

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, 2006, 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, the Profit and Loss Account and the Cash Flow Statement dealt with by this report are in agreement with the books of account;
 - (d) In our opinion, the Balance Sheet, the Profit and Loss Account and the 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, 2006 and taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2006 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, 2006;
 - (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 : Hyderabad

Date : May 13, 2006



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, 2006]

1. (a) The Company is maintaining proper records showing full particulars including quantitative details and situation of fixed assets.
- (b) The fixed assets are physically verified by the management according to a phased programme designed to cover all the items over a period of three years, which in our opinion, is reasonable having regard to the size of the company and the nature of its assets. Pursuant to the programme, a portion of the fixed assets has been physically verified by the management during the year and no material discrepancies between the book records and the physical inventory have been noticed.
- (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. 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.9,085.00 lacs 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) The aforesaid loans have been repaid by the company.
3. In our opinion and according to the information and explanations given to us, having regard to the explanation that certain items purchased are of special nature for which suitable alternative sources do not exist for obtaining comparative quotations, 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 and for the sale of shares and services. The activities of the Company did not involve purchase of inventory. 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 regard 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, service 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, customs 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, there are no dues of income tax and service tax which have not been deposited on account of any dispute. According to the information and explanations given to us and the records of the company examined by us, sales tax, wealth tax, customs duty, excise duty and cess are not applicable to the Company for the current year.



Annexure To Auditors' Report

8. The company has no accumulated losses as at March 31, 2006 and it has not incurred any cash losses 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 any financial institution or bank 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 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, pending utilisation of certain term loans for the stated purpose, these loans have been invested in equity shares of upcoming projects.
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, funds amounting of Rs. 6,439.42 lacs raised on a short-term basis 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 company has not raised any money by public issues during the year.
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), (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 in the aforesaid order.

Sd/-

P.Rama Krishna

Partner

Membership No. 22795

For and on behalf of

Price Waterhouse

Chartered Accountants

Place : Hyderabad

Date : May 13, 2006

