

**ANNEXURE - I TO DIRECTORS' REPORT**

**REPORT ON CORPORATE GOVERNANCE**

**1. Philosophy**

It is a committed policy of the Company, to conduct its business upholding the core values like Transparency, Integrity, Honesty, Accountability and Compliance of all statutes. While committed to strong corporate governance, a comprehensive code of best practices is being designed to achieve the necessary high standards of corporate behaviour. Within these boundaries, company's working will be directed for the welfare of all stakeholders.

**2. Board of Directors**

The Board of Directors of the Company has an optimum combination of executive and non-executive directors. The Board consists of eight members, of whom, four directors are independent and six directors are non-executive. Mr. K. V. K. Seshavataram is non-executive chairman.

**Composition of the Board**

Name of the Director	Designation	Category
Mr. K.V.K. Seshavataram	Chairman	Independent and Non Executive
Mr. Kiran Kumar Grandhi (#)	Director	Promoter and Non Executive
Mr. I. Sada Siva Gupta (#)	Director	Independent and Non Executive
Mr. N. V. Varadarajulu	Director	Independent and Non Executive
Mr. M. Sudhakara Rao (*)	Director	Independent and Non Executive
Mr. A. Subba Rao (#)	Director	Promoter and Non Executive
Mr. V. K. Rao Ch. (*)	Director & CFO	Promoter and Executive
Mr. K. Narayana Rao	Managing Director	Promoter and Executive

(\*) appointed on 30th July 2003

(#) appointed on 26th May, 2004

**Details of Directors and their Attendance in the Board Meetings / last AGM in the financial year 2003-04.**

Name of the Director	No. of other Directorships in public ltd. Cos.	No. of Committee Memberships	No. of Committee Chairmanships	No. of Board Meetings Attended(*)	Attendance of each Director at last AGM(*)
Mr. K.V.K. Seshavataram	1	2	2	9	Yes
Mr. N.V. Varadarajulu	1	2	--	9	No
Mr. M. Sudhakara Rao	--	2	--	9	No
Mr. K. Narayana Rao	2	3	2	9	No
Mr. V. K. Rao Ch	1	4	--	9	No

(\*) include Audit Committee, Share Transfer Committee, Shareholders / Investors Grievance Committee and Finance Committee of the Company.

**Board Meetings**

Normally, the board meetings are held at least once in a quarter to review and discuss the operating results and other items of the agenda. In addition, the board meetings are held whenever required. The maximum time gap between any two meetings is not more than three calendar months. Generally, the board meetings are held at the Corporate Office of the Company at Hyderabad. During financial year 2003-04, the Board met 9 times on the following dates:

23rd April, 2003  
30th July, 2003  
22nd October, 2003  
28th October, 2003  
24th November, 2003

1st December, 2003  
3rd January, 2004  
30th January, 2004  
5th February, 2004

**3. Audit Committee**

Terms of reference:

The Audit Committee will, inter alia,

- oversee the Company's financial reporting process and disclosure of its financial information;
- recommendation of appointment of statutory and internal auditors & fixation of their remuneration
- determine the scope of audit, review of internal control systems; adequacy of internal audit function, major accounting policies and practices, compliance of accounting standards and requirements of listing agreement of Stock Exchanges and legal requirements concerning the financial statements and related party transactions, if any.
- review of Company's financial and risk management policies
- review of quarterly, half-yearly and annual financial statements.

The composition of Audit Committee comprises of 4 members, of whom, three members are non-executive independent directors and one members is wholetime director, viz.,

Mr. K.V.K. Seshavataram, Chairman  
Mr. N.V. Varadarajulu  
Mr. M. Sudhakara Rao and  
Mr. V.K. Rao Ch.

During the year under review, the Audit Committee met two times on 23rd April, 2003 and 30th January, 2004. Mr. K. V. K. Seshavataram, Mr. N. V. Varadarajulu and Mr. M. Sudhakar Rao have attended the two meetings. Whereas Mr. V. K. Rao Ch has attended only one meeting held on 30th January, 2004. Besides the Committee members, the Managing Director and the Statutory Auditors wherever necessary are also invited to Audit Committee Meetings.

**4. Details of Remuneration to Directors**

The Company pays remuneration in the form of salary and perquisites to the wholetime directors and sitting fees to all the non executive directors at the rate of Rs.2,500/- for each meeting. The following are the details of salary, perquisites and sitting fees paid to Directors for the financial year 2003-2004:

(Amount in Rupees)

Name of the Director	Sitting Fees	Salary	Perquisites	Total
Mr. K.V.K. Seshavataram	27,500-00	--	--	27,500-00
Mr. N.V. Varadarajulu	30,000-00	--	--	30,000-00
Mr. M. Sudhakara Rao	30,000-00	--	--	30,000-00
Mr. K. Narayana Rao	--	9,00,000-00	7,33,500-00	16,33,500-00
Mr. V. K. Rao Ch. (*)	--	3,30,000-00	2,87,100-00	6,17,100-00
Mr. C. Prasanna (#)	--	3,72,015-00	2,05,025-00	5,77,040-00

(\*) Appointed as wholetime director with effect from 1st September, 2003.

(#) Resigned with effect from 30th July, 2003.

**5. Share Transfer Committee**

The Share Transfer Committee consists of Mr. K. Narayana Rao and Mr. V.K. Rao Ch. as members. Mr. V. Balasubramanian, Vice President (Finance) & Company Secretary is the compliance officer. The Committee meets thrice in a month to approve the share transfers, sub-division / consolidation of share certificates, transmission of shares and issue of duplicate share certificates.

**6. Shareholders' / Investors' Grievance Committee**

The Shareholders / Investors' Grievance Committee consists of Mr. K. V. K. Seshavataram; Mr. K. Narayana Rao and Mr. V. K. Rao Ch., Mr. K. V. K. Seshavataram, a Non-Executive Independent Director is the Chairman. Mr. V. Balasubramanian, Vice President (Finance) & Company Secretary, is the Compliance Officer.

The functions of the committee include to specifically look in to the redressal of investors' grievances like transfers of shares, non receipt of balance sheet, non receipt of declared dividends / share certificates, dematerialization of shares, replacement of lost / stolen / mutilated share certificates, etc.

During the financial year 2003-04, the Committee met 4 times to review the investor grievances. The following are the details of Shareholders Grievance Redressals for the financial year 2003-04.

S No.	Nature	Number	
		Received	Attended
1	Dividends	3	3
2	Non receipt of securities after transfer	13	13
3	Issue of duplicate share certificates	1	1
4	Transmission of shares	1	1

#### 7. Particulars of last three Annual General Body Meetings

Date	Venue	Time	No. of Special Resolutions
29th September, 2001	Registered Office : Ravivalasa Village Tekkali Mandal, Srikakulam District Andhra Pradesh, PIN - 532 212	3.00 P.M.	14
30th September, 2002	-do-	3.30 P.M.	4
30th December, 2003	-do-	4.00 P.M.	1

No special resolution was passed last year through postal ballot.

#### 8. Disclosures

There are no materially significant related party transactions viz., material in nature, with its promoters, the Directors or the management, their subsidiaries or relatives, etc., having potential conflict with the interests of the Company at large, except certain transaction illustrated in point no.19 of notes to accounts.

There has been no penalties or strictures imposed on the Company by Stock Exchanges, SEBI or any other statutory authority on any matter to capital markets, during last three years. The Company has availed the SEBI Regularisation Scheme 2002.

Whistle Blower Policy : The Company has not denied any personal access to the audit committee of the company in respect of matter involving alleged misconduct and that it has provided protection to "whistle blowers" from unfair termination and other unfair or prejudicial employment practices.

Disclosure of information as per Regulation 3 (1)(E) (i) of SEBI (SAST) Regulations - List of persons, who are constituting group as defined under MRTP Act, 1969.

##### GROUP COMPANIES

GMR Energy Limited  
 GMR Power Corporation Private Limited  
 Vemagiri Power Generation Limited  
 GMR Infrastructure Limited  
 Rao Investments Private Limited  
 Varalakshmi Investments Private Limited  
 Vasavi Finance Private Limited  
 Medvin Finance Private Limited  
 GMR Tuni Anakapalli Expressways Private Limited  
 GMR Tambaram Tindivanam Expressways Private Limited  
 Sri Varalakshmi Jute Twine Mills Private Limited  
 Hyderabad International Airport Limited  
 GMR Investments Private Limited  
 Vasavi Securities Limited  
 GMR Operations Private Limited

**INDIVIDUALS**

Mr. Srinivas Bommidala  
 Mr. G.B.S. Raju  
 Mr. Kiran Kumar Grandhi (Promoter Director)  
 Mrs. B. Rama Devi  
 Mr. K. Narayana Rao (Promoter Director)  
 Mr. V.K. Rao Ch. (Promoter Director)

**10. Disclosure of contingent liabilities**

The details of contingent liabilities along with the management's view and auditors comments are provided in the Notes to Account No.1 which shall form part of the Annual Report.

**11. Means of communication**

The quarterly unaudited financial results of the Company are generally published in Business Standard (national newspaper) and Andhra Bhoomi / Vaartha (vernacular) newspapers. The annual audited financial results of the Company are generally published in Economic Times (national newspaper) Eenadu / Vaartha (vernacular) newspapers.

The detailed Management Discussion and Analysis Report is forming a part of the Directors' Report.

The information required under the Companies Act and the Listing Agreement is sent to Stock Exchanges, where Company's shares are listed, through facsimile and courier / post and by publication of in national newspaper and vernacular newspaper, whenever required.

**12. General Shareholders information**

Details of Directors seeking new appointment or reappointment at the forthcoming Annual General Meeting of the Company.

Name of the Director	Mr N.V. Varadarajulu	Mr.Kiran Kumar Grandhi	Mr.I.Sada Siva Gupta	Mr. A. Subba Rao
Date of Birth	7th July, 1937	13th September, 1975	7th March, 1940	11th April, 1960
Date of appointment	30th January, 2000	26th May, 2004	26th May, 2004	26th May, 2004
Qualifications	B.E. (Mechanical) PG Diploma in Sugar Engg.	B. Com	B.A., B.Com., F.I.I.B.	ACA, MDP (IIM-A)
Expertise in specific functional areas	Sugar Technocrat	Industrialist	Financial and HR Consultant	Employment
List of Companies in which outside Directorship held.	Shree Vaani Sugars & Industries Ltd	Hyderabad International Airport Ltd GMR Infrastructure Ltd Ideaspace Solutions Ltd	—	—
Chairman / Member of the Committees of other Companies on which he is a Member as on date of this Report	—	—	—	—

**Annual General Meeting**

Date : 7th August, 2004 (Saturday)  
 Time : 4.00 P.M.  
 Venue : at Registered Office of the Company  
 Ravivalasa Village - 532 212  
 Tekkali Mandal, Srikakulam District, A.P.

**Calendar of events for the financial year 2004-2005 (1st April, 2004 - 31st March, 2005)**

**Declaration of financial results**

Unaudited financial results for the 1st Qtr	Will be reported in July, 2004
Unaudited financial results for the 2nd Qtr	Will be reported in October, 2004
Unaudited financial results for the 3rd Qtr	Will be reported in January, 2005
Annual Audited financial results for the 4th Qtr	Will be reported in June, 2005

**Date of Book Closure:** 4th August, 2004 to 7th August, 2004 (both days inclusive) on account of AGM and payment of Dividend.

**Record date :** 7th August, 2004 on account of declaration of dividend

**The equity shares of the Company are listed on :**

- |   |  |
|---|--|
| 1. Hyderabad Stock Exchange Limited<br>3-6-654, Adjacent to Erramanjil Bus Stop<br>HYDERABAD - 500 082. | 2. The Stock Exchange, Mumbai<br>Phiroze Jeejeebhoy Towers<br>Dalal Street, MUMBAI - 400 001.                        |
| 3. The Calcutta Stock Exchange<br>Association Limited<br>7, Lyons Range<br>CALCUTTA - 700 001.          | 4. The Stock Exchange, Ahmedabad<br>Kamdhenu Complex<br>Opp. Sahajanand College, Panjarapole<br>AHMEDABAD - 380 015. |

The annual listing fees for the financial year 2004-2005 has been paid to each of these Stock Exchanges.

<b>Stock Code</b>	Hyderabad Stock Exchange	:	GMRVAS#
	Bombay Stock Exchange	:	500162
	Calcutta Stock Exchange	:	17087 & 10017087
	Ahmedabad Stock Exchange	:	56420/GMRVASAVI

**ISIN for the Equity Shares** : INEB353B01013

**Registrar & Share Transfer Agents**

M/s. Karvy Computershare Private Limited  
Karvy House, 46, Avenue 4, Street No.1  
Banjara Hills, HYDERABAD - 500 034

**Share Transfer System**

The transfers of shares received in physical form are processed and registered at M/s. Karvy Computershare Private Limited. The Share Certificates lodged for transfer are normally processed within 30 days from the date of lodgement, if the documents are clear in all respects. Share Transfers approved by the Committee are placed at the Board Meeting from time to time. During the period under review, 564406 equity shares were transferred.

**Distribution of Shareholding as on 31st March, 2004**

Distribution of holding		No. of shareholders	% of shareholders	Amount (Rs.)	% of Amount
From	to				
1	- 5000	17932	94.10	28858580.00	10.68
5001	- 10000	681	3.58	5825620.00	2.16
10001	- 20000	235	1.23	3778690.00	1.40
20001	- 30000	78	0.41	2034390.00	0.75
30001	- 40000	29	0.15	1055990.00	0.39
40001	- 50000	20	0.10	953370.00	0.35
50001	- 100000	40	0.21	2951490.00	1.09
100001	and above	41	0.22	224763440.00	83.18
		19056	100.00	270221570.00	100.00

**Equity Shareholding Pattern as on 31st March, 2004**

Category	No. of Shareholders	% of Shareholders	No. of Shares Held	% of Shareholding
Promoters	16	0.08	20242952	74.91
Banks, FIs & Mutual Funds	4	0.02	3900	0.01
Private Bodies Corporate	171	0.90	968526	3.58
Resident Individuals	18664	97.94	4862317	18.00
NRIs / OCBs	186	0.98	273180	1.02
Others	15	0.08	671282	2.48
Totals	19056	100.00	27022157	100.00

**Mode of Equity Shares held**

As on 31st March, 2004, 23753226 Equity Shares of the Company representing 87.90% were held in dematerialised form and the balance 3268931 equity shares representing 12.10% shares were held in physical form.

The Company is registered with NSDL and CDSL. The ISIN pertaining to Equity Shares is INEB353B01013.

Type	No. of Shareholders	% of Shareholders	No. of Shares	% of total Equity Share Capital
NSDL	14827	77.81	3268931	12.10
CDSL	3851	20.21	23631398	87.45
Physical	378	1.98	121828	0.45
Total	19056	100.00	27022157	100.00

**Market Price:**

**High / Low during each month in Financial Year 2003-2004 in BSE:**

Month	Apr 2003	May 2003	June 2003	July 2003	Aug 2003	Sep 2003	Oct 2003	Nov 2003	Dec 2003	Jan 2004	Feb 2004	Mar 2004
High (Rs.)	9.80	10.80	10.55	19.75	22.50	16.00	13.12	22.95	30.00	25.00	20.00	23.25
Low (Rs.)	8.95	8.45	8.10	8.90	14.75	10.80	10.65	11.33	20.00	17.00	16.00	18.15

**Operating Units:**

Metallurgical Unit:  
Ravivalasa Village, Tekkali Mandal  
Srikakulam District - 532 212 (A. P.)

Sugar & Co-generation Power Units:  
Sankili Village, Regidi Amadalavalasa Mandal  
Srikakulam District - 532 440 (A.P.)

**Address for correspondence**

(A) Company:  
The Shares Department  
GMR Industries Limited  
6-3-866/1/G2, Greenlands  
Begumpet, HYDERABAD - 500 016

(B) Registrars & Share Transfer Agents :  
The Manager - RIS (A)  
Karvy Computershare Private Limited  
"Karvy House", 46, Avenue 4 , Street No.1  
Banjara Hills, HYDERABAD - 500 034

**13. MD / CFO Certification**

To the best of our knowledge and belief:

- a. we have reviewed the balance sheet and profit and loss account and all its schedules and notes on accounts, as well as the cash flow statements and the Directors' Report.
- b. these statements do not contain any materially untrue statement or omit any material fact nor do they contain statement that might be misleading.
- a. these statements together present a true and fair view of the Company and are in compliance with the existing accounting standards and / or applicable laws / regulations;
- b. they are responsible for establishing and maintaining internal controls and have evaluated the effectiveness of internal control systems of the Company, and they have also disclosed to the auditors and the Audit Committee, deficiencies in the design or operation of internal controls, if any, and what they have done or propose to do to rectify these;
- c. they have also disclosed to the auditors as well as the Audit Committee, instances of significant fraud, if any, that involves management or employees having a significant role in the company's internal control systems; and
- d. they have indicated to the auditors, the Audit Committee and in the notes on accounts, whether or not there were significant changes in internal control and / or of accounting policies during the year.

**K. Narayana Rao**  
Managing Director

**V. K. Rao Ch.**  
Director & CFO

**CERTIFICATE ON CORPORATE GOVERNANCE**

To,  
The Members of  
GMR Industries Limited

We have examined the compliance of conditions of Corporate Governance by GMR Industries Limited, for the year ended on 31st March, 2004, as stipulated in clause 49 of the listing Agreement of the said company with Stock exchanges in India.

The Compliance of conditions of Corporate Governance is the responsibility of the management. Our examination has been limited to a review of the procedures and implementation thereof, adopted by the company for ensuring the compliance of the conditions of Corporate Governance as stipulated in the said clause. It is neither an audit nor an expression of opinion on the financial statements of the Company.

In our opinion and to the best of our information and explanations given to us, and based on the representations made by the directors and the Management, we certify that the company has complied with the conditions of Corporate Governance as stipulated in the above mentioned listing Agreement.

We state that in respect of investor grievances received during the year ended 31st March, 2004, no investor grievances are pending against the company for a period exceeding one month as per the records maintained by the company and presented to the Shareholders/Investors 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.

Place : Hyderabad  
Date : 26.05.2004

For **S.Venkatadri & Co.**,  
Chartered Accountants  
**(K.SRINIVASA RAO)**  
PARTNER  
M.No.201470