial interest/ Enterprises in respect of which the reporting enterprise is an associate/Joint Venture	45.72	-
Expenses for major maintenance - Holding Company	4.68	-

Notes to the Consolidated Accounts

Schedule 19 (Contd.)

(Rs. in Crore)

Nature of Transaction	2007	2006
Balance Payable /Recoverable		
- Holding Company	2.21	-
- Shareholders' having substantial interest/ Enterprises in respect of which the reporting enterprise is an associate/Joint Venture	52.83	8.25
- Enterprises where Key management and their relatives exercises significant influence exists	(18.79)	-
- Enterprises where Key management and their relatives exercises significant influence exists	145.85	-
- Key management personnel	8.42	6.78

Notes:

(i) The Company has provided securities by way of pledge of investments for loans taken by certain companies.

(ii) Certain Key Management Personnel have extended personal guarantees as security towards borrowings of the Company and other bodies corporate. Similarly the holding company has pledged certain shares held in the Company and other bodies corporate as security towards the borrowings of the Company.

(iii) Transactions and outstanding balances in the nature of reimbursement of expenses incurred by one company on behalf of the other have not been considered above.

For and on behalf of the Board of Directors

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

Sd/-
G B S Raju
Group Director &
Group CFO

Sd/-
A.S.Cherukupalli
Company Secretary

Place : Bangalore
Date: June 30, 2007

Consolidated Cash Flow Statement for the year ended March 31, 2007

(Rs. in Crore)

		31st March 2007	31st March 2006
A.	**CASH FLOW FROM OPERATING ACTIVITIES**		
	Profit before taxation	283.31	106.13
	Adjustments for :		
	Depreciation	134.56	219.97
	Provision for diminution in value of investments	5.69	-
	(Profit)/Loss from sale of investments (net)	(3.77)	1.77
	(Profit)/Loss from sale/write off of fixed assets (net)	0.13	0.46
	Provision for doubtful advances/claims/debts etc.	4.97	15.65
	Dividend income	(3.27)	(5.79)
	Income from investments	(12.82)	(3.64)
	Interest income	(17.23)	(0.91)
	Interest expenses	144.14	130.27
	Operating Profit Before Working Capital Changes	**535.71**	**463.91**
	Adjustments for :		
	Inventories	5.46	(5.23)
	(Increase)/Decrease in Trade and other receivables	(151.62)	(140.98)
	Increase/(Decrease) in Trade Payables	337.81	(37.68)
	Cash generated from operations	**191.65**	**(183.89)**
	Direct taxes paid (including fringe benefit tax)	(53.08)	(14.84)
	Net Cash from Operating Activities	**674.28**	**265.18**
B.	**CASH FLOW FROM/(USED IN) INVESTING ACTIVITIES**		
	(Purchase)/Sale of fixed assets (net)	(1,958.84)	(866.37)
	(Purchase) / Sale of investments (net)	(8.70)	(82.00)
	Income from investments	12.82	3.64
	Interest received	11.22	26.57
	Dividend received	3.27	5.79
	Net Cash used in Investing Activities	**(1,940.23)**	**(912.37)**
C.	**CASH FLOW FROM/(USED IN) FINANCING ACTIVITIES**		
	Issue of equity shares (including share premium) (Refer Note 2 below)	1,268.42	-
	Issue of common stock in consolidated entities (including share application money)	34.40	30.35
	Proceeds/(Repayments) from/of Borrowings (Net)	735.40	1,006.53
	Interest paid	(145.65)	(157.56)
	Dividend paid (including dividend distribution tax)	(2.33)	(7.32)
	Net Cash used in Financing Activities	**1,890.24**	**872.00**
	Net increase/(decrease) in Cash and Cash Equivalents	**624.29**	**224.81**
	Cash and Cash Equivalents as at April 1,	**675.75**	**450.94**
	Cash and Cash Equivalents as at March 31,	**1,300.04**	**675.75**

Notes:

1. The above Cash Flow Statement has been prepared under the 'Indirect Method' as set out in the Accounting Standard - 3 on 'Cash Flow Statements'issued by the Institute of Chartered Accountants of India.
2. Represents amount received towards issue of Equity Shares by way of preferential allotment and initial public offer and is net of Rs. 70.67 expenditure incurred in respect of initial public offer of equity shares.
3. Previous years figures have been regrouped and reclassified to conform to those of the current year.
4. Cash and cash equivalents as at March 31, 2007 include restricted Cash and Bank balance amounting to Rs. 256.54 (2006: Rs Nil).

This is the Consolidated Cash flow referred to in our report of even date.

For and on behalf of the Board of Directors

Sd/-
P. Rama Krishna
Partner
For and on behalf of
Price Waterhouse
Chartered Accountants

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

Sd/-
G B S Raju
Group Director &
Group CFO

Sd/-
A.S.Cherukupalli
Company Secretary

Place : Bangalore
Date : 30 June, 2007

GMR Infrastructure Limited

Directors' Report

Dear Shareholders,

Your Directors have pleasure in presenting the Eleventh 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 its businesses majorly 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.

Consolidated Financial Results

(Rs. in Crore)

Particulars	March 31, 2007	March 31, 2006
Gross Revenue	1987.05	1064.98
Fee paid to Airport 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 Airport 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, 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.

Financial Results of the Company on Stand Alone basis:

(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(GMR Badrinath)
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(Gateways)
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 (GMR Aviation)
3. DIAL Cargo Private Limited (DIAL Cargo)

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) Airport 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 Kemeng district, on River Kemeng, 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 was planned to be met 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 was to be met 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 was to be met 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 was to be met 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.

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 date. 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 June 5, 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

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

The 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

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)

	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

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	30,74,486 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

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	18.92
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	29.33	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	–	–	–	–	–	–

Note: Hyderabad Menzis Air Cargo Private Limited was incorporated on 22nd February, 2006 and has not closed its Financial Year 2007

Report on Corporate Governance

1. COMPANY'S PHILOSOPHY

Good corporate governance, for the Company, does not mean only compliance with various related statutory and regulatory requirements. The Company strongly believes that the spirit of corporate governance goes beyond the statutory form. Sound Corporate Governance is a key driver of sustainable corporate growth and long-term value creation for the stakeholders and protection of their interests. It is the endeavor of the Company to meet the growing aspirations of all stakeholders including shareholders, employees, customers, lenders, business partners and Government. The Company is committed to maintain the highest level of transparency, accountability and equity in its operations.

The Company always strives to follow the path of good Governance through a broad framework of various processes, including the following:

1) The Board of Directors exercises its fiduciary responsibilities in the widest sense of the term.
2) The Board including its committees is well equipped to be active, well-informed and independent to ensure better standard of Corporate Governance.
3) The Company's disclosures always seek to attain the best practices in the Industry.
4) Strict following of the guidelines / policies on Code of Conduct, Prevention of Insider Trading and Whistle Blower Policy.

2. BOARD OF DIRECTORS:

A. Composition of the Board

As on 31st March, 2007, the Board consists of fourteen directors. Chairman is an executive director, designated as Chairman and Managing Director. There is one other executive director and the remaining twelve are non-executive directors. The Board consists of seven (7) independent directors. All important strategic policy matters are deliberated at the board meetings where the role of independent directors is crucial. The independent directors are all expert professionals with high credentials, who actively contribute in the deliberations of the Board.

The Board Constitutes the following:

Sl. No.	Name of Director	Category	Number of other Director-ships held in other Public Limited Companies	Number of committee* Chairmanships / memberships held in other Public companies as on 31.03.2007	
				Chairman	Member
1	G. M. Rao	C&MD Promoter	13	-	-
2	Srinivas Bommidala	NEPD	11	1	4
3	G. B. S. Raju	EPD	4	-	-
4	G. Kiran Kumar	NEPD	7	-	1
5	B. V. Nageswara Rao	NEPD	11	-	7
6	K. Balasubramanian	NEPD	6	1	4
7	P. B. Vanchi	NEPD	2	-	1
8	Arun K. Thiagarajan	NEID	11	1	6
9	K. R. Ramamoorthy	NEID	7	1	5
10	Dr. Prakash G. Apte	NEID	2	-	-
11	R.S.S.L.N. Bhaskarudu	NEID	5	1	2
12	T.R. Prasad	NEID	4	1	1
13	Udaya Holla	NEID	3	-	-
14	Uday M. Chitale	NEID	6	5	3

C&MD – Chairman & Managing Director

NEPD - Non Executive Promoter Director

EPD- Executive Promoter Director

NEID – Non Executive Independent Director

* Committee means Audit committee and Shareholders Transfer & Grievance committee only.

B. Board Meetings:

Six Board Meetings were held during the financial year ended on 31st March, 2007. These meetings were held on 14th April, 2006, 25th April, 2006, 13th May, 2006, 12th July, 2006, 25th October, 2006 (adjourned to 26th October, 2006) and 23rd January, 2007.

C. Directors' attendance record:

The attendance of directors at the Board meetings held during the financial year ended 31st March, 2007 and at the previous Annual General Meeting held on 7th August, 2006 was as under.

Sl. No.	Name of the Directors	Board meetings held during the Period of Directorship	Number of Board meetings attended during the period 1st April, 2006 to 31st March, 2007	Whether present at the previous AGM
1	G. M. Rao	6	6	No
2	Srinivas Bommidala	6	4	No
3	G. B. S. Raju	6	4	No
4	G. Kiran Kumar	6	4	No
5	B. V. Nageswara Rao	6	5	Yes
6	K. Balasubramanian	6	5	No
7	P. B. Vanchi+	4	2	No
8	Arun K. Thiagarajan	6	6	No
9	K. R. Ramamoorthy	6	5	Yes
10	Luis Miranda**	4	3	No
11	Dr. Prakash G Apte	6	6	Yes
12	R.S.S.L.N. Bhaskarudu	6	6	No
13	T.R. Prasad	6	6	No
14	Udaya Holla	6	5	No
15	Uday M. Chitale	6	5	No

+ Mr. P B Vanchi was appointed as Director on 13th May, 2006

** Mr. Luis Miranda was appointed as Director on 14th April, 2006 and has resigned from the Board with effect from 16th August, 2006

D. Profile of Directors being appointed in the Annual General Meeting to be held on 30th August, 2007

Mr. Srinivas Bommidala, 44, Group Director, is the son-in-law of Mr. G. M. Rao and is one of the first directors of the Company. Currently, he is the Managing Director of Delhi International Airport Private Limited. He led the Company's foray into the power sector with setting up of 200 MW power plant at Chennai and was the managing director of GMR Power Corporation Private Limited (GPCPL). As the Managing Director of Vemagiri Power Generation Limited (VPGL), he led the implementation of the gas based power project in Vemagiri, Andhra Pradesh. He has over 23 years of experience in the agriculture, fast moving consumer goods and services sector.

He holds 20,166 equity shares of the Company as on 31st March, 2007 (including 20,000 equity shares as Karta of Srinivas Bommidala HUF).

Details of his Directorships and Committee memberships are as follows:

Sl.No	Name of the Company (Directorships)	Committee Memberships
1	GMR Infrastructure Limited	Member- Management Committee, Debenture Allotment Committee
2	GMR Energy Limited	Chairman - Share Allotment and Transfer Committee, Member - Management Committee
3	Delhi International Airport Private Limited	Member - Share Allotment Committee
4	GMR Hyderabad International Airport Limited	Member - Audit Committee
5	GMR Power Corporation Private Limited	Member - Management Committee
6	Vemagiri Power Generation Limited	Member - Share Transfer Committee & Share Allotment Committee
7	GMR Ambala Chandigarh Expressways Private Limited	-
8	GMR Pochanpalli Expressways Private Limited Project Management Committee, Management Committee	Member - Audit Committee, Remuneration Committee,

Sl.No	Name of the Company (Directorships)	Committee Memberships
9	GMR Jadcherla Expressways Private Limited	Member - Audit Committee, Remuneration Committee, Project Management Committee, Management Committee
10	GMR Ulundurpet Expressways Private Limited	Member - Audit Committee, Remuneration Committee, Project Management Committee, Management Committee
11	GMR Holdings Private Limited	-
12	GMR (Badrinath) Hydro Power Generation Private Limited	-
13	GMR Varalakshmi Foundation	-
14	GMR Mining & Energy Private Limited	-
15	GMR Highways Private Limited	-
16	BSR Infrastructure Private Limited	-
17	Bommidala Exports Private Limited	-
18	Sapphire Springs Private Limited	-

Mr. G. Kiran Kumar, 31, Group Director, is the younger son of Mr. G.M. Rao and has been on the Company's Board since 1999. He led the Company's foray into Airports business and currently as the Managing Director of GMR Hyderabad International Airport Limited (GHIAL), he is spearheading the implementation of the airport project at Hyderabad. He is also responsible for the development of new business in the airports sector. In addition, he heads Group HR and Corporate Communication functions. Before taking over the reins of GHIAL, he headed the Group's Finance function and the shared services.

He holds 20,166 equity shares of the Company as on 31st March, 2007. (including 20,000 equity shares as Karta of G Kiran Kumar HUF)

Details of his Directorships and Committee memberships as on 31st March, 2007 are as follows:

Sl. No.	Name of the Company (Directorships)	Committee Memberships
1	GMR Infrastructure Limited	Member - Management Committee
2	Delhi International Airport Private Limited	Member - Audit Committee
3	GMR Hyderabad International Airport Limited	-
4	GMR Industries Limited	-
5	GMR Tambaram Tindivanam Expressways Private Limited	Member - Share Allotment and Transfer Committee
6	GMR Tuni Anakapalli Expressways Private Limited	-
7	GMR Holdings Private Limited	-
8	Ideaspace Solutions Limited	-
9	Gateways for India Airports Private Limited	-
10	GMR Varalakshmi Foundation	-

Mr. B. V. Nageswara Rao, 53, Group Director, has been associated with the Group since 1990 and is one of the first directors of the Company. He held various senior responsibilities in the Group and currently heads Energy Sector and Roads Sector businesses of the Company. He is a director on the Boards of several subsidiaries of the Company and is the Managing Director of GPCPL. In addition, he holds charge of the Corporate Relationships function at the Group level. During his stint with Andhra Bank before joining the Group, he gained extensive experience in the banking sector with specific focus in industrial finance. He holds a bachelor's degree in mechanical engineering.

He holds 14,000 equity shares of the Company as on 31st March, 2007.

Details of his Directorships and Committee memberships as on 31st March, 2007 are as follows:

Sl. No.	Name of the Company (Directorships)	Committee Memberships
1	GMR Infrastructure Limited	Member – Share holders Transfer and Grievance Committee, Management Committee, Debenture Allotment Committee

Sl. No.	Name of the Company (Directorships)	Committee Memberships
2	GMR Energy Limited	Member - Share Allotment and Transfer
3	GMR Hyderabad International Airport Limited	Member - Audit Committee
4	GMR Power Corporation Private Limited	-
5	Vemagiri Power Generation Limited	Member - Remuneration Committee, Share Transfer Committee, Share Allotment Committee
6	GMR Tuni Anakapalli Expressways Private Limited	Member - Audit Committee
7	GMR Tambaram Tindivanam Expressways Private Limited	Member - Audit Committee
8	GMR Pochanpalli Expressways Private Limited	Chairman - Remuneration Committee, Member - Audit Committee
9	GMR Ambala Chandigarh Expressways Private Limited Committee	Chairman - Remuneration Committee, Member - Audit
10	GMR Jadcherla Expressways Private Limited Committee	Chairman - Remuneration Committee, Member - Audit
11	GMR Ulundurpet Expressways Private Limited Committee	Chairman - Remuneration Committee, Member - Audit
12	Raxa Security Services Limited	Chairman - Remuneration Committee
13	GMR Highways Private Limited	-
14	GMR Varalakshmi Foundation	-

Mr. Arun K Thiagarajan, 62, Director, has joined the Company's Board in September, 2005. He is also a director on the Board of GMR Energy Limited, a subsidiary of the Company. He has done his masters in electrical engineering from the Royal Institute of Technology, Sweden. He has also obtained a management degree from Sweden and has done an advanced management program from Harvard Business School (USA). He held many senior positions in various global companies including President & Country General Manager - Hewlett-Packard India Limited, Vice Chairman- Wipro Limited and Managing Director- ABB Limited. He is also on the boards of several other companies.

He holds 3,000 equity shares of the Company as on 31st march, 2007.

Details of his Directorships and Committee memberships as on 31st March, 2007 are as follows:

Sl. No.	Name of the Company (Directorships)	Committee Memberships
1	GMR Infrastructure Limited	Member –Audit Committee
2	Web Peripherals Limited	Member – Compensation Committee
3	ING Vysya Bank Limited	Chairman- Audit CommitteeMember - Investors Committee, Corporate Governance Committee
4	Alstom Projects India Limited	Member –Audit Committee
5	Krone Communication Limited	Member –Audit Committee
6	PSI Data Systems Limited	Member –Audit Committee
7	GMR Energy Limited	
8	CITEC Information India Private Limited	-
9	Birla Technologies Limited	-
10	Transwork Information Services Limited	-
11	Cable corporation of India Limited	-
12	Westrup A/s	-
13	Idea Cellular Limited	Member –Audit Committee
14	TTK Prestige Limited	-

D) Code of Conduct:

As per requirement of Clause 49 of the Listing Agreement with the Stock Exchanges, the Board has laid down a code of conduct for all board members, senior management personnel and designated employees of the company. The code of conduct is posted on the website of GMR Group. All Board members and senior management personnel affirm compliance with the code on an annual basis, and the declaration to that effect by Mr. G M Rao, Chairman and Managing Director and Mr. G.B.S. Raju, Group Director & GCFO, is attached to this report.

E) Risk Management:

In a dynamic industry such as infrastructure, risk is an inherent aspect of business. The risk management function therefore is integral to the company and its objectives include ensuring that critical risks are identified continuously, monitored and managed effectively in order to protect the company's businesses.

A comprehensive and integrated risk management framework forms the basis of all the de-risking efforts of the company. Prudential norms at limiting exposures are an integral part of this framework. Formal reporting and control mechanisms ensure timely information availability and facilitate proactive risk management. These mechanisms are designed to cascade down to the level of line managers so that the risks at the transactional level are identified and steps are taken towards mitigation in a de-centralized fashion.

At the enterprise level derisking of company's business risks is sought to be achieved by a policy of undertaking diversified projects in different segments, geographies and revenue models The board of directors is responsible for monitoring risk levels on various parameters and ensures implementation of mitigation measures, wherever required.

Framework

The risk management framework is designed to address what management believes can be largely quantified and mitigated. The framework classifies these risks as follows:

1 **Business Risks -** • Client Concentration, • Contracts, • Regulatory, • Technological Obsolescence

2 **Financial Risks -** • Interest Rates, • Foreign Exchange Fluctuations, • Liquidity Management

3 **Legal and Statutory Risks -** • Contractual Liabilities, • Statutory Compliance, • Fixed asset & employee insurance

4 **Organizational and management risks-** • Leadership development, • Human resource management, • Process maturity, • Internal Control Systems

5 **Political Risks**

During the year detailed presentations were made to the Board members on enterprise's risk management system and process was set up to inform Board / Audit Committee members about the risk assessment and minimization procedures. These procedures are subjected to periodical review to ensure that the management controls the risk through means of a proper defined framework.

F) Subsidiary Companies:

The company monitors the performance of its subsidiary companies, inter alia by following means:

a) The financial statements, in particulars the investments made by subsidiary companies, are reviewed by the Audit Committee of the Company as and when applicable.

b) The minutes of the Board / Audit Committee Meetings of Subsidiary Companies are noted at the Board / Audit Committee Meetings respectively of the Company.

c) The details of significant transactions and arrangements entered into by the subsidiary companies are placed before the Board of the Company as and when applicable.

3. AUDIT COMMITTEE

a) Constitution of Audit Committee:

The Board has constituted the Audit committee comprising of following members:

Sl. No.	Names	Capacity
1	K.R.Ramamoorthy	Chairman
2	Arun K. Thiagarajan	Member
3	Udaya Holla	Member
4	Uday M. Chitale	Member

The composition of the Audit Committee meets the requirement of Section 292A of the Companies Act, 1956 and Clause 49 of the Listing Agreement with the Stock Exchanges.

A S Cherukupalli, Company Secretary and Compliance Officer, acts as Secretary to the committee.

b) Meetings and attendance during the year:

During the financial year ended on March 31, 2007, five Audit committee meetings were held on 14th April, 2006, 13th May 2006, 12th July, 2006, 25th October, 2006, and 23rd January, 2007. Attendance of the Audit Committee members was as under:

Sl. No.	Name	No. of Meetings attended
1	K.R. Ramamoorthy	4
2	Arun K Thiagarajan	5
3	Udaya Holla	4
4	Uday M. Chitale	4

c) The terms of reference of the Audit committee are as under:

a. Oversight of the company's financial reporting process and the disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible.

b. Recommending the appointment and removal of external auditor, fixation of audit fee and also approval for payment for any other services.

c. Reviewing with management the annual financial statements before submission to the board, focusing primarily on:

- Any changes in accounting policies and practices.
- Major accounting entries based on exercise of judgment by management.
- Qualifications in draft audit report.
- Significant adjustments arising out of audit.
- The going concern assumption.
- Compliance with accounting standards.
- Compliance with stock exchange and legal requirements concerning financial statements
- Any related party transactions i.e. transactions of the company of material nature, with promoters or the management, their subsidiaries or relatives etc. that may have potential conflict with the interests of company at large.

d. Reviewing with the management, external and internal auditors, the adequacy of internal control systems.

e. Reviewing the adequacy of internal audit function, including the structure of the internal audit department, staffing and seniority of the official heading the department, reporting structure coverage and frequency of internal audit.

f. Discussion with internal auditors any significant findings and follow up there on.

g. Reviewing the findings of any internal investigations by the internal auditors into matters where there is suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to the board.

h. Discussion with external auditors before the audit commences, nature and scope of audit as well as have post-audit discussion to ascertain any area of concern.

i. Reviewing the company's financial and risk management policies.

j. To look into the reasons for substantial defaults in the payment to the depositors, debenture holders, shareholders (in case of non payment of declared dividends) and creditors.

4. REMUNERATION COMMITTEE:

a) Constitution of Remuneration committee:

The Board has constituted the Remuneration committee comprising of following members:

Sl. No.	Names	Capacity
1	K.R.Ramamoorthy	Chairman
2	G.M. Rao	Member
3	K. Balasubramanian	Member
4	Dr. Prakash G. Apte	Member
5	Udaya Holla	Member

A S Cherukupalli, Company Secretary and Compliance Officer, acts as Secretary to the Committee.

b) The terms of reference of the Remuneration committee are as under

i. Meetings of the committee shall be held whenever matters pertaining to the remuneration payable including any revision in remuneration payable to executive /non executive Directors is to be made.
ii. Payment of remuneration shall be approved by a resolution passed by Remuneration c committee.
iii. All information about the Directors /Managing Directors /Whole time Directors i.e, background details, past remuneration, recognition or awards, job profile shall be considered and disclosed to shareholders.
iv. The committee shall take into consideration and ensure the compliance of provisions under Schedule XIII of the Companies Act, 1956, for appointing and fixing remuneration of managing directors /whole time directors.
v. While approving the remuneration, the committee shall take into account financial position of the Company, trend in the industry, qualification, experience and past performance of the appointee.
vi. The committee shall be in position to bring about objectivity in determining the remuneration package while striking the balance between the interest of the company and the shareholders.
vii. Following disclosures on the remuneration of directors shall be made in the section on the corporate governance of the annual report:

- All elements of remuneration package of all the directors i.e. salary, benefits, bonuses, stock options, pension etc.
- Details of fixed component and performance linked incentives, along with the performance criteria.
- Service contracts, notice period, severance fees.
- Stock option details, if any – and whether issued at a discount as well as the period over which accrued and over which exercisable.

c) Attendance during the year:

No meeting of Remuneration committee was held during the financial year 2006-07.

d) Remuneration Policy

Remuneration of Managing Director or Executive Director is determined periodically by the Remuneration committee within the permissible limits under the applicable provisions of law and as approved by shareholders. Non-Executive Directors are paid sitting fees within the limits prescribed under law.

e) Details of remuneration paid during the financial year ended 31st March, 2007 to the directors are furnished hereunder.

Sl.	Name	Salary & Commission (Rs.)	Perquisites (Rs.)	Sitting Fees (Rs.)	Total (Rs.) (Rs.)	No. of shares held
1	G. M. Rao	Nil	Nil	Nil	Nil	333
2	Srinivas Bommidala	Nil	Nil	Nil	Nil	20166
3	G. B. S. Raju	Nil	Nil	Nil	Nil	20166
4	G. Kiran Kumar	Nil	Nil	Nil	Nil	20166
5	B. V. Nageswara Rao	Nil	Nil	Nil	Nil	14000
6	K. Balasubramanian	Nil	Nil	Nil	Nil	10000
7	P B Vanchi	Nil	Nil	Nil	Nil	Nil
8	Arun K. Thiagarajan	Nil	Nil	1,70,000	1,70,000	3000
9	K. R. Ramamoorthy	Nil	Nil	2,50,000	2,50,000	Nil
10	Luis Miranda*	Nil	Nil	60,000	60,000	Nil
11	Dr. Prakash G Apte	Nil	Nil	1,20,000	1,20,000	3000
12	R.S.S.L.N. Bhaskarudu	Nil	Nil	1,20,000	1,20,000	Nil
13	T.R. Prasad	Nil	Nil	1,20,000	1,20,000	Nil
14	Udaya Holla	Nil	Nil	2,50,000	2,50,000	Nil
15	Uday M. Chitale	Nil	Nil	1,40,000	1,40,000	3000

* resigned from the Board with effect from 16.08.2006

* Sitting fees paid to IDF, as Mr. Luis Miranda is a Nominee of IDF.

The Company does not have any stock option plan or performance linked incentive for the Director(s).

5. SHAREHOLDERS' TRANSFER AND GRIEVANCE COMMITTEE:

a) Constitution of the committee:

The Board has constituted the Shareholders' Transfer and Grievance committee comprising of following members:

Sl. No.	Names	Capacity
1	Udaya Holla	Chairman
2	K.R.Ramamoorthy	Member
3	G.B.S. Raju	Member
4	B.V.NageswaraRao	Member

The composition of the Committee meets the requirement of Clause 49 of the Listing Agreement with the Stock Exchanges.

A S Cherukupalli, Company Secretary and Compliance Officer, acts as Secretary to the Committee.

b) Attendance of members of "Shareholders' Transfer & Grievance committee" during the year:

During the financial year ended on March 31, 2007, "Shareholders' Transfer & Grievance committee" meetings were held twelve times on 22nd April, 2006, 25th April, 2006, 13th May, 2006, 5th June, 2006, 9th June, 2006, 10th June, 2006, 7th July, 2006, 13th July, 2006, 25th October, 2006, 18th December, 2006, 23rd January, 2007 and 24th March, 2007 and the attendance of members were as under:

Sl. No.	Names	No. of Meetings attended
1	Udaya Holla	11
2	K. R. Ramamoorthy	11
3	G.B.S. Raju	7
4	B. V. Nageswara Rao	9

c) The terms of reference of the Shareholders' Transfer & Grievance committee are as under:

i. Allotment of all types of securities to be issued by the Company.

ii. Transfer, transposition and transmission of securities.

iii. Issuance of duplicate shares or other securities.

iv. Dealing with complaints about non-receipt of declared dividend, non-receipt of Annual Reports etc.

v. Investigate into other investors' complaints and take necessary steps for redressal thereof.

vi. To perform all functions relating to the interests of shareholders / investors of the Company as may be required by the provisions of the Companies Act, 1956, Listing Agreements with Stock Exchanges and Guidelines issued by SEBI or any other Regulatory Authority.

vii. Authorize Company Secretary or other persons to take necessary action on the above matters.

viii. Appointment and fixation of remuneration of Registrar and Share transfer Agent and Depositories and to review their performance.

The details of the Complaints received during the financial year 2006-07 and the status of the same is as below:

Sl. No	Particulars	No. of Complaints received	No. of Complaints Resolved	Pending Complaints
1	Non-Receipt of Annual Reports	3	3	0
2	Non-Receipt of Refund Orders	84	84	0
3	Non-Receipt of Electronic Credit	113	113	0
4	Non-Receipt of Allotment/Call Notice	46	46	0
5	Non-Receipt of Stickers	3	3	0
6	Non-Receipt of Share Certificates	3	3	0
7	Complaints received through SEBI	7	7	0
8	Complaints through Stock Exchange	1	1	0
	Total	260	260	0

6. MANAGEMENT COMMITTEE:

a) Constitution of Management ommittee

The Board has constituted the Management committee comprising of following members:

Sl. No.	Names	Capacity
1	G.M.Rao	Chairman
2	Srinivas Bommidala	Member
3	G.B.S. Raju	Member
4	G. Kiran Kumar	Member
5	B.V.Nageswara Rao	Member
6	K. Balasubramanian	Member
7	P.B.Vanchi*	Member

*appointed as member on 13th May, 2006

A S Cherukupalli, Company Secretary and Compliance Officer, acts as Secretary to the committee.

b) The terms of reference of the Management Committee are as under:

Decision making relating to operational matters like investments in new projects, financial matters, capital expenditure, purchases & contracts - non capital(including services), sales and marketing, long term contracts, stores, HR related, establishment & administration, writing off of assets etc.

Decision making relating to IPO matters like quantum of issue, issue price, appointment of lead managers and other intermediaries, Registrars to the issue, Bankers to the issue, listing of shares, execution of all the document pertaining to IPO etc.

c) Attendance of members of Management committee during the year:

During the financial year ended on March 31, 2007, eight Management committee meeting were held on 24th June, 2006, 5th August, 2006, 7th August, 2006, 17th August, 2006, 24th August, 2006, 16th September, 2006, 24th January, 2007 and 14th February, 2007 and the attendance of members were as under:

Sl. No.	Names	No. of Meetings attended
1	G.M.Rao	8
2	Srinivas Bommidala	4
3	G.B.S. Raju	8
4	G. Kiran Kumar	6
5	B.V.Nageswara Rao	8
6	K. Balasubramanian	4
7	P.B.Vanchi	5

7. DEBENTURES ALLOTMENT COMMITTEE:

a) Constitution of Debenture allotment committee

The Board has constituted the Debentures allotment committee comprising of following members:

Sl. No.	Names	Capacity
1	Srinivas Bommidala	Member
2	G.B.S. Raju	Member
3	B.V.Nageswara Rao	Member
4	K. Balasubramanian	Member

b) The terms of reference of the Debenture allotment committee are as under:

Issuance and allotment of Debentures on such terms and conditions as may be prescribed from time to time in this regard.

c) Attendance of members of Debentures allotment committee during the year:

No Meeting of Debentures allotment committee was held during the financial year 2006-07.

8. GENERAL BODY MEETINGS:

a) The last three Annual General Meetings of the Company were held as under.

Financial Year	Date	Venue	Time
2005-2006	07.08.2006	Chancery Hall, Taj West End Hotel, M G Road, Bangalore - 560001	3.30 p.m.
2004-2005	31.08.2005	25/1, Skip House, Museum Road, Bangalore – 560025	11.00 a.m.
2003-2004	25.06.2004	6-3-866/1/G2, Greenlands, Begumpet, Hyderabad	11.00 a.m.

b) The company has not passed any Special Resolution at the last three Annual General Meetings of the Company.

c) Whether Special resolutions were put through postal ballot last year, if so, details of voting pattern.

No special resolutions were put through postal ballot last year.

9. DISCLOSURES:

a) Disclosures on materially significant related party transactions i.e., transactions of the company of material nature, with its promoters, the directors or the management, their subsidiaries or relatives, etc., that may have potential conflict with the interests of Company at large.

The transactions with related parties are mentioned at page no.___ in the Annual Report. None of the transactions with related parties are in conflict with interest of company.

b) Details of non-compliance by the Company, penalties, strictures imposed on the Company by Stock Exchange or SEBI or any statutory authority, on any matter related to capital markets, during the last three years.

There has been no instance of non compliance by the Company on any matter related to capital markets during the last three years hence no penalties, strictures have been imposed by Stock Exchange or SEBI or any statutory authority.

10. MEANS OF COMMUNICATION.

The company has been sending Annual Reports, Notices and other communications to each household of shareholders through post and courier modes.

The Quarterly / Annual results of the Company as per the statutory requirement under clause 41 of the Listing Agreement with Stock Exchanges are generally published in the *Asian Age* and *Samyukta Karnataka* (a regional daily published from Bangalore). Company also publishes its Consolidated Financial Statements in Economic Times, Business Line, Business Standard and Financial Express. Quarterly and Annual Financial Statements, along with Segment report, are posted on GMR Group website (www.gmrgroup.in) and in BSE website (www.bseindia.com). The presentations made to analysts and others are also posted on GMR Group website. The quarterly shareholding pattern of the Company is posted on www.sebiedifar.nic.in and GMR Group website (www.gmrgroup.in).

11. MANAGEMENT DISCUSSION AND ANALYSIS REPORT (MDA)

MDA forms part of the Directors' Report and is given at page no. ___ of this Annual Report.

12. GENERAL SHAREHOLDER INFORMATION:

a) Date, time and Venue of the 11th AGM:

Thursday, the 30th August, 2007 at 10.30 a.m. at the NIMHANS Convention Centre, Hosur Road, Bangalore - 560 029.

b) Financial Calendar

Financial Year is 1st April to 31st March and quarterly results will be declared as per the following schedule.

Particulars	Tentative schedule
Financial reporting for the quarter ending 30th June, 2007	second fortnight of July 2007
Financial reporting for the half year ending 30th September, 2007	second fortnight of October 2007
Financial reporting for the quarter ending 31st December, 2007	second fortnight of January 2008
Financial reporting for the year ending 31st March, 2008	second fortnight of June 2008
Annual General Meeting for the year ending 31st March, 2008	August 2008

c) Book Closure date:

The Register of Members and Share Transfer Books of the Company will be closed from Saturday, the 25th August, 2007 to Thursday, the 30th August, 2007 (both days inclusive) for the purpose of 11th Annual General Meeting.

d) Dividend Payment Date

In order to conserve the funds for the improvement and expansion plans of the company, Board has not recommended any Dividend for the financial year 2006- 07.

e) Listing on Stock Exchanges

The Company's Shares are listed on the following Stock Exchanges with effect from 21st August, 2006.

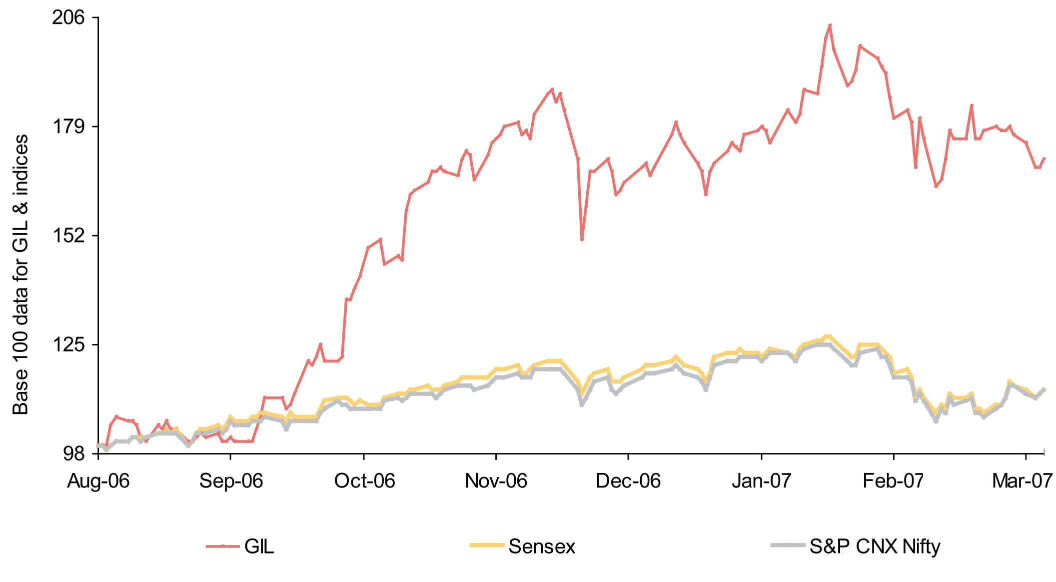
Name of the Stock Exchange	Address Stock	Code
The National Stock Exchange	Exchange Plaza,Plot no. C/1, G Block, Bandra-Kurla Complex Bandra (E)Mumbai - 400 051.	GMRINFRA
The Bombay Stock Exchange	Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai - 400 001	532754

Annual Listing Fees for the year 2007-08 has been paid by the Company to BSE and NSE.

f) Market Data:

	NSE		BSE	
Month	High	Low	High	Low
August, 2006	230.50	200.00	230.40	205.00
September, 2006	238.95	210.25	238.95	210.25
October, 2006	324.70	227.05	324.50	227.50
November, 2006	383.80	307.55	383.40	308.00
December, 2006	404.95	298.15	404.95	299.00
January, 2007	391.30	337.00	392.75	337.00
February, 2007	437.00	342.00	437.10	344.00
March, 2007	390.00	327.05	390.00	328.00

Performance of the share price of the company in comparison to BSE Sensex and S & P CNX Nifty



g) Registrar & Transfer Agents(RTA)

Karvy Computershare Private Limited,
Plot no. 17 to 24
Vittal Rao Nagar, Madhapur,
Hyderabad - 500 081
Telephone No. 040 - 23420819 to 24
Fax No. 040 - 23420814
Email ID:einward.ris@Karvy.com

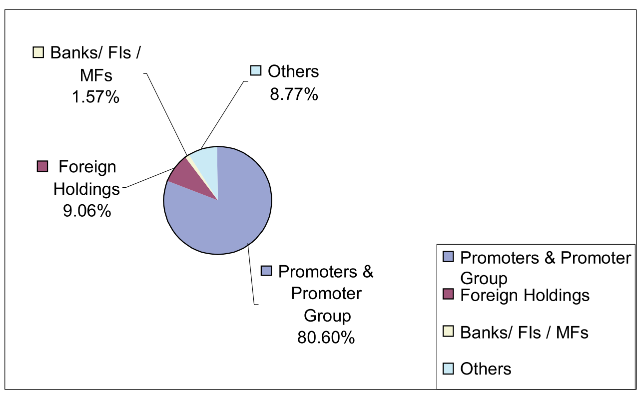
Karvy Computershare Private Limited
No. 59, Skanda, Puttanna road,
Basavannagudi, Bangalore-560 004

h) Share Transfer Procedure

The share transfers which are received in physical form are processed and the share certificates are returned within a period of 7 days from the date of receipt, subject to the documents being valid and complete in all respects. The Board of Directors of the company has delegated powers of approving transfers and transmission of securities to the Shareholders' Transfer & Grievance committee. The committee has authorized each member of the committee to approve the transfer of shares up to 20000 shares per transfer deed and Company Secretary and other Specified Executives of the company to approve the transfer of shares upto 10000 shares per transfer deed. A summary of the transfer / transmissions / de-materialisation request / re-materialisation requests approved by the committee / Executives is placed before the Committee / Board at every meeting. The Company obtains half yearly certificates from a Company Secretary in practice on compliance regarding share transfer formalities and submits a copy thereof to the Stock Exchanges in terms of Clause 47 (c) of the Listing Agreement.

i) Distribution of shareholding as on 31st March, 2007

Distribution by Category



Sl. No.	Category	No. of Shareholders	Total Shares	% To Total Share holding
1	Promoters Bodies Corporate	2	266722722	80.56
2	Promoters Individuals	11	125997	0.04
3	Foreign Institutional Investors	54	25340869	7.65
4	Venture Capital	2	16554043	5.00
5	Resident Individuals	44174	7415299	2.24
6	Bodies Corporates	1002	4526375	1.37
7	Foreign Venture Capital	1	4157218	1.26
8	Banks	9	3092265	0.93
9	Indian Financial Institutions	6	1473875	0.45
10	Mutual Funds	14	632595	0.19
11	Non Resident Indians	661	495951	0.15
12	Clearing Members	140	276245	0.08
13	Trusts	12	142937	0.04
14	HUF	607	127609	0.04
	Total	**46695**	**331084000**	**100.00**

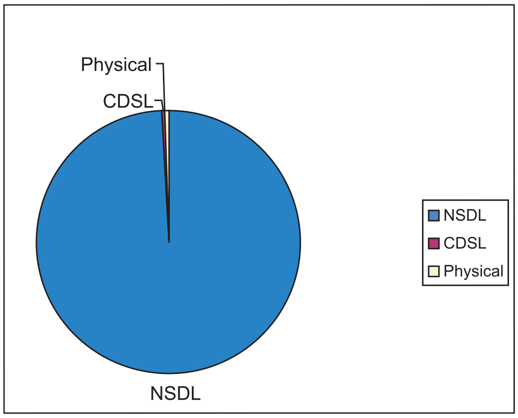
Distribution by size

Sl. No.	No. of Shares	Total No. of Share Holders	Total % Col (2)	Total No. of Shares	Total % Col (4)
1	1 – 500	44656	95.63	4545426	1.37
2	501 – 1000	933	2.00	757919	0.23
3	1001 – 2000	452	0.97	706354	0.21
4	2001 – 3000	189	0.40	496585	0.15
5	3001 – 4000	85	0.18	313539	0.09
6	4001 – 5000	89	0.19	424739	0.13
7	5001 – 10000	115	0.25	886741	0.27
8	10001 and above	176	0.38	322952697	97.54
Total		**46695**	**100.00**	**331084000**	**100.00**

j) Dematerialisation of shares and liquidity

The Company's shares are available for dematerialization in both the Depositories i.e, National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL). 99.65% of shares have been dematerialized as on 31st March 2007.

ISIN: INE 776C01013



Category	No. of Shares	% of Share holding
NSDL	328652078	99.27
CDSL	1251044	0.38
Physical	1180878	0.35
Total	**331084000**	**100.00**

k) Outstanding GDRs/ADRs/Warrants or any Convertible instruments, conversion date and likely impact on equity.

Not Applicable

l) Investor Correspondence:

Registered Office Address:
Skip House, 25/1, Museum Road, Bangalore-560 025
Tel Phone No. +91 80 22070100
Tel Fax No. +91 80 22998118
Web site : www.gmrgroup.in

Company Secretary & Compliance Officer
Mr. Adiseshavataram Cherukupalli
Skip House, 25/1, Museum Road, Bangalore-560 025
Tel Phone No. +91 80 22070100
Tel Fax No. +91 80 22998118
E-mail: adiseshavataram.cherukupalli@gmrgroup.in

Prevention of Insider Trading

In accordance with the requirements of SEBI (Prohibition of Insider Trading) regulations, 1992, the company has instituted a comprehensive code of conduct for prohibition of Insider Trading in Company's shares.

Secretarial audit for reconciliation of capital

As stipulated by SEBI, a qualified practicing company secretary carries out the secretarial audit to reconcile the total admitted capital with National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL) and the total issued and paid up capital. This audit is carried out every quarter and the report there on is submitted to the stock exchanges, NSDL and CDSL and is placed before the Board of directors. The audit, inter alia confirms that the total listed and paid up capital of the company is in agreement with the aggregate of the total no. of shares in dematerilaised form held with NSDL and CDSL and total no. of shares in physical form.

Corporate Identity Number (CIN)

Corporate Identity Number (CIN) of the Company, allotted by Ministry of Corporate Affairs, Government of India is L45203KA1996PLC034805.

Whistle Blower Policy

To maintain high level of legal, ethical and moral standards and to provide a gateway for employees to voice concern in a responsible and effective manner about serious malpractice, impropriety, abuse or wrongdoing within the organization, the company has formulated a Whistle Blower Policy applicable to the Company and its Subsidiaries. In terms of this policy employees of the Company and its subsidiaries are allowed to raise concerns on issues of malpractice, impropriety, abuse or wrongdoing without fear or reprisal to ensure that no employee feels he / she is at a disadvantage to raise legitimate concerns. Any unlawful activity, breach of policy / code of conduct, fraud and corruption, financial malpractice, unethical or improper conduct, abuse of power, children or vulnerable of adults etc. constitute the malpractice, impropriety, abuse and wrong doing. The employee can raise his concerns to the designated Ombudsperson and further action will be taken as per the laid down procedure. This mechanism has been communicated to all concerned and posted on the Group's web site.

Compliance Certificate of the Auditors

Certificate from the Auditors of the company, M/s Price Waterhouse, Chartered Accountants, confirming compliance with the conditions of Corporate Governance as stipulated under Clause 49 of the Listing Agreement is annexed hereinafter.

Adoption of Non-Mandatory requirements of Clause 49

1. The Company has constituted a remuneration Committee of the Board, a note on which is given elsewhere in this report.

2. The Company is in the regime of unqualified financial statements.

CEO / CFO CERTIFICATION

To the Board of Directors,
GMR Infrastructure Limited.

We hereby certify that:

a) We have reviewed financial statements and the Cash Flow Statement of the company for the year 2006-07 and to the best of our knowledge and belief:

i) these financial statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading;

ii) these statements together present a true and fair view of the company's affairs and are in compliance with existing accounting standards, applicable laws and regulations.

b) There are, to the best of our knowledge and belief, no transactions entered into by the company during the year which are fraudulent, illegal or violative of the company's code of conduct.

c) We accept responsibility for establishing and maintaining internal controls for finanacial reporting and that we have evaluated the effectiveness of the internal control systems of the company partaining to financial reporting and we have disclosed to the auditors and the Audit Committee, deficiencies in the design or operation of such internal controls, if any, of which we are aware and the steps we have taken or propose to take to rectify these deficiencies.

d) We have indicated to the auditors and the Audit Committee:

i) Significant changes in internal control over financial reporting during the year;

ii) Significant changes in accounting policies during the year and that the same have been disclosed in the notes to the financial statements; and

iii) instances of significant fraud of which we have become aware and the involvement therein, if any, of the management or an employee having a significant role in the company's internal control system over financial reporting.

e) We further declare that all Board Members and Senior Management personnel have affirmed compliance with the code of conduct prescribed by the Board for the Board members and Senior Management in terms of Clause 49 (I) D of the Listing Agreement, for the financial year ended March 31, 2007.

f) The disclosures have been received from the senior management personnel relating to the financial and commercial transactions in which they or their relatives may have personal interest . However, none of these transactions have conflict with the interest of the company at large.

For GMR Infrastructure Limited

G.M. Rao
Chairman & Managing Director

For GMR Infrastructure Limited

G.B.S. Raju
Group Director & Group Chief Financial Officer

Place: Bangalore
Date: June 30, 2007

Auditors' Certificate on Corporate Governance

To the Members of GMR Infrastructure Limited, Bangalore.

We have examined the compliance of conditions of Corporate Governance by GMR Infrastructure Limited, for the year ended 31st March, 2007 as stipulated in Clause 49 of the listing agreement of the Company with Stock Exchanges in India.

The compliance of the conditions of Corporate Governance is the responsibility of the management. Our examination was limited to the procedures and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of Corporate Governance. It is neither an audit nor an expression of an opinion on the financial statements of the Company.

In our opinion and to the best of our information and according to the explanations given to us, the Company has complied with the conditions of Corporate Governance as stipulated in the above listing agreement.

We state that in respect of investor grievances received during the year ended 31st March, 2007, no investor grievances are pending against the Company as per the records maintained by the Company and presented to the Shareholders' Transfer & Grievance Committee. We further state that such compliance is neither an assurance as to the future viability of the Company nor the efficiency or effectiveness with which the management has conducted the affairs of the Company.

For Price Waterhouse
Chartered Accountants

P. Rama Krishna
Partner
Membership No. 22795

Place: Bangalore
Date: June 30, 2007

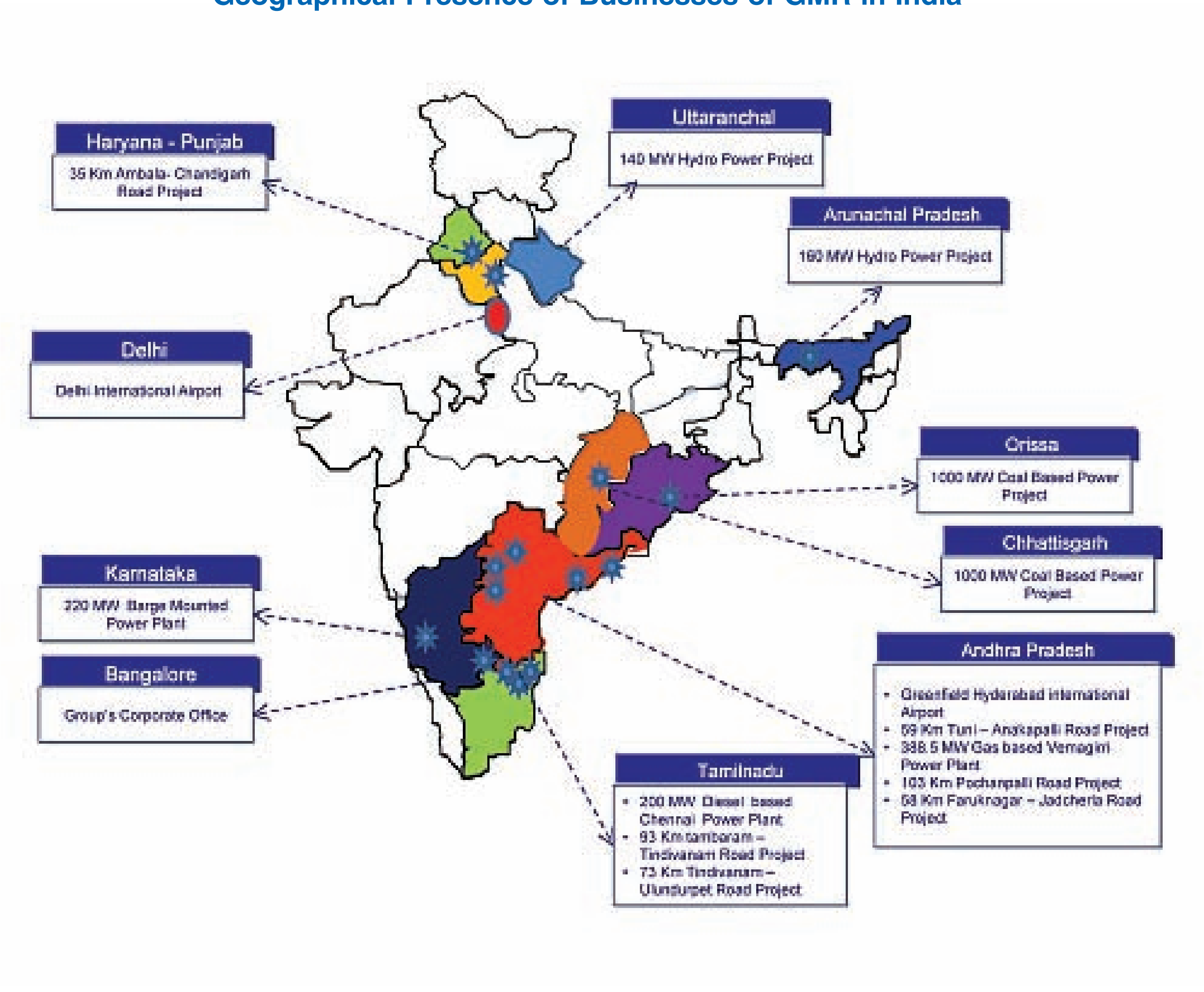
Management's Discussion and Analysis Report

ABOUT US

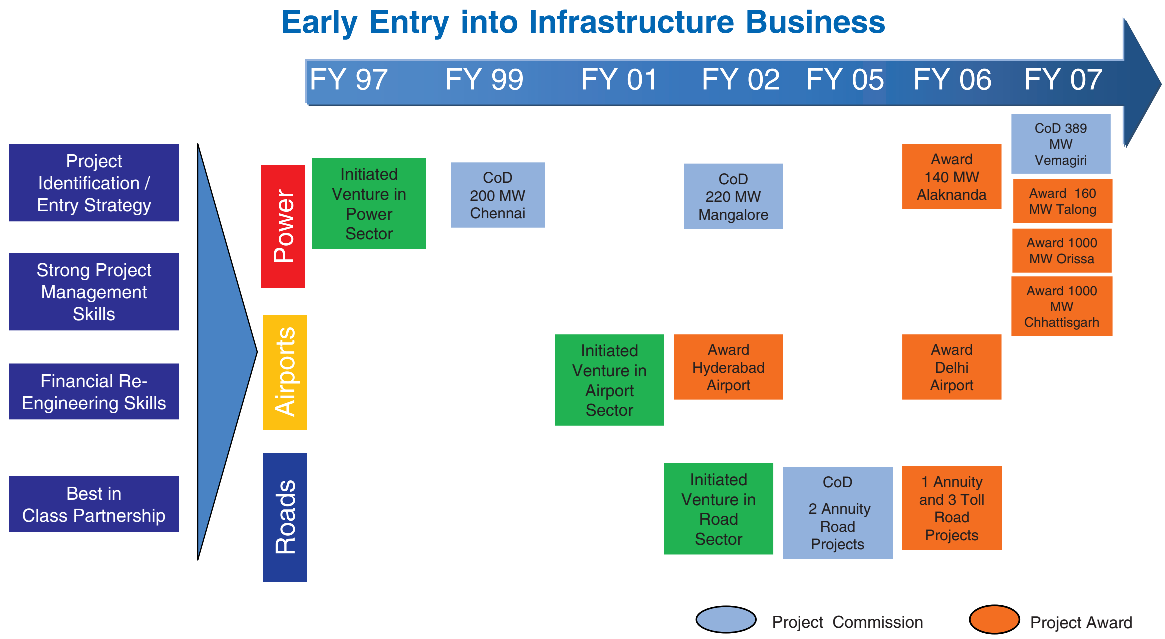
The Company together with its subsidiaries (“GMR Group”, ”the Group” or “the Company”) is one of the leading infrastructure conglomerates in India having proven track record and rich experience in development and operation of Power plants, Road projects and operating and establishing world class airports at Delhi and Hyderabad.

GMR Infrastructure Limited (GIL) is a holding company, which conducts all its business operations through its subsidiaries in various sectors i.e. Power, Road, Airport and others. GIL, as a stand-alone entity, does not have any independent revenues except dividends from subsidiaries and interest income from surplus funds. Hence, the Company’s revenues, expenditure and the results of operations are presented through consolidated financials. The Company’s subsidiaries have projects in various parts of the country and the following picture depicts the location of the Corporate Office of the Company and the pan India presence of the Company’s businesses.

Geographical Presence of Businesses of GMR in India



The Company forayed into infrastructure business with the setting up and commissioning of Chennai Power Plant in 1999. Ever since, the Company has been an early entrant in all the infrastructure sectors we are operating currently. The following diagram presents the time of our entry in various business sectors/projects and some of our key strengths.



- Chennai Plant – First IPP in the State of Tamilnadu
- GIL – one of the first awardees to develop Greenfield Airport
- GIL – one the first awardees of BOT Road Projects by NHAI
- GIL – The first Indian listed Company, offering all three infrastructure sector assets i.e. Airports, Power, Roads to public

INDUSTRY STRUCTURE AND DEVELOPMENTS

In 1991, the Government of India (GoI) initiated a series of comprehensive macroeconomic and structural reforms to promote economic stability and growth. The key initiatives of the Government were focused on implementing fundamental economic reforms, deregulation of industries, accelerating foreign investment and pushing forward a privatization program for disinvestment in public sector units. Consequent to the reforms program, India's economy registered robust growth with an average real GDP of around 6 over last decade.

The Airport Sector

The Indian aviation sector witnessed unprecedented growth in passenger traffic in the calendar year 2006. During January-December 2006, the total passenger traffic stood at 90.44 million, compared to 67.95 million last year, thereby registering a growth of close to 33 per cent. But for an economy of its size, the absolute numbers show that the use of air travel is far from achieving its full potential. Mumbai and Delhi airports are ranked only 80th and 109th (Ministry of Civil Aviation) respectively in the world while many of their counterparts in the Asia Pacific region are amongst the top 30 airports in the world.

Despite a healthy growth in passenger traffic, the penetration of air travel in the country is still very low (at 3% of the total population). This presents a huge potential of growth for the aviation sector as a whole. We believe that the key drivers for growth in the current scenario are:

- Increased connectivity of international carriers
- Overall social-economic development
- Entry of low cost airlines
- India as a global hub for manufacturing as well as services.
- Revival of tourism industry

Airports are the first point of contact for foreigners to any country, hence the quality of airport infrastructure is a vital component for a country's image and also for the overall transportation network contributing directly to a country's economy in terms of flow of foreign investment. However, India's current airport infrastructure is not fully geared up to meet the growing traffic. To meet the huge demand for capacity addition in aviation sector for India, Government took initiative to bring in private players to work under public private partnership for airport modernization & expansion.

Modernization of existing Airports and Development of Greenfield Airports

The government has assigned high priority to improving the services and facilities at Indian airports to bring them on par with international standards. Accordingly, it has decided to restructure and develop airports by encouraging private sector participation in both greenfield and brownfield airports in the country.

Several initiatives have been taken by the government in the recent past to develop and improve upon the quality of airport infrastructure. The international airports in Delhi and Mumbai are being modernized and upgraded through private sector participation. Of these, GMR-Fraport consortium has bagged the concession for operation, maintenance and development for Delhi airport.

Construction work at greenfield airports of international standards at Hyderabad and Bangalore has commenced. The two airports are likely to be operational by early 2008. GMR-Malaysian consortium won the bid for Hyderabad International Airport. 'In-principle' approval has already been granted to set up a similar greenfield airports in Goa, Navi Mumbai, Pune, Nagpur, Greater Noida and four North-eastern states. In-principle approval has been obtained to build new international terminals at Ahmedabad and Trivandrum airports. State Governments are also encouraged to set up greenfield airports with private sector participation. An international greenfield airport has already been built and is operational in Kochi.

Investment of USD 9 billion for the development of airports during 2006-07 to 2013-14 is estimated. Out of the total, USD 6.9 billion would come from Public Private Partnerships (PPPs). This comprises modernization of Chennai and Kolkata airports and Greenfield airports for Navi Mumbai, Pune, Goa, Nagpur, Greater Noida, and four North-eastern states. Airport Authority of India (AAI) is also considering development of about 35 non-metro airports where city-end development shall be done by private players. The techno-economic feasibility has been received for 10 of these airports.

The Power Sector

Recent Developments in Power Sector

Having set itself the ambitious target of ensuring "Power for All" by 2012, Government of India is aiming to focus on promoting generation capacity based on indigenously available sources. Therefore, the focus is now firmly on coal and hydel capacity development.

For coal based capacity, the first big step was the development of Ultra Mega Power Projects (UMPPs). UMPPs are about 4000 MW coal based projects, which would use the super critical technology, which is relatively efficient than conventional technology and consequently less pollutant. GoI through Power Finance Corporation (PFC) undertook competitive bidding for 4000 MW coal based power projects in Sasan (Madhya Pradesh) and Mundra (Gujarat). GoI has indicated that it is likely to follow this up with bidding for several other UMPPs in the coming years.

Another important development on generation front has been the re-emergence of nuclear power with the finalisation of the Indo-US nuclear deal. Growth of Nuclear power has been hampered in India due to various sanctions imposed on us over the years. The Indo – US civil nuclear agreement aims to change this by offering India access to latest nuclear power technology and supply of fuel. The agreement was approved by both houses of the US parliament late last year and will now be translated into a bilateral agreement in the coming months. This has opened up exciting opportunities in nuclear power and could potentially enable us to achieve our long term target of "Power For All".

Any addition in generation would need to be supported by augmentation of transmission capacity. Accordingly, GoI and Ministry of Power (MoP) have identified transmission grid strengthening & augmentation requirements for the next five years. As per current estimates, this is likely to translate into investment of more than Rs. 71,000 Crore in power transmission. Considering these investment requirements, GoI has initiated steps to involve private sector players to realise its capacity addition objectives. The first fully independent private transmission project was awarded during the year through international competitive bidding basis. The project, awarded to the winning bidder under a Build-Own-Operate-Transfer (BOOT) basis. GoI has already identified 12 other such projects, which would be awarded in a similar manner across the country in the coming years.

Continuing with its efforts from the previous years, GoI released the National Tariff Policy 2006 in January last year. The policy, which came into effect from April 1st of this financial year, aimed to address the key issue of "open access" on transmission & distribution networks. The policy provided the basis for transmission tariffs and provisions for estimating the cross subsidy surcharge chargeable on all open access transactions.

Future Capacity Additions

The target for the Eleventh Five Year Plan (2007-2012) has been set at around 69000 MW. The following table provides the capacity target by fuel as per the report of the working group on power for the Eleventh Plan.

Sector	Hydro	Thermal			Nuclear	Total	% of Total
		Coal	Lignite	Gas/LNG			
Central	9,685	22,060	1,000	750	3,160	36,655	53.2%
State	2,637	19,365	375	612	-	22,989	33.4%
Private	3,263	5,210	0	752	-	9,225	13.4%
All-India	15,585	46,635	1,375	2,114	3,160	68,869	100.0%

Source: Report of working group on power for eleventh plan (2007-12)[1]

Private power players in India

Private sector involvement in the power sector has been limited largely to the Generation front. Several private players are involved in the process of operating power plants across the country. In terms of installed generation capacity, Tata power is the largest private sector player. Tata power currently operates around 2,278 MW of capacity. Apart from Tata Power, Reliance Energy, Torrent Group, GVK and Lanco are the other major private sector players. GMR Group with a combined generation capacity of 810 MW is another private-sector player in power sector.

The other segment of the business that involves private sector participation is power distribution. Apart from small areas like Noida, private players are currently operating / managing distribution circles in Gujarat, Orissa, Delhi and Mumbai.

The Road Sector

India has one of the largest road networks in the world comprising about 3.3 million kilometers. Roads carry about 70% of the freight and 85% of the passenger traffic. While national highways/expressways constitute only about 66,000 kms (2% of all roads), they carry 40% of the road traffic. This signifies the huge potential for highway development in the country. Number of vehicles has been growing at an average pace of 10.16% per annum over the last five years.

For the purpose of management and administration, roads in India are divided into the following categories: (1) National Highways (NH) which are intended to facilitate medium and long distance inter-city/state passenger and freight traffic across the country (2) State Highways (SH) which carry the traffic along major centers within the State (3) Major District Roads (MDR) having the secondary function of linkage between main roads and rural roads and (4) Other District Roads and Village Roads which provide villages accessibility to meet their social needs as also the means to transport agriculture produce from village to nearby markets.

Indian Road Network	Kms
Expressways	200
National Highways	66,590
State Highways	131,899
Major District Highways	467,763
Rural and Other Roads	2,650,000

Source: NHAI Website: www.nhai.org

Out of 65,590 kms of NH network, only 10% of the total length has been four-laned, 55% two-laned and 35% is still single-lane only. The Economic Survey 2006-07 projects an investment requirement of over USD 50 billion for modernization and upgradation of highways during the Eleventh Five Year Plan (2007-12).

[1] Further a capacity addition of 13,500 MW has been planned under renewable sources as per Ministry of New and Renewable Energy (MNRE).

Private participation for National Highway Development Projects

Public-private partnerships are intended to form a substantial portion of the investments required to be made in the sector over the next five years. NHAI is progressing well on track with its plans for highway modernization and upgradation. Over 95% progress has been achieved on the Golden Quadrilateral project. Similarly, nearly 15% progress has already been achieved in the North-South and East-West (NSEW Phase 1 and 2) corridors, while another 70% is under implementation. The government is now giving importance to NHDP phases III and V. NHDP phase IIIA is scheduled for completion by Dec 2009, which means stretches of nearly 2,500 Kms would have to be awarded by NHAI over the next two years. NHDP phase V provides for six laning of Golden Quadrilateral. While contracts for 148 Kms have already been awarded, NHAI would be awarding the balance length of Golden Quadrilateral for six laning in phases over the next few years. A significant portion of these stretches would be awarded on a Design Build Finance and Operate (DBFO) basis.

Government has taken several initiatives to encourage private investment in roads. Some of the key initiatives are as follows:

Government will carry out all preparatory work including land acquisition and utility removal. Right of way (ROW) to be made available to concessionaires free from all encumbrances. In addition, a new model concession agreement directs NHAI to hand over 60% to 80% of required land area and obtain all environmental clearances as conditions precedent for it before the financial closure of any project.

- NHAI / GOI to provide capital grant up to 40% of project cost to enhance viability on a case to case basis.
- 100% tax exemption for 5 years and 30% relief for next 5 years, which may be availed of in 20 years.
- Concession period is linked to traffic to minimize the traffic risk.
- In BOT projects concessionaire is allowed to collect and retain toll revenue.

SEGMENT-WISE PERFORMANCE AND OUTLOOK

Airport Sector

We hold concessions to develop, operate and maintain the Hyderabad International Airport located in the State of Andhra Pradesh, or the Hyderabad airport, and the Indira Gandhi International Airport in New Delhi, or the Delhi Airport.

GMR Hyderabad International Airport Limited (GHIAL)

We are developing a Greenfield International Airport at Shamshabad, near Hyderabad. The Hyderabad airport will initially include, amongst other features, a single runway, a passenger terminal building, a separate cargo terminal building and retail facilities, all of which will be built to international standards. In addition, we plan to equip the Hyderabad airport with modern technology and facilities superior to that of most other existing airports in India. We expect the Hyderabad airport to be operational towards the end of the first quarter 2008 as per original schedule.

Financial and operational performance

The Company is yet to achieve Commercial Operation and the project is under implementation. Total investment in the project is expected to be Rs. 2,478 Crore. As on 31st March, 2007, an amount of Rs. 1182.80 Crore has been expended on the project, which has been funded by Equity capital of Rs. 205.65 Crore, grant from Government of Andhra Pradesh of Rs. 107 Crore, unsecured loans of Rs. 333.47 Crore and Secured loans of Rs. 536.68 Crore.

Future plans at GHIAL

The business plan envisages new Hyderabad International Airport as:

1. Aerocity

GHIAL is planning to develop an aerocity in 1000 acres of land around the airport. The Aerocity would provide multimodal logistics support, with excellent connectivity to the city of Hyderabad. The development would comprise commercial offices, hospitality and retail facilities, exposition facilities and entertainment areas. According to Prof. Kasarda, Director of the US-based Frank Kawkins Kenan Institute of Private Enterprise, ”Firms are clustering near airports because of the accessibility and agility the airports provide to new economy global supply chains. It would have direct impact on a radius of 25 km and indirect impact upto 90 km”.

2. International Hub

- An alternative gateway to India; city with a catchment area of 75 million people
- 2 hrs flying time to Indian cities and 3-5 hrs to other Asian Cities
- Geographically well positioned to become a global aviation HUB connecting East and West

3. Higher standards: ASQ rating

Though the Concession agreement says that GHIAL should retain its service standards level of 3.5 on ASQ scale, GHIAL has plans to achieve 3.75. In line with the standards mentioned by rating authority, GHIAL has planned to achieve this by satisfying all the segment of customers, including passengers and airlines.

4. World Class Airport :

GHIAL plan comprises many characteristics, which will ensure its world-class standards; some of them are as under:

- Modular design for easy expansion of airside and terminal facilities
- India's longest runway at the time of commissioning (4260 m)
- 4260 m taxiway – capable of being used as emergency runway
- State-of-art IT Systems – FIDS, CUTE, CUSS
- Airport Village - a concept for meters-and-greeters in airport with aesthetic Indian ambiance
- 100% barrier free access for the physically challenged and the elderly
- City check-in facility
- Business Hotel (adjacent to Terminal) and Luxury Hotels & Convention Centres

Delhi International Airport Private Limited (DIAL)

We took over operations of Delhi airport with effect from May 3, 2006 and have achieved significant progress in our quest to become a world-class airport by 2010, in time for the Commonwealth games. DIAL handled 20.44 million passengers in 2006-07, a growth of 26% over previous year's traffic. The sustained high growth rates mean that DIAL is soon going to be in the domain of some of the busiest airports in the world. Its traffic is expected to surpass Singapore's current traffic level by 2012. The current airport master plan envisages the capacity to handle 100 million passengers.

DIAL plans to work jointly and closely with all stakeholders to bring service levels at Delhi airport at par or even better than the best airports in the world. In one-year since we took charge, we have made considerable efforts to improve and enhance facilities both on the airside and landside despite the capacity constraints. By investing in training of our people and upgrading facilities and equipment at the airport, we are working towards our goal of a safe, secure and service-oriented airport.

DIAL's master plan was submitted to the Government on 29th September, 2006. The highlights of master plan with respect to phase 1 of development include:

Phase 1 A: 2008

- A 4,430 meter long new runway
- Rebuilding of domestic terminal
- Existing international terminal to be revamped.

Phase 1 B: 2010

- A new integrated international and domestic terminal (4.3 million sq. feet), excluding modified T2, will have a consolidated capacity to handle 37 million passengers.
- Terminal 3 would have 55 contact gates and 30 remote parking stands.
- More than 130 check-in counters and 100 immigration desks
- Airport village with shopping, entertainment and dining facilities for meters and greeters.
- A 60-room hotel in the terminal for convenience of transit passengers
- World-class retail experience at par with some of the best airports.

- Multi-level car parking with a capacity for 4,300 cars.
- The new terminal building will be connected directly via a six-lane road connecting the National Highway and a dedicated Metro line (partly funded by DIAL) connecting the city centre.

Financial and operational performance

During the financial year 2006-2007, DIAL generated Total gross revenue of Rs 590.31 crore (includes other income but excludes interest income) with a net profit of Rs.29.33 Crore. As DIAL took over the operations on 3rd May, 2006, the year under review consists of operations for about 11 months and thus the said revenue and net profit are accordingly for a period of about 11 months.

The aforesaid gross revenue consists of 46% revenue from aero operations and 54% revenue from non-aero and cargo operations. Of the said gross revenue, DIAL has shared Rs.271.98 Crore, being 45.99% thereof, as annual fee with the Airport Authority of India.

As this is the first year of operations after taking over the airport, no analysis in comparison with the previous year's figures is possible.

Future Plans at DIAL

Non-aero revenues

As in most Asian airports, we are completely focused on driving our non-aero revenues aggressively. The world-class infrastructure that we would be providing is also going to benefit other businesses that operate at the airport. To this end, we have initiated the process of undertaking a shift in the business model from fixed license fee to revenue share (with minimum guaranteed revenues).

- Duty free is one of the biggest components of an airport's revenues and at many airports contributes to 80% of its retail revenues. By 2010, the new terminal with a much bigger retail area would enhance duty free revenues even further.
- DIAL has also awarded a three-year advertising contract to Times Innovative Media Pvt. Ltd. whereby advertising revenues would increase by more than three times as compared to FY 06. In addition, new F&B players have also begun operating at Delhi airport, widening the availability options for passengers.
- This year, DIAL would be focusing on other streams of non-aero operations like ground handling besides negotiating some other important contracts. We would be initiating the bidding process in line with govt.'s policy to provide the best facilities for airlines and passengers.
- The rapidly expanding Indian economy is expected to drive cargo growth in the country. With sectors like textiles, electronic goods and perishables expected to show significant growth, there is tremendous opportunity for growing air cargo at Delhi. DIAL is working towards developing the airport as a cargo hub.

Property Development

Adjacent to Delhi International Airport, DIAL has plans to develop an Aerocity on a land of about 250 acres. The first phase entails development of a hospitality district. and other passenger related services. To facilitate this development, GMR group has initiated the development of a dedicated high speed rail link connectivity between the city centre (Connaught Place) and Delhi Aerocity.

Other Opportunities

Teams at both Delhi and Hyderabad are working on the development of airport cities as has been witnessed in places like Amsterdam, Singapore Changi, KLIA, Kuala Lumpur and HKIA. Realizing that airports are likely to be the catalyst in driving growth and development around it, much similar to growth fostered by seaports in 19th century and by roads/highways in 20th century, GMR Hyderabad International Airport Limited (GHIAL) is keen to undertake a transition from metropolis to Aerotropolis on an airport centric growth. Delhi International Airport Private Limited (DIAL) also is earmarking significant area of the existing airport land for commercial development, located in close proximity to the heart of the city.

The vision of GMR Group is to position India in global aviation map by providing world-class facilities thereby enhancing passenger experience and contributing to the development of the region. In line with this, the initial strategy envisaged is to make the airports efficient in terms of its facility and services. Subsequently, the growth strategy is to make airport into an airline and cargo hub. The ultimate objective is to make Delhi / Hyderabad a trans-shipment hub for international airlines with world-class service standards and operational superiority.

Power Sector

We currently own the following operating assets in our power business:

- a 220 MW naphtha-fired power plant at Mangalore in the State of Karnataka, or the Mangalore power plant, which commenced commercial operation in 2001;
- a 200 MW LSHS-fired power plant at Chennai in the State of Tamil Nadu, or the Chennai power plant, which commenced commercial operation in 1999; and
- a 388.5 MW gas-fired power plant at Vemagiri in the State of Andhra Pradesh, or the Vemagiri power plant which achieved its commercial operations date (CoD) in September, 2006. The project is not operational due to non-availability of natural gas.

Financial and operational performance

During the financial year 2006-2007, GMR Energy Limited generated total revenue of Rs 631.66 Crore (includes other income but excludes interest income) with a net profit of Rs. 116.66 Crore as compared to total revenue of Rs 443.81 Crore with a net profit of Rs. 88.21 Crore during the financial year 2005-06.

During the financial year 2006-2007, GMR Power Corporation Private Limited generated total revenue of Rs 573.29 Crore (includes other income but excludes interest income) with a net profit of Rs.30.92 Crore as compared to total revenue of Rs 474.06 Crore with a net profit of Rs. 27.73 Crore during the financial year 2005-06.

The increase in the revenues of both the plants is mostly due to higher energy sales as compared to the previous year. The increase in profits is due to higher operating efficiencies on account of higher plant load factor and certain income from services.

Though Vemagiri Power Plant declared COD (Commercial Operations Date) in September, 2006, the Company could not continue operations due to non-availability of gas. The Company generated total revenue of only Rs. 4.49 Crore and had to provide depreciation of Rs. 33 crore and interest of Rs.38 crore to the profit and loss account for the period after COD as required under Indian GAAP, which along with certain other maintenance and preservation expenditure on the asset resulted in a loss of Rs.85.13 Crore.

Future Plans

We remain positive that the power business would continue to play an important role in the overall business portfolio and provide impetus to growth. Going forward, in keeping with the developments in the power sector, your company is focusing on continuing to diversify its fuel mix and expand its presence across India and its neighboring countries.

- **Focus on development of existing opportunities:** Your Company is now focusing on implementing the opportunities on hand. These include
  - The development of a 140 MW hydroelectric power plant on the river Alaknanda in the Chamoli district in Uttaranchal;;
  - The development of a 160 MW hydroelectric power plant on the river Kameng in East Kameng district in Arunachal Pradesh;
  - The development of a 1000 MW coal fired power project in the Dhenkanal district in Orissa;
  - The Company has also entered into a Memorandum of Understanding for development of 1,000 MW Thermal Power Plant in the state of Chhattisgarh.
- **Sustained focus on Hydro opportunities within and outside India:** Your Company would continue to focus on potential hydro opportunities both within India and neighboring countries.
- **Transmission projects:** Your Company has put together an experienced business development team for targeting the transmission business opportunity. The team had earlier made a technically competent bid for the first round of projects bid out by PGCIL(Power Grid Corporation of India Limited). The team would aim to secure opportunities in transmission during the year and expand our presence in the sector value chain.
- **Inorganic growth:** Your company is also exploring inorganic growth opportunities if they are found economical.

Road Sector

The company has two annuity based road projects under operation and 4 road projects under implementation. Each project is being operated / executed through a separate subsidiary company which acts as a special purpose vehicle (SPV).

The operational road projects are mentioned below.

- a 93 kilometers stretch on the Chennai-Dindigul (NH-45) highway or GMR Tambaram-Tindivanam Expressways Private Limited, which commenced commercial operation in October 2004
- a 59 kilometers stretch on the Chennai-Kolkata (NH-5) highway or GMR Tuni-Anakapalli Expressways Private Limited, which commenced commercial operation in December 2004

Financial and operational performance

During the financial year 2006-2007, GMR Tambaram-Tindivanam Expressways Private Limited generated total revenue of Rs. 84.31 Crore (includes other income but excludes interest income) with a net profit of Rs.16.29 Crore as compared to Rs. 90.05 Crore (includes other income but excludes interest income) and Rs.4.84 crore respectively for the financial year 2005-06.

During the financial year 2006-2007, GMR Tuni-Anakapalli Expressways Private Limited generated total revenue of Rs 59.19 Crore (includes other income but excludes interest income) with a net profit of Rs.10.44 Crore as compared to Rs. 60.38 crore (includes other income but excludes interest income) and Rs.1.37 crore respectively for the financial year 2005-06.

Since the both the road projects are annuity based, the revenues from year to year should normally be the same. However, the marginal decrease in the total revenues, particularly in the case of Tambaram-Tindivanam project, is due to absence of certain non recurring revenues earned during the previous year and increase in profits for the year is mostly due to lower finance costs for the year.

In addition to the aforesaid two road projects in operation, construction of four road projects has been taken up during the year, after achieving timely financial closure. Of these four projects, one project is an annuity based road project while the rest are toll based road projects. Details and status of these projects are as under:

- GMR Ambala - Chandigarh Expressways Private Limited, is implementing a toll road project on a 35 kilometers stretch between Ambala and Chandigarh on NH 21 and NH 22. The total project cost of Rs.391.14 crore has been funded in the debt equity ratio of 2.57:1. The project achieved the financial closure in May, 2006, This is expected to become operational by the mid 2008. As on 31st March, 2007, an amount of Rs.142.12 crore has been spent on the project.
- GMR Jadcherla Expressways Private Limited, is implementing a toll road project on a 46 kilometers stretch between Farukhnagar and Jadcherla on NH 7. This project also includes the operation of an additional 12 kilometers stretch on the Hyderabad - Bangalore highway. The total project cost of Rs.471 crore has been funded in the debt equity ratio of 3:1. The project achieved the financial closure in August, 2006, This is expected to become operational by the mid 2008. As on 31st March, 2007, an amount of Rs.106.46 crore has been spent on the project construction.
- GMR Pochanpalli Expressways Private Limited is implementing an annuity based road project on a 86 kilometers stretch between Adloor Yellareddy and Kalkallu on NH 7. This project also includes the operation of an additional 17 kilometers stretch on the Hyderabad-Nagpur highway. The total project cost of Rs.690 crore has been funded in the debt equity ratio of 4 : 1. The project achieved the financial closure in September, 2006, This is expected to become operational by the end of 2008. As on 31st March, 2007, an amount of Rs.131.43 crore has been spent on the project.
- GMR Ulundurpet Expressways Private Limited is implementing a toll road project on a 73 kilometers stretch between Tindivanam and Ulundurpet on NH 45. The total project cost of Rs.795 crore has been funded in the debt equity ratio of 3:1. The project achieved the financial closure in October, 2006. This is expected to become operational by the end of 2008. As on 31st March, 2007, an amount of Rs. 120.09 crore has been spent on the project.

Future Plans

National Highways Authority of India (NHAI) has set the highest ever annual target to offer 6273 kms of roads for development on BOT basis for the year 2007-08. The estimated cost of this plan is about Rs.40,955 crore.

This plan includes:

- 2995 kms of six laning of Golden Quadrilateral under NHDP (National Highway Development Program) phase V,
- 2224 kms of four laning under NHDP phase IIIA and
- 1054 kms of four laning under NHDP phase IIIB.

The plan outlay of NHDP till year 2010 is as given below:

NHDP Phase – III A & B – About 6000 kms of four laning

NHDP Phase – V – Six laning of Golden Quadrilateral- about 3000 kms

NHDP Phase – VI – Expressways to be developed on Greenfield basis-about 1000 kms

NHDP Phase – VII – Ring roads, Bypasses around major metros and cities

The aforesaid plans of NHAI indicate that extensive business opportunities will unfold in the Roads Sector in the year 2007-08 and thereafter.

Apart from mobilizing all resources and harnessing the best practices in all aspects of project implementation to ensure that the four Road projects under implementation are commissioned on schedule, we are gearing ourselves to make competitive bids for all the projects identified as viable and profitable based on our detailed bid studies. As part of the business development efforts, we have been doing extensive analysis and studies on the potential projects such as:

- Detailed traffic studies taking into consideration the growth prospects specific to project corridors
- Tie-up with potential contractors for implementing the project
- Tie-up with Financial Institutions for innovative financial structuring
- Finalization of tolling structure and collecting mechanisms including State of the Art Highway Traffic Management Systems (HTMS)
- Building adequate expertise and talent to execute the projects in line with Global Standards

Other major recent developments towards adding new concessions include:

- Submission of bid for Khalghat – MP / Maharashtra Border Road Project of 83 kms after making all the analysis as above. We are awaiting the bid result for this project
- Submission of Request for Qualification (RFQs) for the eight six laning stretches under NHDP Phase V and also for the Greenfield Six lane Eastern Peripheral Expressway project, aggregating to a total length of about 1350 kms.
- Formed a strategic joint venture with M/s Punj Lloyd Ltd. for two of the eight six laning projects under NHDP Phase V to ensure successful execution and operation of these projects.

We have strong long term strategic plans to significantly add to our current portfolio of concessions and continue to remain as one of the lead players in the BOT road projects.

The consolidated financial condition and performance of the Company and its subsidiaries as per Indian GAAP are discussed hereunder:

Share Capital

Particulars	March 31, 2007		March 31, 2006	
	No. of Equity Shares	Rs. Crore	No. of Equity Shares	Rs. Crore
Share Capital – beginning of year	264,436,814	264.44	158,662,091	158.66
Add: Capitalisation of reserves for bonus issue	—	—	105,774,723	105.78
Add: Shares issued through pre-initial public offer private placement	28,510,206	28.51	— —	
Add: Shares issued through Initial Public Offer (IPO)	38,136,980	38.13	— —	
Less: Calls unpaid	—	0.01	— —	
Share Capital – end of year	**331,084,000**	**331.07**	**264,436,814**	**264.44**

During the year under review, the Company has issued 28,510,206 equity shares of Rs. 10/- each through pre-initial public offer private placement. The details are as follows:

Name of the Investor	March 31, 2007	
	No. of Equity Shares	Rs. Crore*
Nominal Value of Equity Shares (Rs. per Share)	10	10
India Development Fund	11,737,404	100.00
ICICI Trusteeship Services Limited (ICICI Emerging Sectors Fund)	9,578,544	250.00
Quantum (M) Limited	2,490,555	67.25
Punjab National Bank	1,000,000	27.00
Citigroup Venture Capital International Mauritius Limited	3,703,703	100.00
Total	**28,510,206**	**544.25**

* including premium.

In August, 2006, the Company issued 38,136,980 equity shares of Rs. 10/- each through IPO for Rs. 794.97 Crore out of which Rs. 0.08 Crore (including premium on shares) was pending towards calls unpaid.

Reserves and Surplus

A summary of reserves and surplus is provided in the table below:

Rs. Crore

Particulars	March 31, 2007	March 31, 2006
Capital Reserve	125.69	144.79
Securities Premium	1,201.78	—
Debenture Redemption Reserve	25.14	43.75
Profit and Loss Account	308.61	117.46
Total	**1,661.22**	**306.00**

a. Capital Reserve

Rs. Crore

Particulars	March 31, 2007	March 31, 2006
Balance – beginging of the year	144.79	76.87
Addition during the year	—	67.92
Reduction on account of acquisition of shares in subsidiary	19.10	—
Total	**125.69**	**144.79**

Capital Reserve represents the difference between the book value and cost of investments acquired in subsidiaries. The reduction in the capital reserve of Rs.19.10 Crore during the current financial year is due the acquisition by the of49,236,829 equity shares of Rs. 10/- each for a consideration of Rs. 100 Crore of its subsidiary, GMR Energy Limited India Development Fund. As a result of this acquisition, GMR Energy Limited became wholly owned subsidiary of the Company.

b. Securities Premium

Rs. Crore

Particulars	March 31, 2007	March 31, 2006
Balance – beginning of the year	—	55.30
Add: Received through fresh issue of equity shares	1,272.52	—
Less: Utilised for issue of bonus shares	—	55.30
Less: Utilised towards share issue expenses	70.67	—
Less: Calls unpaid	0.07	—
Total	**1,201.78**	**—**

As stated above, the Company received Rs. 1,272.52 towards premium on issue of equity shares through private placement and initial public offer during the current financial year under review. Out of which, an amount of Rs. 70.67 was utilised towards share issue expenses. As on March 31, 2007, an amount of Rs. 0.07 Crore was pending towards unpaid calls for 10,025 equity shares which were issued through initial public offer.

c. Debenture Redemption Reserve

Rs. Crore

Particulars	March 31, 2007	March 31, 2006
Balance – beginning of the year	43.75	40.00
Add: Transfer from Profit and Loss Account	—	3.75
Less: Transfer to Profit and Loss Account	18.61	—
Total	**25.14**	**43.75**

During the year, the Company redeemed debentures worth of Rs. 75.33 Crore subscribed by Life Insurance Corporation of India, General Insurance Corporation of India, IL & FS Limited and UTI Bank Limited. Accordingly, an amount of Rs. 18.61 was credited to Profit and Loss Account on account of the above said redemption.

d. Profit and Loss Account

The balance retained in the Profit and Loss Account as at March 31, 2007 is Rs. 308.61 Crore after providing Rs. 2.33 Crore towards dividend distribution tax for the dividend declared by GMR Energy Limited, the subsidiary of the Company.

The total shareholder funds (excluding minority interest) increased to Rs. 1,992.29 Crore as at March 31, 2007 from Rs. 570.44 Crore as at March 31, 2006 as a result of IPO and share of profits earned for the year. The minority interest in the subsidiaries increased to Rs. 526.08 Crore as at March 31, 2007 from Rs. 424.34 Crore as at March 31, 2006 as a result of profits earned by the subsidiaries.

Loan Funds

a. Secured Loans

Rs. Crore

Particulars	March 31, 2007
Balance – begining of the year	2,592.45
Add: Borrowed during the year*	924.33
Less: Repaid during the year	494.82
Total	**3,021.96**

*including adjustments on account of foreign exchange fluctuation

During the year under review, secured loans of Rs. 606.38 were borrowed to fund the projects under implementation / development. The details are as follows:

Rs. Crore

Name of the Subsidiary company	Amount
Hyderbad International Airport Limited	285.02
Vemagiri Power Generation Limited	106.03
GMR Ambala-Chandigarh Expressways Private Limited	81.62
GMR Jadcherla Expressways Private Limited	43.61
GMR Pochanpalli Expressways Private Limited	52.29
GMR Ulundurpet Expressways Private Limited	37.81
Total	**606.38**

An amount of Rs. 494.82 Crore were repaid in line with sanction terms of the said loans during the current financial year.

b. Unsecured Loans: Rs.683.72 crore (Rs.377.82 crore)

Unsecured loans as at March 31, 2007 include Rs. 315 Crore (Rs. 157.50 Crore as at March 31, 2006) long term interest free unsecured loan from Government of Andhra Pradesh to GMR Hyderabad International Airport Limited. While unsecured loans have gone up by Rs. 306 Crore to Rs. 683.72 Crore from Rs. 377.82 Crore, of this increase, Rs.157.50 Crore addition is on account of further disbursement of the aforesaid interest free unsecured loan and the balance of Rs.148.40 Crore has been borrowed to meet the temporary mismatches in cash flows.

Deferred Tax Liability (net): Rs.14.45 crore (Rs.0.18 crore)

The Company has a deferred tax liability (net of deferred tax assets) of Rs. 14.45 Crore as at March 31, 2007 as compared to Rs. 0.18 Crore as at March 31, 2006. The addition is mainly , on account of Delhi International Airport Private Limited whose tax liability for the year is under Section 115JB.

Fixed Assets

A statement of movement in fixed assets is given below:

Rs. Crore

Particulars	March 31, 2007	March 31, 2006	Growth (%)
Goodwill on consolidation	373.09	20.96	1,680.00
Tangible Assets			
Land	13.80	12.85	7.39
Buildings	233.39	116.91	99.63
Plant and Machinery	2,621.38	1,625.34	61.28
Office Equipment	28.96	14.39	101.25
Capitalised Software	1.43	0.97	47.42
Leasehold Improvements	2.20	0.64	243.75
Furniture and Fixtures	9.27	5.03	84.29
Vehicles	2.99	1.60	86.88
Intangible Assets			
Carriage ways	658.59	657.20	0.21
Airport concessionaire Rights	195.51	—	—
Gross Block	**4,140.61**	**2,455.89**	**68.60**
Less: Accumulated Depreciation	1,240.65	1,105.12	12.26
Net Block	**2,899.96**	**1,350.77**	**114.69**
Add: Capital work-in-progress (including capital advances)	1,423.18	1,386.83	2.62
Net Fixed Assets	**4,323.14**	**2,737.60**	**57.92**
Depreciation			
As % of revenues	7.85	20.65	
As % of average gross block*	3.26	9.00	
Accumulated Depreciation			
As % of gross block*	30.06	45.24	

* excluding land.

Excluding the increase in Goodwill of on consolidation of Rs.352.13, Gross Block of the Fixed Assets has gone up by Rs.1332.43 Crore from Rs.2455.89 Crore to 4140.61 Crore.

Goodwill on consolidation includes the goodwill arising out of acquisition of 100% equity shares of GVL Investments Private Limited, which in turn holds 9% economic interest in Delhi International Airport. The increase for the year was mainly on account of this acquisition.

The net increase of Rs.1332.43 Crore in other fixed assets is due to capitalization of Rs.1143.23 Crore of fixed assets on COD of Vemagiri Power and addition of Rs. 214.94 Crore of fixed assets in DIAL, adjusted by Rs. 39.71 Crore due to retirement of fixed assets.

DIAL fixed assets include the amount of Rs. 150 Crore paid as per the terms of Operations, Maintenance and Development Agreement (OMDA) entered into between Airports Authority of India and GMR consortium for the development of Delhi International Airport. The amount is amortised over a period of concession, i.e., 60 years.

Expenditure during construction period, pending allocation (net): Rs.482.80 crore (Rs.245.03 crore)

Expenditure during construction period, pending allocation (net) of Rs. 482.80 Crore as at March 31, 2007 compared to Rs. 245.03 Crore as at March 31, 2006 represents the expenditure incurred during construction period on our projects under implementation / development. The increase was mainly on account of our four road projects GMR Ambala-Chandigarh Expressways Private Limited, GMR Jadcherla Expressways Private Limited, GMR Pochanpalli Expressways Private Limited, GMR Ulundurpet Expressways Private Limited and two airport projects GMR Hyderabad International Airport Limited and Delhi International Airport Private Limited.

Capital Expenditure commitments: Rs.8095.03 crore (Rs.898.21 crore)

We have a capital expenditure commitment of Rs. 8,095.03 Crore as at March 31, 2007, compared to Rs. 898.21 Crore as at March 31, 2006, towards the various capital contracts to be executed for the implementation / development of projects at various stages. Apart from the above, the Company has a capital commitment of Rs. 512.23 Crore as at March 31, 2007, compared to Rs. 207.72 Crore as at March 31, 2006 towards its investment in subsidiaries. The aforesaid capital expenditure commitment of Rs.8095.03 Crore includes Rs.1578 Crore towards the four road projects under implementation Rs. 5800 Crore towards Delhi Airport and Rs. 647 Crore towards Hyderabad Airport.

Investments: Rs. 262.47 Crore (Rs. 255.69 Crore)

Rs. Crore

Particulars	March 31, 2007	March 31, 2006
Unquoted shares/bonds	0.19	0.25
Trade Investments*	221.48	233.80
Government Securities	41.27	21.64
Less: Provision for diminution in value of investments	0.47	—
Total	**262.47**	**255.69**

* Trade investments as on 31st March, 07 include Rs. 40.58 Crore out of funds raised though IPO.

The Company has been investing in various mutual funds and equity shares quoted in the stock exchanges, which are included Trade investments. These are typically investments in short term funds to gainfully use the excess cash balance with the Company. While investing in such short term investments, the Company balances tax-efficient returns with risks involved in such investments.

Current Assets, Loans and Advances

a. Inventories: Rs.30.41 crore (Rs.35.86 crore)

The Company had inventories of Rs. 30.41 Crore as at March 31, 2007 compared to Rs. 35.86 Crore as at March 31, 2006. The inventory primarily constitutes fuel stocks, stores and spares of energy subsidiaries. The inventory was lower by Rs. 5.45 Crore mainly on account of reduction in fuel stocks.

b. Sundry Debtors: Rs. 386.02 Crore (Rs.236.85 Crore)

Sundry Debtors as at March 31, 2007 aggregated Rs. 386.02 Crore compared to Rs. 236.85 Crore as at March 31, 2006. The increase was due to the unbilled revenue of Rs. 113.39 Crore as at March 31, 2007 compared to Rs. 54.58 Crore as at March 31, 2006 on account of our Chennai Power Plant and our two annuity based road projects at Tuni-Anakapalli and Tambaram-Tindivanam and the increase in receivables out of energy sales to the state electricity boards and distribution companies and addition on account of DIAL.

The debts outstanding for more than 6 months (net of provisions) include Rs.5.61 from DIAL customers and Rs.21 Crore in respect of GPCL. All the other debts are either on account of unbilled revenue as explained above or the on account of the current invoices.

c. Cash and Bank Balances: Rs.1300.04 crore (675.75 crore)

As at March 31, 2007, the Company had cash and bank balances of Rs. 1,300.04 Crore as compared to Rs. 675.75 Crore as at March 31, 2006. This includes an amount of Rs. 256.84 Crore funds raised through IPO for the current financial year.

Of the said cash and bank balances of Rs.1300.04 Crore, operating subsidiaries companies and GILhave cash balance of Rs.1196.87 Crore and the balance Rs.103.17 is on account of project companies. The cash and bank balances with project companies represent temporary surpluses, pending utilization thereof on projects subsequent to the disbursement of loan installments. The aforesaid balance with operating companies includes a balance of Rs.438.58 Crore with the two operating Road Subsidiaries. Of this balance with the Road Subsidiaries, about Rs.391 Crore represents the surplus from the advances received in 2005-06 from a consortium of banks/financial institutions towards the progressive sale of future receivable of the annuities after the repayment of the project debt borrowed by these companies.

Together with the cash equivalents in the form of short term investments, the aggregate liquid balances with the operating subsidiaries and GIL are Rs.1392.66 Crore as on 31.3.2007 (Previous Year:863.34 Crore. This increase of Rs.529.32 Crore includes an amount of Rs.297.42 Crore, being the available surplus from IPO proceeds as on the balance sheet date.

d. Other Current Assets: Rs.13.72 crore (Rs.84.14 crore)

Other current assets constitute the income accrued for the year on investments and deposits made and the grants receivable by the Company. As at March 31, 2007, the Company had other current assets of Rs. 13.72 Crore as compared to Rs. 84.14 Crore as at March 31, 2006. The reduction was mainly on account of receipt of pending grant from Government of Andhra Pradesh for the development of Hyderabad International Airport of about Rs. 71.65 Crore.

e. Loans and Advances: Rs.187.02 crore (Rs.105.15 crore)

Loans and Advances as at March 31, 2007 stood at Rs. 187.02 Crore as compared to Rs. 105.15 Crore as at March 31, 2006. The increase was mainly on account of increase of Rs. 53.81 Crore towards advances to suppliers, the increase in advance tax payments (net of provisions) by Rs. 16.19 Crore and increase in trade deposits with various government and other agencies amounting to Rs. 11.12 Crore.

Current Liabilities and Provisions

a. Current Liabilities: Rs.662.66 crore (Rs.337.63 crore)

Current liabilities went up to Rs. 662.66 Crore as at March 31, 2007 compared to Rs. 337.63 Crore as at March 31, 2006. The increase was mainly on account of advances received of Rs. 72.24 Crore from concessionaries and other trade liabilities of Rs. 216.44 Crore of Delhi International Airport. The increase was also supplemented by the increase in sundry creditors towards fuel for our power business and the bills certified but pending for payments for our projects under implementation / development.

b. Provisions: Rs.84.46 crore (Rs.73.19 crore)

Provisions made towards employee retirement benefits, dividend distribution tax and contingencies aggregated to Rs. 84.46 Crore as at March 31, 2007 compared to Rs. 73.19 Crore as at March 31, 2006. The increase was on account of the increase in the provision for employee retirement benefits by Rs. 4.90 Crore and the increase in provision for operation and maintenance expenses by Rs. 13.64 Crore. The increase was offset by the decrease in the provision for dividend distribution tax by Rs. 7.27 Crore.

Overview of Our Results of Operations

The following table sets forth information with respect to our revenues, expenditures and profits on a consolidated basis:

Particulars	For the year ended March 31,			
	2007		2006	
	Amount in Rs. Crore	% of Total Income	Amount in Rs. Crore	% of Total Income
Net Income				
Sales and Operating Income(net of Annual Fee of Rs.271.98 crore paid to Airport Authority of India)	1,696.74	98.93%	1,061.65	99.69%
Other Income	18.33	1.07%	3.33	0.31%
Total Income	**1,715.07**	**100.00%**	**1,064.98**	**100.00%**
Expenditure				
Generation and Operating Expenses	884.40	51.57%	505.79	47.49%
Administration and Other Expenses	268.66	15.66%	102.82	9.65%
EBITDTA	**562.01**	**32.77%**	**456.37**	**42.86%**
Interest and Finance Charges	144.14	8.40%	130.27	12.23%
Depreciation	134.56	7.84%	219.97	20.65%
Total Expenditure	**1,431.76**	**83.47%**	**958.85**	**90.02%**
Profit Before Taxation and before Minority Interest/Share of Profits of Associate	283.31	16.53%	106.13	9.98%
Provision for Taxation				
Current Tax	28.77	1.67%	11.23	1.05%
Less: MAT Credit availed	(4.65)	(0.27%)	-	-
Deferred Tax	14.27	0.83%	(0.08)	(0.01%)
Fringe Benefit Tax	3.15	0.18%	1.36	0.13%
Toal Tax Liability	**41.54**	**2.41%**	**12.51**	**1.17%**
Profit After Taxation and Before Minority Interest and Share of Profits of Associate	241.77	14.12%	93.62	8.81%
Minority Interest	(67.34)	(3.92%)	(23.06)	(2.16%)
Net Profit After Minority Interest /Share of Profits of Associate	**174.43**	**10.20%**	**70.56**	**6.65%**

Net Income

The components of our net total income are as follows:

Particulars	For the year ended March 31,			
	2007		2006	
	Amount in Rs. Crore	% of Total Income	Amount in Rs. Crore	% of Total Income
Net Sales and Operating Income:				
Airports (net of Annual Fee of Rs.271.98 crore paid to Airport Authority of India)	316.02	18.42%	–	–
Power Business	1,194.89	69.67%	905.95	85.07%
Road Business	143.18	8.35%	150.43	14.12%
Other[1]	42.65	2.49%	5.27	0.50%
Total net Sales and Operating Income	1,696.74	98.93%	1,061.65	99.69%
Other Income	18.33	1.07%	3.33	0.31%
Total Income	1,715.07	100.00%	1,064.98	100.00%

1: "Others" represent the service incomes earned by GEL, and operating income of GMR Infrastructure Limited, less inter-company revenues.

Net Operating Income from Airport business

Income from our airport business is derived from the operations of Delhi International Airport with effect from May 3, 2006. The total sales and operating income earned during the period ended March 31, 2007 was Rs. 588 Crore. As per the terms of Operations, Maintenance and Development Agreement entered into with Airport Authority of India, an amount of Rs. 271.98 Crore, being 45.99% of the gross revenue, was paid towards annual fee. Thus, net sales and operating income from our airport operations stood at Rs.316.02 Crore contributing 18.42% of the total income of the Company for the period ended March 31, 2007. As this is the first year of operations, there are no corresponding numbers available for the previous year for comparison.

Operating Income from Power business

Income from power business consists of fixed and variable components of electricity tariff charged to the state electricity boards and distribution companies as per the terms of the respective power purchase agreements. The segment's contribution as percentage of total income was 69.67% and 85.07% for the years ended March 31, 2007 and March 31, 2006 respectively. The segment income from sale of power went up by 31.89% from Rs. 905.95 Crore for the year ended March 31, 2006 to Rs. 1,194.89 Crore for the year ended March 31, 2007. The increase was mainly on account of increased plant load factor from 12.7% to 26.4% in the case of our power plant at Mangalore and from 44.32% to 52.1% in the case of Chennai power plant, though the total sales and operating income from our Vemagiri power plant was only Rs. 3.88 Crore. Our Vemagiri power plant had declared the COD in September, 2006. But, it could not continue the operations due to non-availability of natural gas.

Operating Income from road business

Income from our road operations is derived from semi-annual annuity payments made by NHAI. Sales and operating income from our operations of road business as a percentage of total income was 8.35% and 14.12% for the year ended March 31, 2007 and March 31, 2006 respectively. The segment income was at Rs. 143.18 Crore for the year ended March 31, 2007 as compared to Rs. 150.43 Crore for the year ended March 31, 2006 thereby recording a decline of 4.82%. The decrease was mainly on account of reduction in income from variation works by Rs. 6.08 Crore assigned by NHAI..

As a result of the above, net sales and operating income increased by 59.82% from Rs. 1,061.65 Crore for the year ended March 31, 2006 to Rs. 1,696.94 Crore for the year ended March 31, 2007.

Other Income

Other income is derived from income from investments other than trade, gain on foreign exchange fluctuations, profit on sale of investments and other miscellaneous income. Other income as a percentage of total income was 1.07% and 0.31% for the year ended March 31, 2007 and March 31, 2006 respectively. Other income went by 450.45% from Rs. 3.33 Crore for the year ended March 31, 2006 to Rs. 18.33 Crore for the year ended March 31, 2007. The increase was due to increase in income from investments by Rs. 9.18 Crore, sale of investments by Rs. 5.54 Crore and increase in gains on account of foreign exchange fluctuation (net) by Rs. 0.35 Crore offset by a small decline in miscellaneous income by Rs. 0.07 Crore.

Expenditure

Our expenditure has the following major components:

- Generation and operating expenses (including consumption of fuel and lubricants, water, salaries and wages of operational employees, operations and maintenance, technical consultancy fee, cost of variation works, insurance for plant and machinery, airport operator fee, cargo handling charges, lease rentals and repairs and maintenance to plant and machinery),
- Administration and other expenses (including salaries, allowances and benefits to employees, office rental, travel, insurance, electricity, consultancy and other professional charges, contributions to provident fund, provision for advances, claims and debts, losses on sale of fixed assets and investments, traveling and conveyance, communication and other miscellaneous expenses),
- Finance charges (including interest on term loans, interest to others and other finance charges viz., prepayment premiums, guarantee commission, bank charges) and
- Depreciation.

Generation and Operating Expenses: Generation and operating expenses increased by 74.86% from Rs. 506 Crore for the year ended March 31, 2006 to Rs. 884 Crore for the year ended March 31, 2007. Of this increase of Rs.378 Crore, about Rs.290 Crore (corresponding the increase of Rs.314 crore operating income in the Power Sector) is on account of increase in the consumption of fuel in the power sector primarily reflecting increase in fuel and lubricants consumption caused by higher PLF, induction of Rs.95 Crore operating expenditure of DIAL and a reduction of operating expenditure in Roads Sector by about Rs. 6 Crore, being the decrease in the cost of variation works.

Administration and Other Expenses: Administration and other expenses increased by 161.29% from Rs. 103 Crore for the year ended March 31, 2006 to Rs. 269. Crore for the year ended March 31, 2007. This increase of Rs.166 crore is accounted by the manpower cost of Rs.108 crore in DIAL and Rs.51 crore of administrative expenditure also of DIAL and the balance of Rs.7 Crore from other sectors.

Thus the aggregate of generation and operating expenditure and administrative and other expenditure have gone up from Rs.609 Crore to Rs.1153 Crore, registering an increase of Rs.544 Crore (89%) while our net operating revenues have gone up from 1,062 Crore to Rs. 1,697 Crore, recording an increase of Rs.635 Crore (59%). The reasons for the lower percentage growth in net revenue as compared to percentage increase in expenditure are explained below.

- The Power Segment operating income went up by Rs.292 crore (32%) from Rs. 903 Crore to Rs. 1195 Crore while the operating and administrative expenditure went up by Rs.293 crore (51%) from Rs. 571 crore to Rs.864 crore. This includes Rs.18 Crore expenditure pertaining Vemagiri Power, which is not operational. Considering this as extraordinary expenditure due to non-operation of this plant, the power segment expenditure pertaining to the operating companies went by Rs.275 Crore (48%).The ratio of operating and administrative expenditure to operating income has increased to 70% for the current year as compared to 63% for the earlier year. The reason for this increase is the increase in the operating income and operating expenditure is accounted by the constant factor being fuel expenditure, as the fuel is a pass through in both the power plants.
- The Roads Segment income was at Rs. 143 Crore for the year ended March 31, 2007 as compared to Rs. 150 Crore for the year ended March 31, 2006 thereby recording a decline of Rs.7 Crore (4%). The operating and administrative expenditure for the same period have gone down by Rs.3 crore (4) from 67 Crore to Rs.64. Thus percentage of variance in income and expenditure is almost the same. The operating and other expenditure as a percentage of revenues continues to remain at 44% .
- The net sales and operating income from Delhi Airport for the year stand Rs.316 crore while the operating and other expenditure stand at Rs.260 Crore, resulting in an operating and administrative expenditure ratio of 82% to sales.
- Thus, as DIAL, with higher operating expenditure ratio as compared other two segments, joined the revenue streams along with an increase in the operating expenditure ratio in power sector for the reasons mentioned above, the percentage growth in the revenues for the year is lower as compared to the percentage increase in the expenditure.

Earnings Before Interest, Taxes, Depreciation and Amortization

The overall EBIDTA margins (Earnings Before Interest, Taxes, Depreciation and Amortization) came down from 42.86% to 32.77% for the year ended March 31, 2007, though there was an increase of Rs. 105.64 Crore in absolute numbers. The EBIDTA margin of power sector has declined as aforesaid since EBIDTA quantum of the sector is mostly fixed and is relatively independent of the changes in the revenue quantum due to take or pay nature of the business with pass through fuel costs. With EBIDTA quantum being relatively unchanged, higher revenues would lead to lower EBIDTA margins. Hence, the higher revenues of the current year as compared to the pervious year has led to the optical decline of the EBIDTA margins. Coupled with this, it is also due to the joining of DIAL revenue streams for the year with lower EBIDTA margins as compared to the other two sectors, the consolidated EBIDTA margins for the year have gone down. The operating margins of DIAL would have been higher but for certain start up expenditure incurred for the improvement of various passenger facilities.

Interest and Finance Charges

Interest and finance charges increased by Rs.13.87 Crore (10.65% from Rs. 130.27 Crore for the year ended March 31, 2006 to Rs. 144.14 Crore for the year ended March 31, 2007. During the year under review, an amount of Rs. Rs.37.88 Crore was incurred towards interest on term loans (net of interest income) on account of our Vemagiri power plant, though there were no operations due to non-availability of natural gas and an amount of Rs. 8.45 Crore (net of income) was incurred on account of addition of our Delhi Airport operations. This increase was offset by decrease in interest cost (net of income) and other finance charges of our other operating assets in power and roads business mainly on account of repayment of existing term loans of the respective business.

Depreciation

Depreciation for the financial year decreased by 38.83% from Rs.219.97 Crore for the year ended on March 31, 2006 to Rs.134.56 Crore for the year ended on March 31, 2007, though there was an addition to the gross block of fixed assets of our Vemagiri power plant of Rs. 1,143.23 Crore and Delhi Airport business of Rs. 214.94 Crore for the current year under review.

For the purpose of consolidation, depreciation in respect of power sector subsidiaries has been uniformly considered based on the rates as prescribed under Schedule XIV to the Companies Act, 1956 amounting to Rs. 86.49 Crore. Depreciation on assets of such subsidiaries is charged in the financial statements of the individual entities on different basis, aggregating to Rs. 213.65 Crore, following accounting policies / rates which are considered appropriate in each case.

Profit Before Taxation and before Minority Interest/Share of Profits of Associate

As a result of the decline in the of finance costs, as a percentage of sales, from 12.23% to 8.4% as compared to the previous year and reduction in depreciation costs in consolidation due to adoption of uniform rates of depreciation for power sector assets as per Schedule XIV to the Companies Act, 1956, our profit before taxation and before minority interest/share of profits of associate for the year ended March 31, 2007 stood at Rs. 283.31 Crore as compared to Rs. 106.13 Crore for the year ended March 31, 2006.

Taxes

Income Taxes are accounted for in accordance with Accounting Standard – 22 issued by the ICAI on “Accounting for Taxes on Income”. Taxes comprise current, deferred and fringe benefit taxes.

Provision for current taxes is made at the current tax rates after taking into consideration the benefits admissible under the provisions of the Income Tax Act 1961.

Deferred tax is recognized on timing differences (being the difference between the taxable income and the accounting income that originate in one year and are capable of reversal in one or more subsequent years). Deferred tax assets and liabilities are computed on the timing differences applying the substantially enacted tax rate. Deferred tax assets arising on account of unabsorbed depreciation or carry forward of tax losses are recognized only to the extent that there is virtual certainty supported by convincing evidence that sufficient future taxable income will be available against which such deferred tax assets can be realized. Deferred tax in respect of timing differences, which originate and reverse during tax holiday period are not recognized.

The total tax expense went up by 232.05% from Rs. 12.51 Crore for the year ended March 31, 2006 to Rs. 41.54 Crore for the year ended March 31, 2007. The tax liability as a percentage of Profits Before Tax has gone up from 11.79% to 14.66% as compared to the previous year. This is primarily due to an increase in the Minimum Alternate Tax Rates as compared to the earlier year and non-availability of Section 80IA to Delhi Airport like in the case of other infrastructure projects of the Company. Also, though the losses from Vemagiri have reduced the profits before tax, such losses are not available for reduction of consolidated tax liability.

Profit After Taxation and Before Minority Interest/Share of Profits of Associate

Our profit after taxation and before minority interest and share of profits of associate went up by 158.25% from Rs.93.62 Crore for the year ended March 31, 2006 to Rs.241.77 Crore for the year ended March 31, 2007.

Minority Interest. Minority interest represents the share of profits of minority shareholders in our operating assets viz., GMR Power Corporation Private Limited, GMR Tuni-Anakapalli Expressways Private Limited, GMR Tambaram-Tindivanam Expressways Private Limited and Delhi International Airport Private Limited. Share of minority interest in the profits increased by 46.4% from Rs. 23.06 Crore for the year ended March 31, 2006 to Rs. 67.34 Crore for the year ended March 31, 2007, primarily due to .an increase in the profits of our above said subsidiaries engaged in the power, roads and airport businesses.

Net Profit After Minority Interest/Share of Profits of Associate. As a result of the foregoing, our net profit after minority interest/share of profits of associate increased by 147.20% from Rs. 70.56 Crore for the year ended March 31, 2006 to Rs. 174.43 Crore for the year ended March31, 2007.

BUSINESS REVIEW

One of the key strategies of the GMR Group is to reduce risks through diversification. We aim to achieve this through entry into new businesses, increasing the mix of assets with fixed revenues and volume driven revenues, expanding the geographical presence, as well as increasing the diversification of input fuels and output services of our assets/projects. Once the various projects under various stages of development also enter into commercial operation, they will help to reduce our risks and improve our business prospects, resulting in the following competitive strengths.

- **Provide sustained stream of cash flows:** Projects such as PPA based power projects and annuity based road projects provide a sustained stream of cash flows for the group. These projects provide the stable cash flows that can be leveraged to the benefit of the other projects in our portfolio.
- **Diversify our revenue mix:** We currently own three types of operating assets: power plants, annuity road projects and Airport. Our power projects are governed by PPA and thus their revenues are not totally driven by volumes, annuity road projects have fixed annual revenue and airport's aero related revenues are governed by regulations. We are increasing our asset mix through the development of an international airport at Hyderabad; the modernization and development of existing airport at Delhi (DIAL) with a focus on non-aero related revenue; three toll roads projects, where the traffic growth will determine the revenue; one annuity road project; development of two hydroelectric power plants which are merchant power plants and two coal fired power plants. This overall asset mix where some projects provide stable revenue streams and other projects with huge potential upside in revenues, will help us to reduce the risk variability in returns and thus enable us to benefit from the potential upside expected in these sectors.
- **Expand our geographical business reach:** The various projects under development/implementations would expand our areas of operations giving us a pan Indian footprint. During the year, we took over operations of the Delhi International Airport Limited, marking our entry in a big way in the North India. . Apart from the Delhi Airport, we are also implementing the Ambala – Chandigarh road project that is expected to become operational by mid 2008. In addition the Group is consolidating its pan India presence with coal fired power projects in Orissa and Chhattisgarh, hydro power projects in Uttaranchal, Arunachal Pradesh and Himachal Pradesh. This geographical diversification helps us to reduce the risk associated with political events and natural disasters that are specific to certain states and regions, as well as to increase the geographical scope of our business network. We are further exploring business opportunities in different sectors outside India.
- **Diversify our customer base:** Presently, with the exception of DIAL, our customers are Government Entities. We sell the electricity generated by our power plants to state electricity boards and distribution companies, in each case owned by the Government. In addition, as of the date, our only customer for the road business is NHAI. With the commissioning of Ambala-Chandigarh road project, the Farukhnagar-Jadcherla road project and the Tindivanam-Ulundurpet road project we will be able to sell our services directly to thousands end-users and, accordingly, will be able to diversify our customer base. Similarly with the commercial operations of Hyderabad airport in addition to ongoing Delhi airport operations, we will be deriving our revenues indirectly from millions of the passengers. Our merchant power plants under development will sell substantial energy directly to the multiple end users. Thus, the risks associated with dependence on few customers will be mitigated.
- **Achieving diversity of fuel:** Our current portfolio of power assets is based on hydrocarbon fuels viz., crude oil distillates (Naphtha, Low Sulphur Heavy Stock) and Natural gas. Inherently, both crude oil distillates and natural gas are similar in characteristic. As a result, prices of these fuels largely move in tandem. This exposes us to the risk of high fuel prices leading to lower dispatch / utilization. The group is therefore diversifying into coal based thermal projects and hydroelectric projects in various parts of the country. Our fuel strategy for the development of power assets will ensure that the power portfolio is balanced to the optimum level between various fuels, other than crude oil distillates.
- **Diversification of business sectors:** As part of growth strategy and also to reduce the risks associated with concentration on few businesses, the Company is diversifying into other sectors. GHIAL has already received the approval from the Government for setting up two SEZs around our Hyderabad Airport. Company has submitted bid for selection as JV Partner with Tamilnadu Industrial Development Corporation Limited for development of a multi product SEZ to be located at Hosur & Denkanikotta Taluks of Krishnagiri District in Tamil Nadu.. The Company also has plans of foraying into property development.

RISKS AND CONCERNS

The Company's business, results of operations and financial condition are affected by a number of factors, including:

- **Macroeconomic factors in India:** As of the date, all of our assets are located in India. As the revenues from our existing projects are all fixed (except Delhi Airport), we believe that macroeconomic factors, including the growth of the Indian economy, interest rates, as well as the political and economic environment, do not currently have a significant direct impact on our business, results of operations and financial position. We believe that the Indian economy will grow in the next few years and consequently, we are currently developing and expect to continue to develop projects whose revenues are dependent on the Indian economy and their utilization rates. Accordingly, we believe that macroeconomic factors in India will, in the long run, have a significant impact on our operating results.

- **Fuel Availability and price:** Under the power purchase agreements relating to our three power plants, we are entitled to be reimbursed for our fuel costs based on certain agreed parameters. However, if prices for naphtha or LSHS continue to be high in comparison to other types of fuel, it is likely to adversely impact the projects. For the Mangalore Power Plant, which is nearing the expiry of its PPA, we may experience difficulty in securing new long-term purchase commitments or renewing our existing purchase commitments. While for the Chennai Power Plant it would translate into lower utilization. In each case once our existing PPA expires, our earnings could be adversely impacted to different extent. We are currently evaluating our fuel options, including the use of alternate fuels as well as the relocation of the Mangalore power plant to a site that is close to a natural gas source. The Vemagiri Power Plant relies on the combustion of natural gas for the generation of electricity. While we have procured the supply of natural gas to the Vemagiri Power Plant, we expect that the plant will not receive sufficient fuel to operate at its contracted capacity for next 10-12 months of operation. The supply of natural gas is expected to stabilize by 2008, by when we expect the Krishna-Godavari basin gas fields to enter into commercial operation.

  With the increasing realization of the criticality of fuel, there is likely to be fierce competition for securing fuel supplies. The group is therefore aiming to focus on projects with secured fuel supply such as Hydro projects across the country or captive supply based projects (coal mine related projects etc).
- **Demand and Price risk:** The new hydro power projects that we are developing will operate as merchant power projects (MPP), which means that these projects will have to secure the market for their generation. The group may utilize a portfolio approach to manage the market (combination of long and short term contracts) and therefore it carry the demand and price risks for the projects. This however provides with the opportunity of unregulated high returns than the other existing power projects. We will try to mitigate the same by entering into contracts with credit worthy buyers to ensure optimum utilization of the projects
- **Income tax:** Except for DIAL, each of our subsidiaries that has developed or is developing an infrastructure project has been granted a 10-year tax concession by the Government, during which time such subsidiary is only subject to Indian income tax at the minimum alternate tax rate, instead of the normal income tax rate (currently 30% with applicable surcharges). The relevant subsidiary may at its option decide on the commencement date of the 10-year tax concession. The amount of current income tax payable does not affect the financial performance of GMR Energy Ltd. and GMR Power Corporation Pvt. Ltd., as under the power purchase agreements for both the Mangalore power plant and the Chennai power plant, the power purchasers are required to reimburse any current income tax paid (excluding tax on other income, if any). However, if the rates of income tax for our roads and airports businesses change, our results of operations would be impacted.
- **Investment risk in various new projects:** We are developing/executing a number of new projects involving significantly huge investments. All these projects involve an overall investment of around Rs. 19,710 crore (does not include the project cost of the proposed Chhattisgarh coal fired project of 1000 MW, as the estimates are under compilation) over next 3-5 years. If the development of these projects costs less than what we have budgeted or if we are able to complete these projects ahead of schedule without increasing the costs, our financial condition and earnings will improve and otherwise vice-versa.
- **Credit Risk:** We currently generate all of our operating revenues from customers in the public sector. The payment obligations of these customers are secured by collateral and in the case of our two operating power plants, are supported by guarantees issued by the relevant state governments. However, we are also developing two merchant power plants where we will have to find our own customers and enter into contract with them. We need to ensure the credit worthiness of our customers to avoid any credit risk.

QUANTITATIVE AND QUALITATIVE DISCLOSURE ABOUT MARKET RISK

Market risk is the risk of loss related to adverse changes in market prices, including interest rate and foreign exchange rates of financial instruments. We are exposed to various types of market risks in the normal course of business. For instance, we are exposed to market interest rates and exchange rate movements on foreign currency denominated borrowings and operating expenses.

Interest Rate Risk

Except in the case of the Chennai power plant, we are subject to market risks due to fluctuations in interest rates and refinancing of short-term debt. Pursuant to our power purchase agreement for the Chennai power plant, all interest payments made by us under our loan agreements relating to this project are to be reimbursed by Tamil Nadu Electricity Board (TNEB). As such, we are not exposed to interest rate risk for the Chennai power plant. An increase in interest rate may adversely affect our ability to service long-term debt and to finance development of new projects, all of which in turn may adversely affect our results of operations.

Foreign Currency Exchange Rate Risk

We conduct our business primarily in Indian Rupees and have minimal direct exposure to foreign exchange fluctuations. A depreciation of the Indian Rupees would, however, result in an increase in the price of imported goods and professional services that we purchase from our suppliers and foreign companies.

We are not exposed to foreign currency exchange rate risk in our road and airport businesses as both our business and our expenses, including interest expense, are denominated in Indian Rupees except GHIAL which has recently signed for an External Commercial Borrowing of USD 125 Million or upto Dollar equivalent of Rs.518 Crore. Our exposure to foreign currency exchange rate risk is minimal in our power business as our customers are required to reimburse us for any foreign exchange fluctuations. We are exposed to foreign currency exchange rate risk between the time we incur the foreign currency expense and the time we invoice our customers. In addition, we are exposed to foreign currency exchange rate risk under our operation and maintenance agreement with General Electric, Hyundai Heavy Industries Company Limited and Korea Plant Service and Engineering Company Limited as pursuant to such agreement, we are required to pay a portion of these companies' compensation in US dollars.

Commodities Risk

We are not exposed to fuel price fluctuations under our power business as our customers are required to reimburse us for such fluctuations. Similarly, we typically enter into fixed or guaranteed maximum price construction contracts with independent construction companies. These contracts usually cover both the supply of the building materials and the construction of the project, for a construction period of one to three years. If the price of the building materials were to increase significantly prior to our entering into a fixed or guaranteed maximum price construction contract, we may be required to pay more to prospective contractors.

INTERNAL CONTROL SYSTEMS AND THEIR ADEQUACY

The Company has proper and adequate internal control systems to ensure that all assets are safeguarded and protected against loss from unauthorized use or disposition and that transactions are authorized, recorded and reported correctly. The internal control system provides for well documented policies, guidelines, authorizations and approvals procedures. The observations arising out of audit are subject to periodic review, compliance and monitoring. The significant observations, made in internal audit reports, along with the status of action thereon are reviewed by the Audit Committee of the Board of Directors on a regular basis for future appropriate action, if deemed necessary.

INITIATIVES IN HUMAN RESOURCES

GMR Infrastructure Limited firmly believes that Human Assets are more critical than physical and financial assets as they are the ones who manage and sustain the growth of physical and financial assets of a company. GIL is well on its way in establishing an integrated system of workforce, which endeavours to develop the capability of its employees that clearly aligns with the business objectives and performance. In this direction, it has already institutionalized a well defined Values and Beliefs, employee involvement programs, incentive programs, performance management and feedback processes, training and development for developing the employees' potential, whistle blower and sexual harassment policies amongst others.

Our key initiative "The People Capability Maturity Model (PCMM) which is under implementation, has given insights into various HR processes and its linkages. We have been certified at Level 2 by an external auditor and is completely geared-up to obtain the Level 5 by 2009. All HR policies are available on the company's Intranet for easy access of employees.

Apart from various quality initiatives like ISO 9000, Six Sigma, 5S, etc., we have launched Sprint Sigma, which has the principles of Quality circle and Six Sigma. So far we have completed 24 projects, which have improved the lead time, reduced the costs besides inculcating the habit of quality consciousness. In addition, 18 more projects are under progress.

Further, we also encourage individual and team awards to sustain and institutionalize the various workforce practices. This helped in giving lots of encouragement to the workforce who have been striving hard to achieve various goals.

Various individual, team and spot awards and other competitions are in place to sustain and institutionalize the workforce practices, quality and process initiatives and also to energize the employees. In addition, the employees go through training and development programs conducted in-house and also at well-known national and international conferences periodically to hone their managerial skills and the domain knowledge of GIL's businesses.

Regular Town Hall Meeting is yet another important initiative that facilitates interaction between the Senior Management and employees at levels for building a transparent organization in each of our businesses. This face – to - face interaction between our employees and top management enable sharing of business information and discuss general queries and address the concerns of employees.

We also have an in-house quarterly magazine “Prerana” which is the medium of information to all employees giving all latest happenings. This magazine also helps the family members of employees to familiarize various developments within the company.

Further, our Town-hall meetings are top down approach and make employees to feel at home as these meetings are addressed by top management.

The organization has its own Human Resources Manual wherein the policies on Talent resourcing, Employee development, Compensation benefits and employee engagement have been scripted and implemented in the organization. The policies on Education Expenses Reimbursement, Membership fee to Professional Institutions, Annual Health Check, Chairman’s outstanding award, service awards, child educational assistance, marriages gifts, merit awards to employee’s children etc. are in the interest of employees Development and these policies indicate the direction of the management in the area of employee development.

For the Group, the journey towards integrating contemporary workforce practices, quality and process initiatives to its employees that are alive to current business needs never ends, as the Group firmly believes the business and the competitive scenarios are dynamic.

Human Resources - DIAL

As per Operation, Management and Development Agreement (OMDA), for the first three years from May 3, 2006, Airports Authority of India (AAI) shall provide the operation support to the DIAL through the General Employees of AAI. DIAL is required to make offers of employment to a minimum of 60% of the General Employees during the Operation Support Period but not later than 3 months prior to the expiry of the Operation support period. DIAL made an offer for absorption of 100% of the General Employees of AAI at Indira Gandhi International Airport. 193 AAI employees had accepted the offer and joined the Company.

DIAL is in the process of recruitment of employees, experts and specialists required for carrying out the various functions including operation, maintenance and development. Human Resources department had conducted integration meetings with AAI employees. DIAL has given importance to training of employees in various spheres relating to Airport and their respective functions with a stress on quality in services being provided at Airport.

SOCIAL RESPONSIBILITY

GMR Varalakshmi Foundation (GVF) is the corporate social responsibility arm of the GMR Group. GVF aims to contribute to this objective by focusing on health and hygiene , sanitation, drinking water supply, empowerment of backward or under privileged groups, education and community development services to enhance employment and incomes among rural people. Detailed report on the activities of GMR Varalakshmi Foundation is provided separately.

FORWARD – LOOKING STATEMENTS

This report contains forward-looking statements, which may be identified by their use of words like ‘plans’, ‘expects’, ‘will’, ‘anticipates’, ‘believes’, ‘intends’, ‘projects’, ‘estimates’, or other words of similar meaning. All statements that address expectations or projections about the future, including but not limited to statements about the company’s strategy for growth, market position, expenditures and financial results, are forward-looking statements. Forward-looking statements are based on certain assumptions and expectations of future events. The company cannot guarantee that these assumptions and expectations are accurate or will be realized.

The Company’s actual results, performance or achievements could thus differ materially from those projected in any such forward-looking statements. The company assumes no responsibility to publicly amend, modify or revise any forward looking statements, on the basis of any subsequent developments, information or events.

AUDITORS' REPORT

To
The Members
GMR Infrastructure Limited

1. We have audited the attached Balance Sheet of GMR Infrastructure Limited ("the Company") as at March 31,2007, and the related Profit and Loss Account and the Cash Flow Statement for the year ended on that date annexed thereto, which we have signed under reference to this report. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

2. We conducted our audit in accordance with the auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

3. As required by the Companies (Auditor's Report) Order, 2003, as amended by the Companies (Auditor's Report) (Amendment) Order, 2004, issued by the Central Government of India in terms of sub-section (4A) of Section 227 of 'The Companies Act, 1956' of India (the 'Act') and on the basis of such checks of the books and records of the Company as we considered appropriate and according to the information and explanations given to us, we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.

4. Further to our comments in the Annexure referred to in paragraph 3 above, we report that:

(a) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit;

(b) In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;

(c) The Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account;

(d) In our opinion, the Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report comply with the accounting standards referred to in sub-section (3C) of Section 211 of the Act;

(e) On the basis of written representations received from the directors, as on March 31, 2007 and taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2007 from being appointed as a director in terms of clause (g) of sub-section (1) of Section 274 of the Act;

(f) In our opinion and to the best of our information and according to the explanations given to us, the said financial statements together with the notes thereon and attached thereto give in the prescribed manner the information required by the Act and give a true and fair view in conformity with the accounting principles generally accepted in India:

(i) in the case of the Balance Sheet, of the state of affairs of the Company as at March 31, 2007;

(ii) in the case of the Profit and Loss Account, of the profit for the year ended on that date; and

(iii) in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

Sd/-
P. Rama Krishna
Partner
Membership No. 22795
For and on behalf of
Price Waterhouse
Chartered Accountants

Place: Bangalore
Date : June 30, 2007

Annexure To Auditors' Report

[Referred to in paragraph 3 of the Auditors' Report of even date to the members of GMR Infrastructure Limited on the financial statements as at and for the year ended March 31, 2007]

1. (a) The Company is maintaining proper records showing full particulars including quantitative details and situation of fixed assets.

   (b) The fixed assets of the company have been physically verified by the management during the year and no material discrepancies between the book records and the physical inventory have been noticed. In our opinion, the frequency of verification is reasonable.

   (c) In our opinion and according to the information and explanations given to us, a substantial part of fixed assets has not been disposed of by the company during the year.

2. (a) The Company has not granted any loans, secured or unsecured, to companies, firms or other parties covered in the register maintained under Section 301 of the Act.

   (b) The Company has taken and repaid unsecured loans, from a company covered in the register maintained under Section 301 of the Act. The maximum amount involved during the year and the year-end-balance of such loans amounts to Rs. 1,320,399,850 and Rs. Nil respectively.

   (c) These unsecured loans taken were without any interest and in our opinion, the other terms and conditions of such loans were not prima facie prejudicial to the interest of the company.

   (d) In respect of aforesaid loans, there was no repayment schedule stipulated and no interest was payable on these loans. Hence, commenting on this clause does not arise.

3. In our opinion and according to the information and explanations given to us, there is an adequate internal control system commensurate with the size of the Company and the nature of its business for the purchase of fixed assets. The activities of the Company did not involve the purchase of inventory and sale of services. Further, on the basis of our examination of the books and records of the Company, and according to the information and explanations given to us, we have neither come across nor have been informed of any continuing failure to correct major weaknesses in the aforesaid internal control system.

4. (a) In our opinion and according to the information and explanations given to us, the particulars of contracts or arrangements referred to in Section 301 of the Act have been entered in the register required to be maintained under that section.

   (b) In our opinion and according to the information and explanations given to us, there are no transactions made in pursuance of such contracts or arrangements and exceeding the value of Rupees five lacs in respect of any party during the year, which have been made at prices which are not reasonable having regards to the prevailing market prices at the relevant time.

5. The Company has not accepted any deposits from the public within the meaning of Sections 58A and 58AA of the Act and the rules framed there under.

6. In our opinion, the Company has an internal audit system commensurate with its size and nature of its business.

7. (a) According to the information and explanations given to us and the records of the Company examined by us, in our opinion, the Company is generally regular in depositing the undisputed statutory dues including provident fund, income-tax and other material statutory dues as applicable with the appropriate authorities. According to the information and explanations given to us, and the records of the Company examined by us, investor education and protection fund, employees' state insurance, sales tax, wealth tax, service tax, custom duty, excise duty, and cess are not applicable to the Company for the current year.

   (b) According to the information and explanations given to us and the records of the Company examined by us, the particulars of dues of income tax which have not been deposited on account of a dispute, are as follows –

Annexure To Auditors' Report

Name of the statute	Nature of dues	Amount (in Rupees)	Period to which the amount relates	Forum where the dispute is pending
Income Tax Act, 1961	Income tax on certain disallowances	551,388	2002-2003	Income Tax Appellate Tribunal, Hyderabad

According to the information and explanations given to us and the records of the Company examined by us, sales tax, wealth tax, service tax, custom duty, excise duty and cess are not applicable to the Company for the current year.

8. The company has no accumulated loss as at March 31, 2007 and it has not incurred any cash loss in the financial year ended on that date or in the immediately preceding financial year.

9. According to the records of the Company examined by us and the information and explanation given to us, the Company has not defaulted in repayment of dues to a bank or a financial institution or debenture holders as at the balance sheet date.

10. The Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities.

11. The provisions of any special statute applicable to chit fund / nidhi / mutual benefit fund / societies are not applicable to the company.

12. In our opinion, the Company is not a dealer or trader in shares, securities, debentures and other investments.

13. In our opinion, and according to the information and explanations given to us, the terms and conditions of the guarantees given by the company, for loans taken by others from banks or financial institutions during the year, are not prejudicial to the interest of the company.

14. In our opinion, and according to the information and explanations given to us, on an overall basis, the term loans have been applied for the purposes for which they were obtained.

15. On the basis of an overall examination of the balance sheet of the Company, in our opinion and according to the information and explanations given to us, there are no funds raised on a short-term basis which have been used for long-term investment.

16. The Company has not made any preferential allotment of shares to parties and companies covered in the register maintained under Section 301 of the Act during the year.

17. The company has created security or charge in respect of debentures issued and outstanding at the year end.

18. The management has disclosed the end use of money raised by the public issue (Refer Note 4 on Schedule 16) and the same has been verified by us.

19. During the course of our examination of the books and records of the Company, carried out in accordance with the generally accepted auditing practices in India, and according to the information and explanations given to us, we have neither come across any instance of fraud on or by the Company, noticed or reported during the year, nor have we been informed of such case by the management.

20. The other clauses (ii), (iii)(b), (iii)(c), (iii)(d) and (viii) of paragraph 4 of the Companies (Auditor's Report) Order 2003, as amended by the Companies (Auditor's Report) (Amendment) Order, 2004, are not applicable in the case of the Company for the current year, since in our opinion there is no matter which arises to be reported upon in the aforesaid order.

Sd/-

P.Rama Krishna

Partner

Membership No. 22795

For and on behalf of

Price Waterhouse

Place : Bangalore
Date : June 30, 2007

Balance Sheet as at March 31, 2007

(Amount in Rupees)

Particulars	Schedule	March 31, 2007		March 31, 2006	
I. Sources of Funds					
1. Shareholders' Funds					
a) Capital	1	3,310,789,875		2,644,368,140	
b) Reserves and Surplus	2	13,087,026,793	16,397,816,668	1,040,403,573	3,684,771,713
2. Loan Funds					
a) Secured Loans	3	1,771,730,403		1,758,859,836	
b) Unsecured Loans	4	200,000,000	1,971,730,403	1,067,631,309	2,826,491,145
3. Deferred Tax Liability			94,448		1,798,942
Total			**18,369,641,519**		**6,513,061,800**
II. Application of Funds					
1. Fixed Assets					
a) Gross Block	5	17,086,053		22,169,852	
b) Less : Depreciation		9,031,385		11,081,415	
c) Net Block			8,054,668		11,088,437
2. Investments	6		13,440,322,103		4,382,439,829
3. Current Assets, Loans and Advances					
a) Sundry Debtors	7	-		287,894	
b) Cash and Bank Balances	8	3,191,196,737		22,851,625	
c) Other Current Assets	9	47,910,693		521,754,309	
d) Loans and Advances	10	1,699,309,543		1,598,707,070	
		4,938,416,973		2,143,600,898	
Less : Current Liabilities and Provisions	11				
a) Liabilities		16,570,440		23,431,364	
b) Provisions		581,785		636,000	
		17,152,225		24,067,364	
Net Current Assets			4,921,264,748		2,119,533,534
Total			**18,369,641,519**		**6,513,061,800**
Statement on Significant Accounting Policies and Notes to the Accounts.	16				

The Schedules referred to above form an integral part of the Balance Sheet

This is the Balance Sheet referred to in our report of even date

For and on behalf of the Board of Directors

Sd/-
P. Rama Krishna
Partner
For and on behalf of
Price Waterhouse
Chartered Accountants

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

Sd/-
G B S Raju
Group Director &
Group CFO

Sd/-
A.S.Cherukupalli
Company Secretary

Place: Bangalore
Date: June 30, 2007

Profit and Loss Account for the year ended March 31, 2007

(Amount in Rupees)

Particulars	Schedule	March 31, 2007	March 31, 2006
I. Income			
Operating Income	12	333,944,281	583,517,245
Other Income	13	7,400,943	24,752,839
		341,345,224	**608,270,084**
II. Expenditure			
Administration and Other Expenditure	14	87,086,545	69,010,806
Finance Charges	15	199,550,837	182,012,334
Depreciation		1,988,151	2,176,197
		288,625,533	**253,199,337**
III. Profit Before Taxation		**52,719,691**	**355,070,747**
Provision for Taxation			
- Current (relating to earlier years)		24,126,360	20,535
- Deferred		(1,704,494)	(815,376)
- Fringe Benefit Tax		1,515,910	410,778
IV. Profit After Taxation		**28,781,915**	**355,454,810**
Surplus brought forward from previous year		602,903,573	384,261,309
V. Profit available for Appropriation		**631,685,488**	**739,716,119**
Transfer (from)/to Debenture Redemption Reserve		(186,125,000)	37,500,000
Issue of Bonus Shares		-	99,312,546
VI. Available Surplus carried to Balance Sheet		**817,810,488**	**602,903,573**
Earnings per Share (Rs.) - Basic and Diluted		**0.09**	**1.34**
Statement on Significant Accounting Policies and Notes to the Accounts.	16		

The Schedules referred to above form an integral part of the Profit and Loss Account.

This is the Profit and Loss Account referred to in our report of even date.

For and on behalf of the Board of Directors

Sd/-
P. Rama Krishna
Partner
For and on behalf of
Price Waterhouse
Chartered Accountants

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

Sd/-
G B S Raju
Group Director &
Group CFO

Sd/-
A.S.Cherukupalli
Company Secretary

Place : Bangalore
Date : June 30, 2007

Schedules forming part of Balance Sheet as at March 31, 2007

(Amount in Rupees)

Schedule 1	March 31, 2007	March 31, 2006
CAPITAL		
Authorised		
400,000,000 Equity shares of Rs.10 each	4,000,000,000	4,000,000,000
	4,000,000,000	**4,000,000,000**
Issued, Subscribed and paid up		
331,084,000 (2006: 264,436,814) Equity Shares of Rs.10 each fully paid-up	3,310,840,000	2,644,368,140
Notes:		
Of the above,		
(i) 105,774,723 equity shares of Rs.10 each fully paid-up were allotted during the year ended March 31, 2006, by way of bonus shares by capitalising free reserves of the company.		
(ii) 266,722,722 (2006 : 264,435,751) Equity Shares of Rs 10 each fully paid-up are held by the holding company, GMR Holdings Private Limited.		
	3,310,840,000	**2,644,368,140**
Less: Calls unpaid	50,125	**-**
Total	**3,310,789,875**	**2,644,368,140**

(Amount in Rupees)

Schedule 2	March 31, 2007	March 31, 2006
RESERVES AND SURPLUS		
Capital Redemption Reserve		
At the commencement of the year	-	185,000,000
Less : Utilised towards issue of bonus shares	-	185,000,000
(i)	-	-
Share Premium Account		
At the commencement of the year	-	552,993,384
Add: Received/Receivable towards public issue of equity shares (Refer Note 3 and 4 on Schedule 16)	12,725,241,443	-
Less: Utilised towards share issue expenses	706,703,400	-
Less : Calls Unpaid	696,738	-
Less : Utilised towards issue of bonus shares	-	552,993,384
(ii)	**12,017,841,305**	**-**
Debenture Redemption Reserve		
At the commencement of the year	437,500,000	400,000,000
Add: Transfer from Profit and Loss Account	-	37,500,000
Less: Transfer to Profit and Loss Account	186,125,000	-
(iii)	**251,375,000**	**437,500,000**
Special Reserve (under Section 45 IC of the RBI Act, 1934)		
At the commencement of the year	-	220,441,300
Less : Transfer to General Reserve	-	220,441,300
(iv)	-	-
General Reserve		
At the commencement of the year	-	-
Add: Transfer from Special Reserve	-	220,441,300
Less : Utilised towards issue of bonus shares	-	220,441,300
(v)	-	-
Balance in Profit and Loss Account (vi)	**817,810,488**	**602,903,573**
Total (i)+(ii)+(iii)+(iv)+(v)+(vi)	**13,087,026,793**	**1,040,403,573**

Schedules forming part of Balance Sheet as at March 31, 2007

(Amount in Rupees)

Schedule 3	March 31, 2007	March 31, 2006
SECURED LOANS		
Debentures		
(i) 185,000 (2006: 555,000) Secured Redeemable Non-Convertible Debentures of Rs. 100 each	9,250,000	46,250,000
(Out of the above, debentures amounting to Rs.3,250,000 bear interest at the rate of 10% per annum (14% up to March 31, 2004) and debentures amounting to Rs.6,000,000 bear interest at the rate of 10% per annum (14% up to December 31, 2004) These debentures are redeemable in 20 equal quarterly instalments from October 1, 2002).		
(ii) 300,000 (2006: 600,000) Secured Redeemable Non-Convertible Debentures of Rs. 100 each	30,000,000	60,000,000
(These debentures bear interest at the rate of 10% per annum and are redeemable in 4 equal annual instalments from January 8, 2005).		
(iii) 162,500 (2006: 325,000) Secured Redeemable Non-Convertible Debentures of Rs. 100 each	16,250,000	32,500,000
(These debentures bear interest at the rate of 10% per annum and are redeemable in 4 equal annual instalments from February 4, 2005).		
(The above debentures (i) to (iii) are secured, on pari passu basis, by the first charge through hypothecation of all movable and immovable properties of the Company, both present and future, and pledge of equity shares of the Company held by promoter shareholders and their associates.)		
(iv) 950 (2006: 1,100) Secured Redeemable Non-Convertible Debentures of Rs. 1,000,000 each	950,000,000	1,100,000,000
(These debentures bear interest at the rate of 9.81% per annum (8.91% up to September 30, 2006).		
(v) Nil (2006: 220) Secured Redeemable Non-Convertible Debentures of Rs. 1,000,000 each	-	220,000,000
(These debentures bear interest at the rate of 8.71% per annum). (The above debentures (iv) and (v) are secured by immovable property of the Company, pledge of 41,253,000 Shares of the Company held by the promoter shareholders and other third party securities. These debentures are redeemable in 10 annual instalments from September 30, 2005)		
(vi) Nil (2006: 3,000) Secured Redeemable Non-Convertible Debentures of Rs. 100,000 each	-	300,000,000
(These debentures bear interest at the rate of 9% per annum. These debentures are redeemable in 10 equal semi annual instalments from December 1, 2003).		
(Secured, by the hypothecation of immovable property of the Company, pledge and by the exclusive first charge on dividends to be declared / received by the company on 48,000,000 (2006 : 48,000,000) equity shares in GMR Energy Limited)		
Bank Overdraft	766,230,403	-
(Secured by pledge of 2,850,000 fully paid-up equity shares of Rs.10 each of GMR Industries Limited, held by GMR Holdings Private Limited and by way of Guarantee issued by GMR Holdings Private Limited)		
Others	-	109,836
(Secured by hypothecation of vehicle)		
Total	**1,771,730,403**	**1,758,859,836**

(Amount in Rupees)

Schedule 4	March 31, 2007	March 31, 2006
UNSECURED LOANS		
Short Term		
From Banks	-	549,491,266
Interest Accrued and due	-	74,000
From Other Bodies Corporate	-	518,000,000
Interest Accrued and due	-	66,043
Other than Short Term		
From Banks	200,000,000	-
Total	**200,000,000**	**1,067,631,309**

Schedules forming part of Balance Sheet as at March 31, 2007

Schedule 5

FIXED ASSETS

(Amount in Rupees)

Description	Gross Block				Depreciation				Net Block	
	As at March 31, 2006	Additions	Deletions	As at March 31, 2007	As at March 31, 2006	For the year	On Deletions	As at March 31, 2007	As at March 31, 2007	As at March 31, 2006
Freehold Land	835,700	-	-	835,700	-	-	-	-	835,700	835,700
Office Equipment	14,004,987	130,844	5,014,808	9,121,023	7,430,613	1,603,481	3,867,561	5,166,533	3,954,490	6,574,374
Furniture and Fixtures	6,397,090	-	188,260	6,208,830	3,222,627	296,353	163,269	3,355,711	2,853,119	3,174,463
Vehicles	932,075	-	11,575	920,500	428,175	88,317	7,351	509,141	411,359	503,900
Total	**22,169,852**	**130,844**	**5,214,643**	**17,086,053**	**11,081,415**	**1,988,151**	**4,038,181**	**9,031,385**	**8,054,668**	**11,088,437**
Previous Year	23,294,148	321,460	1,445,756	22,169,852	9,614,250	2,176,197	709,032	11,081,415	11,088,437	-

Schedules forming part of Balance Sheet as at March 31, 2007

(Amount in Rupees)

Schedule 6	March 31, 2007	March 31, 2006
INVESTMENTS		
I. Long term - At cost		
Other than Trade - Unquoted		
A. In Equity Shares of Subsidiary Companies		
GMR Energy Limited	3,962,707,176	2,962,707,179
(326,063,727 [2006: 276,826,898] Equity Shares of Rs.10 each fully paid up)		
GMR Hyderabad International Airport Limited	369,950	369,950
(36,995 Equity Shares of Rs.10 each fully paid up)		
GMR Pochanpalli Expressways Private Limited	633,420,000	51,000
(63,342,000 [2006: 5,100] Equity Shares of Rs.10 each fully paid up)		
GMR Jadcherla Expressways Private Limited	540,906,750	51,000
(54,090,675 [2006: 5,100] Equity Shares of Rs.10 each fully paid up)		
GMR Tuni-Anakapalli Expressways Private Limited	1,000,000	1,000,000
(100,000 Equity Shares of Rs.10 each fully paid up)		
GMR Tambaram-Tindivanam Expressways Private Limited	1,000,000	1,000,000
(1,00,000 Equity Shares of Rs.10 each fully paid up)		
GMR Ambala Chandigarh Expressways Private Limited	270,049,000	48,000
(27,004,900 [2006: 4,800] Equity Shares of Rs.10 each fully paid up)		
Delhi International Airport Private Limited	622,000,000	-
(62,200,000 [2006: Nil] Equity shares of 10 each fully paid up)		
GMR Ulundurpet Expressways Private Limited	912,262,500	-
(91,226,250 [2006:Nil] Equity shares of 10 each fully paid up)		
GMR (Badrinath) Hydro Power Generation Private Limited	49,000	-
(4,900 [2006:Nil] Equity shares of 10 each fully paid up)		
GVL Investments Private Limited	3,993,262,400	-
(2,495,789 [2006:Nil] Equity shares 10 each fully paid up)		
Gateways for India Airports Private Limited	37,840	37,840
(3,784 equity shares of Rs.10/- each fully paid-up)		
(i)	**10,937,064,616**	**2,965,264,969**
B. In Preference Shares of Subsidiary Companies		
GMR Tuni-Anakapalli Expressways Private Limited		
1,100,000 9% Preference Shares of Rs. 100 each fully paid up	128,073,282	128,073,282
4,655,720 9.5% Preference Shares of Rs. 100 each fully paid up	472,492,806	472,492,806
GMR Tambaram-Tindivanam Expressways Private Limited		
1,100,000 9% Preference Shares of Rs. 100 each fully paid up	128,071,161	128,071,161
6,746,960 9.5% Preference Shares of Rs. 100 each fully paid up	688,537,611	688,537,611
GMR Energy Limited		
73,449,425 [2006: Nil] 1% Preference Shares of Rs. 10 each fully paid up	734,494,250	-
	2,151,669,110	1,417,174,860
Less: Provision for Diminution in Value of Investments	(56,906,860)	-
(ii)	**2,094,762,250**	**1,417,174,860**
II. Current Investment at cost or below*		
Other than Trade - Unquoted		
(Balance of unutilised monies raised by way of IPO)		
A. Investments in Bonds**		
7.45% State Bank of India Bonds	98,347,123	-
(100 [2006: Nil] Bonds of face value of Rs. 1,000,000 each)		
7.1% Power Grid Corporation of India Limited Bonds	45,311,250	-
(50 [2006: Nil] Bonds of face value of Rs. 1,000,000 each)		
B. Investments in Mutual Funds***		
ING Vysya Liquid Fund Super Institutional - Daily Dividend Option	35,821,911	-
3,580,472.471 [2006: Nil] Units of Rs.10.0048 per unit		
UTI Liquid Cash Plan Institutional - Daily Income Option - Reinvestment	79,014,953	-
77,507.76 [2006: Nil] Units of Rs.1,019.4457 per unit		
Reliance Fixed Horizon Fund - I - Annual Plan - Series III - Retail Growth Plan	150,000,000	-
15,000,000 [2006: Nil] Units of Rs.10.00 per unit		
(iii)	**408,495,237**	**-**
Total (i)+(ii)+(iii)	**13,440,322,103**	**4,382,439,829**

* Includes Balance of unutilised monies raised by way of IPO - Rs. 405,771,006 (2006: Rs. Nil)

** Aggregate market value as at March 31, 2007 - Rs. 143,952,123 (2006: Nil).

*** Aggregate Net Asset Value as at March 31, 2007 - Rs. 268,799,864 (2006: Rs. Nil).

Schedules forming part of Balance Sheet as at March 31, 2007

(Amount in Rupees)

Schedule 7	March 31, 2007	March 31, 2006
SUNDRY DEBTORS		
(Unsecured, considered good)		
a) Over six months old	-	-
b) Other Debts	-	287,894
Total	**-**	**287,894**

(Amount in Rupees)

Schedule 8	March 31, 2007	March 31, 2006
CASH AND BANK BALANCES		
Balances with Scheduled Banks		
- On Current Account - Balance of unutilised monies raised by way of IPO	3,038,405	-
- On Current Accounts - Others	6,036,748	18,802,361
- On Deposit Accounts - Balance of unutilised monies raised by way of IPO	2,500,000,000	-
- On Deposit Accounts - others	612,500,000	-
- On Margin Money accounts*	69,621,584	4,049,264
Total	**3,191,196,737**	**22,851,625**
* includes Rs. 65,400,000 out of balance of unutilised monies raised by way of IPO.		

(Amount in Rupees)

Schedule 9	March 31, 2007	March 31, 2006
OTHER CURRENT ASSETS		
(Unsecured, Considered good)		
Interest accrued but not due	45,133,701	52,346
Dividend receivable	2,776,992	521,701,963
Total	**47,910,693**	**521,754,309**

(Amount in Rupees)

Schedule 10	March 31, 2007	March 31, 2006
LOANS AND ADVANCES		
(Unsecured and considered good, unless otherwise stated)		
Loan to a Subsidiary Company	150,495,000	-
Advance towards investments in subsidiary companies	1,453,921,000	1,530,042,000
Advances recoverable in cash or in kind or for value to be received :		
Considered good	23,933,219	59,916,081
Considered doubtful	-	28,676,000
Advance Tax (net of provisions)	20,678,586	8,408,051
Deposits	50,281,738	340,938
	1,699,309,543	**1,627,383,070**
Less Provision for doubtful advance	-	28,676,000
Total	**1,699,309,543**	**1,598,707,070**

(Amount in Rupees)

Schedule 11	March 31, 2007	March 31, 2006
CURRENT LIABILITIES		
A) Liabilities		
Sundry Creditors		
Dues to small scale industrial undertakings	-	-
Dues to other than small scale industrial undertakings	8,673,764	11,851,988
Share Application Money Refunds - Not claimed	795,742	-
Interest accrued but not due	931,500	10,446,722
Other Liabilities	6,169,434	1,132,654
	16,570,440	**23,431,364**
B) Provisions		
Provision for employee benefits	581,785	636,000
	581,785	**636,000**
Total	**17,152,225**	**24,067,364**

Schedules forming part of Profit and Loss Accont for the year ended March 31, 2007

(Amount in Rupees)

Schedule 12	March 31, 2007	March 31, 2006
OPERATING INCOME		
Dividend from Subsidiary Companies	165,808,856	521,701,963
Dividend from others	26,680,818	39,457
Interest income - Gross	141,454,607	9,130,735
[Tax Deducted at source Rs.18,645,702 (2006: Rs. 504,751)]		
Profit on sale of long term investments (net)	-	52,645,090
Total	**333,944,281**	**583,517,245**

(Amount in Rupees)

Schedule 13	March 31, 2007	March 31, 2006
OTHER INCOME		
Profit on sale of short term investments (net)	2,344,800	-
Service Income	-	12,500,000
Miscellaneous Income	5,056,143	12,252,839
Total	**7,400,943**	**24,752,839**

(Amount in Rupees)

Schedule14	March 31, 2007	March 31, 2006
ADMINISTRATION AND OTHER EXPENSES		
Salaries, Allowances and Benefits to employees	3,289,486	11,733,748
Contribution to provident fund and others	47,769	551,591
Staff welfare expenses	99,890	4,400
Rent	1,407,583	986,377
Rates and Taxes	176,131	14,522,953
Repairs and Maintenance	156,808	50,015
Insurance	489,742	66,751
Consultancy and Professional Charges	8,624,559	11,461,212
Directors' sitting fees	1,230,000	240,000
Provision for Doubtful Advance	-	28,676,000
Provision for Diminution in value of Investments	56,906,860	-
Travelling and Conveyance	2,594,525	3,442,636
Gain/(loss) on foreign exchange fluctuations	35,613	(4,601,063)
Fixed Assets Written off	1,176,462	736,724
Advertisement	8,363,418	531,045
Miscellaneous Expenses	2,487,699	608,417
Total	**87,086,545**	**69,010,806**

(Amount in Rupees)

Schedule15	March 31, 2007	March 31, 2006
FINANCE CHARGES		
Interest on Debentures / Fixed Period Loans	137,496,408	169,218,105
Interest - Others	36,495,291	10,835,263
Bank and other finance charges	25,559,138	1,958,966
Total	**199,550,837**	**182,012,334**

Schedule 16

Statement on Significant Accounting Policies and Notes to the Accounts

I. Significant Accounting Policies

Accounting Assumptions

These accounts have been prepared under the historical cost convention on the basis of a going concern, with revenues recognised and expenses accounted on their accrual and amounts determined as payable or receivable during the year, except those with significant uncertainties and in accordance with the applicable Accounting Standards as issued by the Institute of Chartered Accountants of India and relevant provisions of the Companies Act, 1956.

Revenue Recognition

The Company recognizes significant items of income and expenditure on accrual basis except in case of those with significant uncertainties. Dividends declared by subsidiary companies after the Balance Sheet date, are recognised as income in the year to which they relate if they are declared before the approval of the financial statements by the Board of Directors.

Income from management/technical services is recognised as per the terms of the agreement and on the basis of services rendered.

Fixed Assets

Fixed Assets are stated at cost of acquisition less depreciation. Cost of acquisition is inclusive of freight, duties, levies and all incidentals attributable to bringing the asset to its working condition.

All the fixed assets are assessed for any indication of impairment at the end of each financial year. On such indication, the impairment (being the excess of carrying value over the recoverable value of the asset) is charged to the Profit and Loss account in the respective financial year. The impairment loss recognized in the prior years is reversed where the recoverable value exceeds the carrying value of the asset upon re-assessment in the subsequent years.

Depreciation

Depreciation is provided on straight line method at the rates specified under Schedule XIV to the Companies Act, 1956 except for assets of less than Rs. 5,000, which are fully depreciated in the year of acquisition.

Leasehold improvements are amortized over the period of the lease or estimated useful life whichever is shorter

Investments

Long term investments are valued at cost and provision for diminution in value is made for any decline, other than temporary, in the value of such investments for each category. The Current investments are valued at cost or market value whichever is lower. Cost of acquisition is inclusive of expenditure incidental to acquisition. Income from investments is recognised in the year in which it is accrued and stated at gross.

Foreign Currency Transactions

Transactions made during the year in foreign currency are recorded at the exchange rate prevailing at the time of transactions. Monetary assets and liabilities related to foreign currency transactions remaining unsettled at the year end are translated at the exchange rate prevalent at the date of Balance Sheet and the resultant gain/loss is recognised in the financial statements.

Retirement Benefits

Retirement Benefits are accounted for on accrual basis in respect of contribution schemes such as Provident Fund and Superannuation Fund with contributions charged against revenue each year. Liability for gratuity is funded through a scheme administered by an insurer and provision is made based on actuarial valuation carried out as at Balance Sheet date. Provision for leave encashment is made on actual liability basis for the leave outstanding as at the year end.

Earnings Per Share

The earnings considered in ascertaining the company's Earning Per Share (EPS) comprise the net profit after tax less dividend (including dividend distribution tax) on preference shares. The number of shares used for computing the basic EPS is the weighted average number of shares outstanding during the year.

Taxes on Income

Current tax is determined based on the amount of tax payable in respect of taxable income for the year. Deferred tax is recognized on timing differences; being the difference between the taxable incomes and accounting income that originate in one year and are capable of reversal in one or more subsequent years. Deferred tax assets and liabilities have been

Schedule 16 Contd.

computed on the timing differences applying the tax rates and tax laws that have been enacted or substantively enacted by the Balance Sheet date. Deferred tax assets arising on account of unabsorbed depreciation or carry forward of tax losses are recognized only to the extent that there is virtual certainty supported by convincing evidence that sufficient future taxable income will be available against which such deferred tax assets can be realized.

II. NOTES TO ACCOUNTS

1. Contingent Liabilities:
   a) Bank Guarantees outstanding in respect of equity and other commitments in subsidiary companies (other than the guarantees towards which commitment has been disclosed in Note 2 below) and towards public issue of equity shares of the Company - Rs. 2,576,900,000 (2006: Rs. 5,615,600,000).
   b) Corporate Guarantees issued in respect of borrowings and performance guarantees availed by subsidiary companies - Rs. 4,314,779,323 (2006: Rs. 1,578,200,000).
   c) Matters relating to Income Tax under dispute – Rs. 4,127,391 (2006: Nil)
2. Capital Commitments

   Investment in equity shares of subsidiary companies - Rs. 4,028,200,000 (2006: Rs. 1,023,357,000)
3. Pursuant to the decision of the shareholders of the Company at their Extra Ordinary General Meetings, 28,510,206 equity shares of face value of Rs. 10 each have been allotted as a Pre-IPO preferential allotment, to various parties at an aggregate share premium of Rs. 5,157,374,405.
4. Pursuant to the decision of the shareholders of the Company at the Extra Ordinary General Meeting held on February 28, 2006; 38,136,980 equity shares of face value of Rs. 10 each have been allotted by way of initial public offer (IPO) on August 17, 2006 and August 24, 2006. The details of funds received and their utilisation up to March 31, 2007 are given below:

Particulars	Amount (in Rupees)
Funds received	
Equity Share Capital	381,369,800
Share Premium (Refer Note (i) below)	7,567,867,038
Interest on delayed payment of call money	457,455
Less: Calls unpaid	746,863
Total	**7,948,947,430**
Utilisation upto March 31, 2007	
Investment in Subsidiary Companies (including Share Application Money, pending allotment) – Refer Note (ii) below	2,206,532,500
Repayment of Unsecured Loans	550,000,000
Payment to GMR Holdings Private Limited and GMR Operations Private Limited for acquisition of equity shares of GVL Investments Private Limited	1,558,564,340
Expenses incurred towards the IPO	629,641,179
Deposit with Securities and Exchange Board of India (SEBI)	30,000,000
Margin Money towards Bank Guarantee issued to SEBI	65,400,000
Total Utilisation	**5,040,138,019**
Balance of unutilised monies out of IPO, details of which are given below:	**2,908,809,411**
Investments in Short Term Securities (included in Schedule 6)	405,771,006
Investments in Fixed Deposits (included in Schedule 8)	2,500,000,000
Amount lying in current accounts	3,038,405
Total	**2,908,809,411**

Notes:

(i) In case of 5,669,425 equity shares allotted to the retail investors category, a discount of five percent on the issue price was given in accordance with the terms of the Company's prospectus dated August 7, 2006.

(ii) Represent investment made directly by the company, through its subsidiary companies and by way of repayment of loans taken for the purpose of investment in subsidiary companies.

Schedule 16 Contd.

5. The following long term unquoted investments included in Schedule 6 have been pledged/subjected to negative lien/ frozen by the Company towards borrowings of the Company or the investee companies:

Description	No of shares	Carrying Value as at March 31, 2007 (Amount in Rupees)
GMR Energy Limited (Equity shares of Rs 10 each fully paid up)	185,862,254 (233,862,254)	2,258,226,386 (2,572,484,794)
GMR Hyderabad International Airport Limited (Equity shares of Rs 10 each fully paid up)	25,501 (25,501)	255,010 (255,010)
GMR Pochanpalli Expressways Private Limited (Equity shares of Rs 10 each fully paid up)	19,002,600 (-)	190,026,000 (-)
GMR Jadcherla Expressways Private Limited (Equity shares of Rs 10 each fully paid up)	16,227,202 (-)	162,272,020 (-)
GMR Ambala Chandigarh Expressways Private Limited (Equity shares of Rs 10 each fully paid up)	13,774,800 (-)	137,748,000 (-)
GMR Ulundurpet Expressways Private Limited (Equity shares of Rs 10 each fully paid up)	27,367,875 (-)	273,678,750 (-)
GMR Tuni Anakapalli Expressways Private Limited (9.5% Preference Shares of Rs 100 each fully paid up)	1,944,500 (2,930,000)	194,450,000 (297,355,494)
GMR Tambaram Tindivanam Expressways Private Limited (9.5% Preference Shares of Rs 100 each fully paid up)	2,651,000 (4,005,000)	265,100,000 (408,716,389)

Note: Previous year figures are mentioned in brackets.

6. Since the Company is presenting both the stand-alone financial statements as well as consolidated financial statements as a part of a single financial report, segment information has been presented on the basis of Consolidated Financial Statements as per the requirements of Accounting Standard 17 “Segment Reporting” issued by the Institute of Chartered Accountants of India.

Schedule 16 Contd.

7. Related Party Transactions

a) Name of Related Parties and description of relationship:

Description of Relationship	Name of the Related Parties
Holding Company	GMR Holdings Private Limited (GHPL)
Subsidiary Companies	GMR Energy Limited (GEL) GMR Power Corporation Private Limited (GPCPL) Vemagiri Power Generation Limited (VPGL) GMR (Badrinath) Hydro Power Generation Private Limited (GBHPL) GMR Hyderabad International Airport Limited (GHIAL) Delhi International Airport Private Limited (DIAL) Gateways for India Airports Private Limited (GFIL) GMR Tuni Anakapalli Expressways Private Limited (GTAEPL) GMR Tambaram Tindivanam Expressways Private Limited (GTTEPL) GMR Jadcherla Expressways Private Limited (GJEPL) GMR Pochanpalli Expressways Private Limited (GPEPL) GMR Ambala Chandigarh Expressways Private Limited (GACEPL) GMR Ulundurpet Expressways Private Limited (GUEPL) GMR Mining and Energy Private Limited (GMPL) GVL Investments Private Limited (GVL) Hyderabad Menzies Air Cargo Private Limited (HMACPL)
Enterprises where significant influence exists	GMR Varalakshmi Foundation (GVF)
Fellow Subsidiaries	GMR Industries Limited (GIDL) Raxa Security Services Limited (RSSL)
Enterprises where key management and their relatives exercise significant influence	Sucharitha Estates Private Limited (SEPL)
Key Management Personnel and their relatives	Mr.G.M.Rao (Chairman) Mr.G.B.S.Raju (Director) Mr. G. Kiran Kumar (Director) Mr Srinivas Bommidala (Director) Mr. B. V. NageswaraRao (Director) Mrs. G. Varalakshmi Mrs. B. Ramadevi

Schedule 16 Contd.

b) Summary of transactions with the above related parties is as follows:

(Amount in Rupees)

Nature of Transaction	2007	2006
Dividend received - Subsidiary Company – GEL	163,031,864	521,701,963
Rent Received- Subsidiary Company – GEL	-	71,800
Rent Deposit Given- Enterprises where key Management personnel and their relatives exercise significant influence – SEPL	19,593,600	-
Security Services rendered by- Fellow Subsidiary – RSSL	314,022	719,332
Purchase of equity shares from		
- Holding Company	3,993,264,000	-
- Key management personnel and their relatives		
- G.M Rao	74,200	54,000
- G.B.S Raju	76,200	24,000
- G. Kiran Kumar	200	-
- Srinivas Bommidala	67,200	24,000
Sale of equity shares to		
- Key management personnel and their relatives - G.M Rao	1,600	2,600
- Subsidiary Company	-	1,600
- Fellow Subsidiaries	-	200
Share application money received from - Holding Company	-	2,912,550,000
Share application money refunded to - Holding Company	-	3,312,550,000
Interest free Unsecured Loans received and repaid to - Holding Company	2,980,400,000	1,205,500,000
Issue of Bonus Shares		
- Holding Company	-	1,057,742,600
- Key management personnel and their relatives	-	3,970
Interest free loans given to		
- Subsidiary Company		
- GVL	521,000,000	-
- VPGL	220,000,000	-
Interest free loan recovered from		
- Subsidiary Company		
- GVL	370,505,000	-
- VPGL	220,000,000	-
Share application money invested in		
- Subsidiary Company		
- GHIAL	-	604,238,000
- GVPL	-	2,524,913,000
- GACEPL	279,000,000	-
- GJEPL	526,516,750	-
- GPEPL	621,660,000	-
- GUEPL	912,200,000	-
- DIAL	1,122,000,000	-
- Others	400,000	76,521,000
- Fellow Subsidiaries - Others	-	173,089,000

Schedule 16 Contd.

b) Summary of transactions with the above related parties is as follows:

(Amount in Rupees)

Nature of Transaction	2007	2006
Refund of share application money by		
- Subsidiary Company		
- GVPL	-	2,525,363,000
- GACEPL	56,750,000	-
- DIAL	500,000,000	-
- Others	157,500	-
Investment in Equity Shares		-
- Subsidiary Company (Refer Note (c) below)		-
- GACEPL	270,000,000	-
- GJEPL	540,816,750	-
- GPEPL	633,330,000	-
- GUEPL	912,172,500	-
- DIAL	622,000,000	-
Investment in Preference shares of		
- Subsidiary Company - GEL (Refer Note (c) below)	734,494,250	-
Logo license fees paid/payable to		
- Holding Company	1,000	-
Redemption of preference share		
- Subsidiary Company – GVPL	-	205,100,000
Balance Payable/(Recoverable)		
- Holding Company	1000	-
- Subsidiary Company	(150,495,000)	1,432,794,000
- Fellow Subsidiaries	-	97,967,332
- Enterprises where key Management personnel and their relatives exercise significant influence	(19,593,600)	

Notes:

a) The Company has provided securities by way of pledge of investments for loans taken by certain companies.

b) Certain Key Management Personnel have extended personal guarantees as security towards borrowings of the Company and other bodies corporate. Similarly the holding company has pledged certain shares held in the Company and other bodies corporate as security towards the borrowings of the Company.

c) Includes allotment of equity share out of Share Application money paid in earlier years.

d) Transactions and outstanding balances in the nature of reimbursement of expenses incurred by one company on behalf of the other have not been considered above.

8. The company has entered into certain operating lease agreements and an amount of Rs. 1,407,583 (2006: Rs. 986,377) paid during the year under such agreements has been disclosed as rent under Schedule 14. These agreements are cancelable in nature.

Schedule 16 Contd.

9. Earnings Per Share (EPS)

Calculation of EPS – (Basic and Diluted)

(Amount in Rupees)

Particulars	Year ended March 31	
	2007	2006
Nominal Value of Equity Shares (Rs. per Share)	10	10
Total number of Equity Shares outstanding at the beginning of the year	264,436,814	158,662,091
Add: Issue of Equity Shares on preferential basis on various dates [Refer Note 3 above]	28,510,206	-
Add: Issue of Equity Shares through initial public offer (Refer Note 4 above)	38,136,980	-
Add: Bonus Shares issued out of Free Reserves on September 30, 2005 (Refer Note (i) below)	-	105,774,723
Total number of Equity Shares outstanding at the end of the year	331,084,000	264,436,814
Weighted average number of Equity Shares outstanding at the end of the year	**314,000,449**	**264,436,814**
Net Profit after tax for the purpose of EPS	**28,781,915**	**355,454,810**
EPS – Basic and Diluted (Rs.)	**0.09**	**1.34**

Notes:

(i) During the year ended March 31, 2006, the company had issued 105,774,723 bonus shares to the shareholders in the ratio of two shares for every three shares held by them. Since it is an issue of Equity Shares without consideration, the issue has been treated as if it had occurred prior to the beginning of the year 2006, the earliest period reported.

(ii) As at March 31, 2007, Rs. 50,125 was receivable towards Equity Shares and for the computation of weighted average number of Equity Shares outstanding at the end of the year, these have been considered as partly paid-up shares.

(iii) Since the company did not have any dilutive securities, the basic and diluted earning per share are the same.

10. Deferred tax liability (net) as at March 31, 2007 comprises of:

(Amount in Rupees)

		2007		2006	
S. No.	Particulars	Deferred tax Asset	Deferred tax liability	Deferred tax Asset	Deferred tax liability
1	Depreciation	-	612,867	-	2,223,500
2	Preliminary Expenses	4,081	-	210,480	-
3	Other 43B disallowances	514,338	-	214,078	-
	Total	**518,419**	**612,867**	**424,558**	**2,223,500**
	Deferred tax liability (net)	**-**	**94,448**	**-**	**1,798,942**

Note:

In view of the management's assessment that the future income in the form of dividends is tax free, deferred tax asset on carry/brought forward losses have not been recognised by the Company, on the grounds of prudence.

Schedule 16 Contd.

11. Information on Joint Ventures as per Accounting Standard 27

(Amount in Rupees)

Name of the Joint Venture	GMR Hyderabad International Airport Limited (GHIAL)		Delhi International Airport Private Limited (DIAL) (Refer Note (c) below)
	2006-2007	**2005-2006**	**2006-2007**
(1) Share in ownership and voting power of the company	63.00%	63.00%	31.10%
(2) Country of incorporation	India	India	India
(3) Contingent Liabilities Company has incurred in relation to Joint Venture	50,000,000	-	3,040,000,000
(4) Company's share of contingent liabilities of joint venture	-	-	1,707,416,435
(5) Company's share of capital commitments of the joint venture	4,078,278,503	5,448,860,985	18,038,954,770
(6) Aggregate amount of company's share in each of the following:			
(a) Current Assets	451,630,567	735,824,659	588,241,883
(b) Fixed Assets (including Capital work in progress and pre – operative expenditure, pending allocation)	7,208,672,403	3,586,246,481	1,377,499,860
(c) Investments	271,798,823	411,216,081	160,986,351
(d) Current Liabilities and Provisions	480,452,959	281,961,012	900,596,599
(e) Borrowings	5,481,956,165	2,577,750,000	467,981,604
(f) Income	-	-	993,350,483
(g) Expenditure	-	-	852,691,403

Notes:

a) Disclosure of Financial Data as per Accounting Standard – 27 'Financial Reporting of Interest in the joint venture has been done based on the audited financial statements of the entities as on March 31, 2007.

b) GHIAL has not started its commercial operations and hence presentation of Company's share in income and expenditure of the venture does not arise.

c) The Company directly holds 31.1% of the equity shares of DIAL and 19.00% of the equity shares through its subsidiary companies. Since the shares were acquired during the current year, presentation of previous year figures did not arise.

Schedule 16 Contd.

12. Details of Investments purchased and sold during the year

Particulars	Purchased		Sold	
	No. of Units	Amount (in Rupees)	No. of Units	Amount (in Rupees)
Bonds				
9.25% Oriental Bank of Commerce 2021	190 (-)	190,399,000 (-)	190 (-)	190,845,500 (-)
Indian Overseas Bank	250 (-)	250,000,000 (-)	250 (-)	250,687,350 (-)
9.1% West Bengal Industrial Development Finance Corporation 2016	250 (-)	252,500,000 (-)	250 (-)	253,408,450 (-)
7.1% Power Grid Corporation of India 2016	50 (-)	44,792,500 (-)	50 (-)	45,095,000 (-)
8.8% Power Finance Corporation 2016	40 (-)	40,600,000 (-)	40 (-)	40,600,000 (-)
TOTAL - (A)		**778,291,500** **(-)**		**780,636,300** **(-)**
Mutual funds				
Standard Chartered Grindlays Cash Fund	- (2,750,000)	- (275,000,000)	- (2,750,000)	- (27,500,000)
ABN Amro Floating rate Fund – Daily Dividend	18,000,000 (-)	180,000,000 (-)	18,067,446 (-)	180,674,461 (-)
Chola Liquid Dividend Reinvestment Plan fund	25,041,120 (1,198,143)	251,200,000 (12,000,000)	25,070,861 (1,198,143)	251,498,345 (12,000,000)
Can Bank Mutual Fund – Institutional Daily Dividend Reinvestment	93,118,215 (-)	935,000,000 (-)	93,204,768 (-)	935,869,079 (-)
DWS Insta Cash Plus Fund – Institutional Plan – Daily Dividend	4,990,269 (-)	50,000,000 (-)	5,007,553 (-)	50,173,175 (-)
HSBC Cash Fund – Institutional Plus – Daily Dividend	29,983,209 (-)	300,000,000 (-)	30,023,656 (-)	300,404,696 (-)
ING Vysya Institutional Growth fund	-(1,273,946)	-(13,300,000)	-(1,273,946)	-(13,300,000)
ING Vysya Liquid Super Institutional Fund – Daily Dividend Option	212,862,248 (-)	2,129,128,089 (-)	213,286,689 (-)	2,133,384,640 (-)
ING Vysya Liquid Institutional Fund – Daily Dividend option	4,030,848 (-)	40,350,000 (-)	4,037,960 (-)	40,421,289 (-)
ICICI Prudential Institutional Liquid Plan	354,500,000 (-)	3,545,000,000 (-)	355,095,953 (-)	3,550,959,533 (-)
JM Financial Mutual Fund	9,983,527 (-)	100,000,000 (-)	9,995,033 (-)	100,115,248 (-)
LIC Liquid Fund – Dividend Plan	119,079,061 (-)	1,307,500,000 (-)	119,791,459 (-)	1,315,315,168 (-)
Principal Cash Management Fund	129,990,901 (-)	1,300,000,000 (-)	130,165,145 (-)	1,301,742,567 (-)
Reliance Liquidity Fund Daily Reinvestment Option	19,993,802 (-)	200,000,000 (-)	20,020,589 (-)	200,267,959(-) (-)
Standard Chartered Liquidity Manager – Plus – Daily Dividend	199,980 (-)	200,000,000 (-)	200,676 (-)	200,696,310 (-)
UTI Liquid Cash Plan Institutional – Daily Income Option Reinvestment	1,118,254 (-)	1,138,485,048 (-)	1,120,041 (-)	1,141,821,390 (-)
TOTAL - (B)		**11,676,663,137** **(52,800,000)**		**11,703,343,860** **(52,800,000)**
TOTAL - (A) + (B)		**12,454,954,637** **(52,800,000)**		**12,483,980,160** **(52,800,000)**

Notes: Previous year figures are mentioned in brackets.

Schedule 16 Contd.

13. Additional information pursuant to paragraph 3, 4, 4A, 4B, 4C and 4D of part II of Schedule VI of the Companies Act, 1956:

a) Remuneration to Auditors

(Amount in Rupees)

Particulars	2007	2006
Audit fees (including Service Tax)	1,123,600	561,200
Other certification fees* (including Service Tax)	6,570,406	2,853,500
Out of Pocket Expenses*	451,329	83,499
Total	**8,145,335**	**3,498,199**

* Includes an aggregate of Rs. 6,071,500 incurred in relation to the initial public offer of Equity Shares and accordingly has been adjusted against the share premium included in Schedule 2.

b) Expenditure in Foreign Currency (on payment basis)

(Amount in Rupees)

Particulars	2007	2006
Traveling expenses	2,605,701	2,188,043
Professional and Consultancy charges	56,861,760	7,288,419
Others	-	2,912,955
Total	**59,467,461**	**12,389,417**

14. Disclosure as per Clause 32 of the listing agreement

(Amount in Rupees)

Particulars	Name of the Company	As at March 31, 2007	Maximum amount outstanding during the year
Loans and advances to subsidiary company where there is no interest	GVL Investment Private Limited	150,495,000	521,000,000
Loans and advances to subsidiary company where there was no repayment schedule and no interest	Vemagiri Power Generation Limited	-	220,000,000

15. Information pursuant to paragraphs 3, 4, 4A, 4B, 4C and 4D to the extent either Nil or Not Applicable has not been furnished.

16. Previous year's figures have been regrouped and reclassified, wherever necessary, to conform to those of the current year.

For and on behalf of the Board of Directors

Sd/-	Sd/-	Sd/-
G.M.Rao	G B S Raju	A.S.Cherukupalli
Chairman & Managing Director	Group Director & Group CFO	Company Secretary

Place : Bangalore
Date : June 30, 2007

Cash Flow Statement For The Year Ended March 31, 2007

(Amount in Rupees)

Particulars	March 31, 2007	March 31, 2006
A. CASH FLOW FROM OPERATING ACTIVITIES		
Net Profit Before Tax and Extraordinary Items	52,719,691	355,070,747
Adjustments for:		
Depreciation	1,988,151	2,176,197
Provision for doubtful advance	-	28,676,000
Provision for diminution in the value of investment	56,906,860	-
(Profit)/Loss on sale of investments	(2,344,800)	(52,645,090)
Fixed Assets written off	1,176,462	736,724
Dividend Income	(192,489,674)	(521,741,420)
Interest Income	(141,454,607)	(9,130,735)
Finance Charges	199,550,837	182,012,334
Operating Profit Before Working Capital Changes	**(23,947,080)**	**(14,845,243)**
Adjustments for:		
(Increase)/Decrease in Trade and other receivables	(13,670,045)	(47,211,507)
Increase/(Decrease) in Trade Payables	2,600,083	3,835,610
Cash generated from Operations	(35,017,042)	(58,221,140)
Income Taxes refund/(paid) during the year	(37,912,805)	59,066,033
Net Cash Flow from/(used in) Operating Activities	**(72,929,847)**	**844,893**
B.Cash Flow from/(Used In) Investing Activities		
Purchase of Fixed Assets-Long Term	(130,844)	(321,460)
Purchase of Investments (including Share application money)	(8,630,172,897)	(1,203,931,860)
Purchase of Investments-Short Term	(12,299,594,379)	–
Proceeds from Sale of Investments-Short Term	11,893,443,943	520,822,902
Interest Income Received	96,373,252	10,169,798
Dividend Received	711,414,645	39,457
Net Cash Flow from/(used in) Investing Activities	**(8,228,666,280)**	**(673,221,163)**
C. Cash Flow from/(Used in) Financing Activities		
Proceeds from Secured Loan	766,230,403	–
Repayment of Secured Loans	(753,359,836)	(383,469,672)
Proceeds/(Repayment) from/of Unsecured Loans (Net)	(867,491,266)	530,390,039
Loan given to a subsidiary company (Net of Repayments)	(150,495,000)	-
Share Application Money Received/(Refunded)	-	(400,000,000)
Issue of equity shares (including share premium) (Refer note 2 below)	12,684,263,040	–
Financial Charges paid	(209,206,102)	(186,469,635)
Net cash from/(used in) financing activities	**11,469,941,239**	**(439,549,268)**
Net increase/(decrease) in Cash and Cash Equivalents	**3,168,345,112**	**(1,111,925,538)**
Cash and Cash Equivalents at the beginning of the year	**22,851,625**	**1,134,777,163**
Cash and Cash Equivalents at the end of the year	**3,191,196,737**	**22,851,625**

Note:

1. The above Cash Flow Statement has been prepared under the 'Indirect Method' as set out in the Accounting Standard 3 on Cash Flow Statements issued by the Institute of Chartered Accountants of India.
2. Represents amount received towards issue of Equity Shares by way of preferential allotment and initial public offer and is net of Rs. 706,703,400 expenditure incurred in respect of IPO.
3. Previous years figures have been regrouped and reclassified to conform to those of the current year.
4. Includes restricted Cash and Bank balance amounting to Rs. 2,565,400,000 as at March 31, 2007 (2006: Rs Nil).

This is the cash flow statement referred to in our report of even date.

Sd/-	Sd/-	Sd/-	Sd/-
P. Rama Krishna	G.M.Rao	G B S Raju	A.S.Cherukupalli
Partner	Chairman &	Group Director &	Company Secretary
For and on behalf of	Managing Director	Group CFO	
Price Waterhouse			
Chartered Accountants			

Place : Bangalore
Date : June 30, 2007

Balance Sheet Abstract And Company's General Business Profile

BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE (As per Schedule VI Part IV)

I Registration Details

Registration No.	34805
State Code	08
Balance Sheet Date	31 (Date) 03 (Month) 07 (Year)

II Capital Raised during the Year (Amount in Rs Thousands)

Public Issue	7949237
Rights Issue	NIL
Bonus Issue	NIL
Private Placement	5442476

III Position of Mobilisation and Deployment of Fund (Amount in Rs Thousands)

Total Liabilities	18369642
Total Assets	18369642

Sources of Funds

Paid Up Capital	3310790
Reserves & Surplus	13087027
Secured Loans	1771730
Unsecured Loans	200000
Deffered Tax Liability	95

Application of Funds

Net Fixed Assets	8055
Investments	13440322
Net Current Assets	4921265
Misc.Expenses	NIL
Accumulated Losses	NIL

IV Performance of Company (Amount in Rs Thousands)

Gross Income	341345
Total Expenditure	288626
Profit / Loss Before Tax	+ 52720
Profit / Loss After Tax	+ 28782
Earning per Share in Rs.	0.09
Dividend Rate %	NIL

V Generic Names of Three Principal Products / Services of Company (as per monetary terms)

Item Code.No. (I T C Code)	NA
Product Description	NA

For and on behalf of the Board of Directors

Sd/-	Sd/-	Sd/-
G.M.Rao	**G B S Raju**	**A.S.Cherukupalli**
Chairman & Managing Director	Group Director & Group CFO	Company Secretary

Place : Bangalore
Date : 30 June, 2007