

Board of Directors

Mr. K. V. K. Seshavataram Chairman
Mr. K. Narayana Rao Managing Director
Mr. V. K. Rao Ch. Joint Managing Director
Mr. Kiran Kumar Grandhi
Mr. A. Sankara Rao
Mr. A. Subba Rao
Mr. I. Sada Siva Gupta
Mr. N. V. Varadarajulu
Mr. M. Sudhakara Rao

**Vice President (Finance) &
Company Secretary**

Mr. V. Balasubramanian

Statutory Auditors

M/s. S. Venkatadri & Co.
Chartered Accountants
404, 14th Floor, Babukhan Estate
Basheerbagh
Hyderabad - 500 004
Tel : 040-23237461
Fax : 040-23296341

Bankers

Andhra Bank
Union Bank of India
State Bank of Mysore

Registered Office & Corporate Office

6-3-866/1/G2, Greenlands
Begumpet
Hyderabad - 500 016
Tel : 040 - 23410191 - 5
Fax : 040 - 23410184

Operating Divisions

Sugar, Co-generation Power & Distillery Divisions
Sankili Village, Regidi Amadalavalasa Mandal
Srikakulam District - 532 440 (A.P.)
Tel : 08941-237546, 237535
Fax : 08941-237516

Metallurgical Division
Ravivalasa Village, Tekkali Mandal
Srikakulam District - 532 212 (A. P.)
Tel : 08945-244323, 244312
Fax : 08945-244545

International Trading Division
6-3-866/1/G2, Greenlands
Begumpet
Hyderabad - 500 016
Tel : 040 - 23410191 - 5
Fax : 040 - 23410184

**Registrars, Share Transfer Agents &
Depository Registrars**

Karvy Computershare Private Limited
"Karvy House",
46, Avenue 4, Street No.1
Banjara Hills
Hyderabad - 500 034
Tel : 040-23312454, 23320251
Fax : 040-23311968

NOTICE

Notice is hereby given that the Nineteenth Annual General Meeting of GMR Industries Limited will be held on Saturday, the 20th August, 2005 at 4.00 P. M. at Auditorium, Bharatiya Vidya Bhavan, 5-9-1105, King Koti, Hyderabad - 500 029, Andhra Pradesh, to transact the following business:

Ordinary Business

1. To receive, consider and adopt the Audited Balance Sheet as at 31st March, 2005; the Profit and Loss Account for the year ended as on that date and the reports of Directors' and Auditors' thereon.
2. To consider declaration of dividend on equity shares and preference shares.
3. To appoint a Director in place of Mr. K. V. K. Seshavataram, who retires by rotation and being eligible, offers himself for reappointment.
4. To appoint a Director in place of Mr. M. Sudhakara Rao, who retires by rotation and being eligible, offers himself for reappointment.
5. To re-appoint M/s. S. Venkatadri & Co., Chartered Accountants as Auditors of the Company for the period commencing from the conclusion of this Annual General Meeting till the conclusion of the next Annual General Meeting and to fix their remuneration.

Special Business

6. To consider and if thought fit, to pass, with or without modification(s), the following Resolution as a Special Resolution.

"RESOLVED THAT the following object be included as Clause No.13 after clause No.12, under the Main Objects in the Memorandum of Association of the Company.

"13. To carry on all Agri related businesses including but not limited to, manufacture of sugar, refined sugar, artificial sweeteners, pharma sugar, sugar cubes/sachets, branded sugar, fortified sugar and all value added sugar products and related products, carry on the business of diary and animal husbandry, production and manufacture of all diary related products, carry on the business of confectioners inclusive of but not limited to manufacture of sweets, biscuits, eclairs, gums, mints, lozenges, hard boiled confectioneries, toffees, wafers, chips, sauces, fruit based drinks, bakery and other related products, and manufacture, extraction and production of bio-diesel,

and seeds production, distribution, commercial nurseries, developing various hybrid strains and patenting them, entail agri research and development activities, fertilizers, bio compost, manures, organic and inorganic, collaborations with research institutions and foreign partners, and to generally carry out all activities and businesses as may be needed or incidental to in the field of agriculture, animal husbandry and food industry, as permitted by law."

"RESOLVED FURTHER THAT Mr. K. Narayana Rao, Managing Director and / or Mr. V. Balasubramanian, Vice President (Finance) & Company Secretary be and are hereby severally authorised to effect such alterations/modifications/changes as directed by the Registrar of Companies and Statutory agencies and to do all such acts, deeds and things as may be needed to give effect to the resolution".

7. To consider and if thought fit, to pass, with or without modification(s), the following Resolution as an Ordinary Resolution.

"RESOLVED THAT Mr. A. Sankara Rao, who was appointed as an Additional Director of the Company by the Board of Directors on 30th October, 2004, who holds directorship under Section 260 of the Companies Act, 1956, upto the date of the Annual General Meeting, be and is hereby appointed as a Director of the Company, liable to retire by rotation."

8. To consider and if thought fit, to pass, with or without modification(s), the following Resolution as an Ordinary Resolution.

"RESOLVED THAT pursuant to the provisions of Section 16 and other relevant provisions of the Companies Act, 1956, Clause V of the Memorandum of Association relating to Capital of the Company be replaced by the following Clause.

"V. The authorised share capital of the Company is Rs.75,00,00,000 (Rupees Seventy Five Crores Only) divided into 5,19,00,000 equity shares of Rs.10/- each and 2,10,00,000 (8%) preference shares of Rs.11/- each. The Company has power from time to time to increase or reduce its capital and issue shares in the original or new capital as equity or preference shares and to attach to any of such shares any preference, rights, privileges conditions or priorities in payment of dividends or distribution of assets or otherwise to subject the same to any restrictions, limitations and conditions and to vary, modify, abrogate any such rights, privileges and conditions and to vary any regulations of the Company as far as

necessary to give effect to the same and upon sub-division of a share, to apportion the right to participate in the profits in any manner subject to the consent of the Government of India or other order of court if the same be necessary being obtained before doing so."

"RESOLVED FURTHER THAT Mr. K. Narayana Rao, Managing Director and / or Mr. V. Balasubramanian, Vice President (Finance) & Company Secretary be and are hereby severally authorised to effect such alterations/modifications/changes as directed by the Registrar of Companies and Statutory agencies and to do all such acts, deeds and things as may be needed to give effect to the resolution".

9. To consider and if thought fit, to pass, with or without modification(s), the following Resolution as a Special Resolution.

"RESOLVED THAT subject to the provisions of the Companies Act, 1956, Securities Contracts (Regulation) Act, 1956 and the Rules framed there under and in terms of the SEBI (Delisting of Securities) Guidelines, 2003, the individual Listing Agreements with the Stock

Exchanges stated hereinafter and all other applicable laws, rules, regulations and guidelines as may be applicable and modifications, if any, made to the above, from time to time, and subject to such approvals as may be necessary, consent of the shareholders be and is hereby accorded to the Board of Directors of the Company (hereinafter referred to as the "Board" which expression shall be deemed to include a committee of directors duly authorized in this behalf) to delist the equity shares and other securities if any, listed on the Calcutta Stock Exchange and the Ahmedabad Stock Exchange."

"RESOLVED FURTHER THAT the Board be and is hereby authorized to do all such acts, deeds and things as may be necessary to the purpose and to settle any questions, difficulties or doubts that may arise in this regard.

By order of the Board of Directors

Place : Hyderabad
Date : 30th June, 2005

V. BALASUBRAMANIAN
Vice President (Finance) &
Company Secretary

NOTES

1. A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend, instead of himself / herself and such proxy need not be a member. However, the duly filled in and signed proxy form(s) in order to be valid, shall be lodged with the Company at its Registered Office not less than 48 hours before the commencement of the meeting.
2. Corporate Members are requested to send a duly certified copy of the Board Resolution authorising their representatives to attend and vote at the Annual General Meeting.
3. An Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956 in respect of Special Business is annexed hereto.
4. The Register of Members and the Share Transfer Books of the Company will remain closed from 16th August 2005 to 20th August 2005, both days inclusive.
5. Members holding shares in physical form, may write to the Company's Share Transfer Agents (M/s. Karvy Computershare Private Limited) for any change in their address and bank mandates and Members having shares in electronic form may inform the same to their Depository Participants.
6. Members desiring any information as regards to the Accounts are requested to write to the Company at an early date so as to enable the information to be kept ready.
7. As per Section 192A of the Companies Act, 1956 read with the Companies (Passing of the Resolution by Postal Ballot) Rules, 2001, the resolution under item no. 6 of the Notice requires approval of the Members by Postal Ballot. The resolution together with explanatory statements stating the reasons for adoption is given in the Notice. The draft resolution and Postal Ballot Form have already been sent to members separately. Members are requested to kindly accord their assent or dissent to the aforesaid resolutions in the Postal Ballot Form. The assent must be accorded in the box "For" and dissent in the box "Against" by way of placing the tick (✓). After according your vote, please sign the Postal Ballot Form and forward it to the Scrutinizer in the enclosed prepaid self addressed envelope by on or before 18th August, 2005.
8. Pursuant to provisions of Section 205C of the Companies Act, 1956, the amount of dividend remaining unclaimed up to financial year 1996 - 97 has been transferred to the Investor Education and Protection Fund (IEPF). Accordingly, the amounts of dividends

remaining unclaimed for the financial years 1997 - 98 and 1998 - 99 will be transferred to IEPF on 13th November 2005 and 15th November 2006 for the respective years. Hence, the shareholders are requested to claim their unclaimed dividends for the financial years 1997 - 98 and 1998 - 99, at the earliest.

9. Detailed information regarding the various Stock Exchanges where the equity shares of the Company are listed, along with their address and the stock code given to the Company by the respective Stock Exchanges is indicated in the Corporate Governance Report, forming part of the Directors' Report.

Explanatory Statement pursuant to Section 173 (2) of the Companies Act, 1956.

Item No.6

The Company proposes to leverage on its existing strengths and capabilities in the Agri and related areas and accordingly to enable it to venture into the value based products, the Agri-related objects clause is proposed.

Pursuant to section 192A of the Companies Act, 1956 read with the Companies (Passing of the Resolution by Postal Ballot) Rules, 2001, the amendment to Main Objects Clause in the Memorandum and Articles of Association of the company requires approval of the members by postal ballot. Hence, the members are requested to cast their vote by postal ballot for this resolution.

Your Directors commend the proposed resolution for approval of Members.

None of the Directors are interested in the resolution.

Item No.7

Mr. A. Sankara Rao was appointed as Additional Director on the Board with effect from 30th October, 2004 and shall hold the office till this Annual General Meeting. The Company is expected to benefit from his rich and varied experience in the fields of General Management. The Company has received a notice in writing from a member of the Company along with the required deposit, proposing the candidature of Mr. A. Sankara Rao for the office of Director under the provisions of Section 257 of the Companies Act, 1956. The profile of Mr. A. Sankara Rao is given under the head - Shareholder information in Corporate Governance, which is annexed hereto.

Your Directors commend the proposed resolution for the approval of the Members.

None of the Directors except Mr. A. Sankara Rao is interested in the resolution to the extent of his appointment.

Item No.8

As the sub division of the authorized share capital consequent to redemption of 10% preference shares has become redundant, the consequent change in recasting the equity share capital has been effected.

Accordingly, the Capital Clause of the Memorandum of Association of the Company have to be altered.

Your Directors commend the proposed resolution for the approval of the Members.

None of the Directors is interested in the resolution.

Item No.9

The Shares of the Company are currently listed on Mumbai, Hyderabad, Ahmedabad and Calcutta Stock Exchanges. As the volumes in Ahmedabad and Calcutta Stock Exchanges are negligible, it is proposed to delist the shares from Ahmedabad and Calcutta Stock Exchanges.

The proposed delisting of Company's equity shares on the aforesaid Stock Exchanges, will not affect the investors, adversely.

Mumbai Stock Exchange has nation wide presence and accessibility throughout the country. Your Company is also pursuing efforts to list its shares on National Stock Exchange.

Your Directors commend the proposed resolution for the approval of the Members.

None of the Directors is interested in the resolution.

By order of the Board of Directors

Place : Hyderabad
 Date : 30th June, 2005

V. BALASUBRAMANIAN
 Vice President (Finance) &
 Company Secretary

DIRECTORS' REPORT

Dear Shareholders,

Your Directors have pleasure in presenting the Nineteenth Annual Report and the Audited Accounts of the Company for the financial year ended 31st March, 2005.

1. Financial Results

The financial performance of the Company for the year ended 31st March, 2005 is as summarised below:

Particulars	Year Ended 31.03.2005	Year Ended 31.03.2004
(Rs. in lakhs)		
Sales Income	29781.23	24610.98
Other Income	1877.82	2379.05
Total Income	31659.05	26990.03
Profit before depreciation	3982.15	2492.85
Depreciation	825.49	770.70
Profit before Prior period expenses	3156.66	1722.15
Prior period expenditure / (income)	0.46	92.52
Profit before tax	3156.20	1629.63
Provision for tax-		
- Current Tax	248.19	104.00
- Deffered Tax	1037.76	415.68
Profit after tax	1870.25	1109.95
Balance brought forward from previous year	1825.50	2015.42
Balance for appropriations	3695.75	3125.37
Appropriations		
Proposed Dividend	(605.65)	(405.33)
Preference Dividend paid	(149.88)	(79.90)
Tax on Dividend	(105.97)	(89.64)
Transfer to Capital Redemption Reserve	(550.00)	(625.00)
Transfer to General Reserve	(200.00)	(100.00)
Balance carried forward to Balance Sheet	2084.25	1825.50

2. Dividend

Taking into account the improved performance, the Directors have recommended a dividend of Rs.2.00 per equity share on 32196302 equity shares for the financial year ended 31st March, 2005 which, if approved, at the forthcoming Annual General Meeting will be paid to all those Equity Shareholders whose names appear in the Register of Members as on 20th August, 2005.

The fixed rate of dividend on preference shares for the financial year ended 31st March, 2005, will be declared and paid to the preference shareholders.

3. Operations

During the year under review, the overall performance of the Company has been impressive. The income from operations is Rs. 29781.23 Lakhs and the Profit before tax is Rs. 3156.20 Lakhs. This is mainly due to better price realizations coupled with optimum capacity utilization by Ferro Alloys Unit, Sugar Unit and Power Unit and reduction in interest cost. Also good performance of trading activities in merchandise products contributed to the overall growth of the Company.

4. Management Discussion and Analysis

Metallurgical Division

Industry Structure and Development

Ferro Chrome is consumed as an alloy element in the production of stainless steel. During 2004-05, there was a spurt in the demand for steel mainly from China. This in turn had a spiraling effect on the prices of stainless steel. Consequently, there is a spurt in demand for ferro chrome and also price levels. India and South Africa are the two main Ferro Chrome producing nations in the world. The South African rand has been appreciating against the rupee for the last 2 years and this factor has also contributed to the prices of High Carbon Ferro Chrome strengthening in the International market.

During the year, the Company produced 27854 MT of High Carbon Ferro Chrome and sold 26101 MT compared to 27653 and 29016 MT respectively in the previous year.

Your Company is trying to get Chrome Ore mining lease from the government of Orissa, which will reduce raw material cost to a certain extent.

Future Outlook

During the year the demand for steel has increased, especially from China, who are creating infrastructure for the forthcoming Olympic Games in 2008. This demand is likely to be sustained till 2007. Due to this demand in steel, the demand and price of ferro Chrome is by and large expected to be good. Your company has been running both the furnaces to their full capacity to maximize production and meet the demand. With the increase in the ferro chrome prices, the raw material prices are also expected to increase in the near future. With the increase in demand for Steel expected to continue for at least next 3 to 4 years, your company is expecting a sustained growth in this division

Opportunities and Threats

The Ferro alloys industry is witnessing a phase of growth in view of increased demand especially in global markets. The trend is expected to continue for another 3-4 years. With the Chrome Ore mine in Orissa expected, your company can improve its margins and become more competitive. Also the cost of production can be brought down by going for captive power generation for meeting the power requirements of the division.

Unless the demand is sustained in future also, the scenario of supply outstripping demand may ensue as many closed units have started production. This might bring down the prices of ferro chrome in international market over a four year period. Also many steel plants are working on processes where the Chrome ore is directly charged for steel making with out going into the intermittent High Carbon Ferro Chrome route.

Risks and Concerns

The current boom in the steel industry has helped the Ferro Alloys industry to be on strong foothold. This boom in steel industry is expected to last for next four years. As a power intensive industry, any rise in the cost of power and its supply shall have an effect on its costing. Also this industry is besieged with high price volatility.

Sugar Division

Industry Structure and Development

The Sugar industry in India is a controlled industry wherein government of India is controlling the release of sugar in the open market by way of monthly quota for each sugar mill besides fixing the cane price. There are over 500 sugar mills in India, which produces a little over 13-14 million tons of sugar in the last two seasons i.e. 2003-04 and 2004-05 seasons due to drought conditions.

Till 2003-04 the Sugar industry was besieged with excess inventory. Due to high inventory levels with the domestic sugar mills and also because of the controlled release mechanism, many sugar mills could not meet the statutory commitment of payment to the cane farmers on time. To overcome the payment problem many sugar factories approached their respective high courts, who have permitted additional sales over and above monthly release quotas. This has helped most of sugar factories including your company to liquidate stocks to meet the cane payment liability to farmers.

During the year, the availability of cane for sugar production in certain areas of the country, was affected

because of unseasonal rains/ storm and drought. This in turn has reduced the sugar production in India. Now since most of the mills have sold off their piled up inventory, and also as the production during the sugar season is lower than previous year, the Sugar prices have started to look up.

Future Outlook

During 2004-05, the production of sugar was less than demand. In the coming years, production and demand are likely to match and hence there will not be the situation of excess inventory. In future the sugar factories with a minimum of 5000 TPD cane crushing capacity with added facilities like Cogen and Distillery will certainly have an edge over stand alone Sugar Factories.

The proposed decontrol of sugar is now deferred and the industry is back in the release order mechanism for the sale of sugar. The Company intends to expand its capacity from current 3125 TPD of cane crushed to 5000 TPD.

Opportunities & Threats

Your company has identified opportunities in the area of refined sugar, branded sugar, pharma sugar and its variants and also in the areas of confectionaries like toffees, gums, mints, lozenges chocolates etc. Your company shall also leverage its agri strength to venture into diary and bio diesel areas.

The sugar mill is having Locational advantage as it is very near to port and also near to market deficit areas of Orissa and West Bengal. Thus there is scope for expansion of the sugar production at the current location.

The operations of the company face threat from cyclical trends or buffer stocks / change in government policies. Also there is a threat of farmers switching over of other crops due to monsoon vagaries.

Risks and Concerns

Though a better crop is expected in the current year coupled with import of raw sugar for refining, your company does not foresee major threat on price front in this area as demand is expected to outstrip supply.

Cogeneration Power Division

Industry Structure and Development

Government of India had encouraged the Sugar plants to set up Bagasse based co-generation power plants with the bagasse generated from the sugar mill as fuel with supply to the grid under PPA.

The power division of the company was in its third full year of operation. There was a general increase in the Bio-mass prices as most of the sugar manufacturing units had set up Co-generation plants and also number of bio-mass power plants have come up thereby increasing the demand for the bio mass available. This has brought the co generation plants under a lot of pressure as the cost of generation has increased.

To add to the above, the APERC has issued notification reducing the power tariff from Rs. 3.48 per unit to Rs.2.74 per unit with effect from 01.04.2004. They have fixed a two part tariff; fixed tariff portion and a variable tariff portion. The fixed tariff would be reducing every year and the variable tariff portion would increase marginally every year. The Industry has approached the High Court of Andhra Pradesh against this unreasonable tariff reduction.

AP High Court has issued interim order to pay the old tariff and also fifty percent of the difference between the old tariff and the revised tariff. Further, AP Transco is taking a different interpretation by limiting the PPA to 55% of the net export capacity.

Future Outlook

Power division during the year did well but the margins have been considerably reduced with the new two part tariff structure announced by APERC from 01.04.2004. With the demand for power in the state is increasing, the industry has a good future only if AP Transco would look into the requirements of the Cogen producers sympathetically. Currently Cogen power is no longer attractive in AP because of reduction in tariff by AP Transco and restriction of PLF to 55% generation.

Opportunities & Threats

Though there is shortage of power generation in the state, the pricing structure and terms and conditions by A.P. Transco has put pressure on the margins. In case of disappearance of the above obstacles, your company shall benefit on grounds of its efficient functioning.

Risks and Concerns

The reduction in the power tariff announced by APERC from Rs. 3.48 ps to Rs. 2.74 ps ceiling of 55% on PLF and the increase in the prices of the biomass and restrictions in the use of coal are major concerns for this division.

Also AP Transco is restricting the purchase to 55% less PLF on net Exportable Capacity an annuity basis, whereby the efficiency of the unit in producing more units with the same plant is being penalized.

The pricing structure coupled with terms of generation by AP Transco are not very encouraging and your company has approached judicial authorities for redressal in affected areas. AP Transco's unjust interpretation of the PPA is also another concern.

Distillery

Industry Structure and Development

The company has established a 45 KLPD distillery for producing Rectified Spirit/ ENA / Ethanol from molasses which commenced commercial production from 18th March, 2005. At present Rectified Spirit is being produced and supplied to IML units. Production of Ethanol and RS as a forward integration of the Sugar factory coupled with Cogen would stabilize the sugar industry and would partially insulate it from the vagaries of cane availability due to climatic conditions.

Future Outlook

The establishment of 45 KLPD distillery has enabled your company to enter into RS/ENA/Ethanol markets, wherein your company is establishing its foothold. With the government going in for 5% doping of petrol with ethanol, the company has as a part of its forward integration installed a 45 klpd RS/ENA/ethanol manufacturing unit with molasses from the sugar mill as input raw material in addition to procurement of molasses. Commercial Production for RS/ENA/Ethanol commenced on 18th March, 2005. In the light of the Oil Companies intransigence and lack of clarity, your company is producing RS for supply to IML Companies.

The state government is encouraging the production of RS to be supplied to distilleries as the state is getting additional revenues from distillery industry.

Opportunities & Threats

The company foresees opportunities in the fields of RS/ ENA/Ethanol and is gearing itself to size the same. Though the threat could occur from government policies, none of them are foreseen in the near future.

In the long term the government has to go in for compulsory doping of petrol as this would reduce the emission levels of vehicles.

Risks and Concerns

The distillery has attained commercial production recently and efforts are being directed towards penetrating the market riding on the inherent strengths of the company and competing on market economics of Supply, Demand and quality. Main concern for the

industry is the increasing price of molasses without corresponding increase in the price of RS / Ethanol. Also the oil companies are not ready to dope petrol/ diesel with ethanol as they feel that this would increase the cost of production for them.

International Trading Division

Industry Structure and Development

With most of the countries coming into the WTO umbrella, the opportunities for trading in the international market have taken a quantum jump. The company has utilized this opportunity and traded mainly in ferro, steel and coal, commodities where the company has inherent strength.

With the USD weakening against most of the international currencies, there is a pressure on the export realizations to a small extent but with the imports becoming cheaper the margins will be taken care of in the long run.

Future Outlook

The Company is constantly watching the global markets to exploit business opportunities as and when they arise. The unpredictability in global markets is sought to be mitigated through exercise of caution before venturing into the transactions.

Opportunities & Threats

The opening up of the global economy has thrown open many opportunities for the international trading division. Your company is exploiting the opportunities in the trading of Ferro Chrome, Charge Chrome, Coking coal, Coke and Iron Ore among other products. Your company intends to take up any export possibility as and when the opportunity arises.

Risks and Concerns

The company is actively exploring opportunities to trade in the global arena with emphasis on systematic and cautious approach. Continuous forex fluctuations is always area of concern.

Segment wise performance information

The segment wise information is given separately in note no 20 in the schedules to accounts for the year ended 31st March 2005 as per Accounting Standard 17 issued by The Institute of Chartered Accountants of India.

Internal Control Systems

Your company is having proper and adequate internal control systems in order to ensure that all assets are

safeguarded against loss from unauthorized use or disposition and that all transactions are checked, verified, recorded and reported correctly.

Regular internal audit checks and proprietary audit checks are carried out to ensure that the responsibilities are executed effectively.

The Board of Directors have constituted an Audit Committee chaired by an Independent Director. The Committee meets periodically with the management, internal auditors and statutory auditors to review audit plans and financial results.

Discussions on the financial performance

The financial statements have been prepared in accordance with the requirement of the Companies Act 1956, as per the generally accepted accounting principles and in accordance with the Accounting Standards issued by the Chartered accountants of India.

Operational and Establishment expenses.

The company has continued its three prolonged cost reduction measures to bring about:

- a. reduction in raw material prices,
- b. continuing cost reduction by process Improvement and optimizing the capacity utilization
- c. continuing its financial restructuring of debts and improving overall operational efficiency.

Share Capital

There has been a change in the Share Capital of the Company as indicated below:

- a. allotment of 51,74,145 Equity shares of Rs.10/- each and 20,696,580 (8%) redeemable preference shares of Rs.11/- each allotted to the shareholders of amalgamating company, pursuant to scheme of amalgamation.
- b. redemption of 2,75,00,000 (10%) Cumulative redeemable preference shares of Rs.2/- each amounting to Rs.550 lakhs at a premium of Rs.2200 lakhs.

Secured Loans

The company has honored all the commitments of Interest and Principal to all its lenders as per schedule.

Interest

The company has achieved considerable savings on interest cost by converting its rupee denominated Debts into Foreign Currency loans with LIBOR linked Interest rates.

Other Operational Information

The operational profit as compared to the previous year has been discussed separately in this directors' report.

Material Development in HR/IR front

The Company considers human resources to be an important valuable asset for the organization and therefore constantly strives to attract and recruit best talents for the current and future needs. The company continues to take steps to conduct various training programs. Further Quality circles have been formed in the sugar division and metallurgical division for going into the safety of employees as well as to improve their performance. Further measures for the safety of the employees are also adopted through training programs and mock drills. As on 31st March 2005, the total number of salaried employees of the company stood at around 700.

The company has enjoyed a very cordial relationship with the employees throughout the year.

Cautionary Statement

The management Discussion and Analysis report containing Company's objectives, projections, estimates and expectation may constitute certain statements, which are forward looking within the meaning of applicable laws and regulations. Actual results may differ materially from those expressed or implied in the statement. The Company's operation may interalia be affected by the supply and demand situations, input price and the availability, changes in the government regulations, Tax laws and other factors. Company cannot guarantee the accuracy of the assumptions and perceived performance of the Company in future. The investors should bear the above in mind.

5. Exports and Imports

During the year under review, your Company made exports worth Rs.12887.82 lakhs and imports Rs.4334.48 lakhs.

6. Financial Restructuring & Investments

During the year under review, your company continued to swap high cost rupee debts with low cost foreign currency debts. There has also been a saving in interest cost due to softening in interest rates on working capital loans. These factors enabled your company to reduce its overall interest costs. Your company also redeemed

the preference shares to the extent of Rs.550 lakhs subscribed by corporate bodies.

During the year under review, your company has made further investment to the extent of Rs32.40 Crores in M/s. ING Vysya Life Insurance Company Private Limited.

7. Directors

During the year under review Mr. A. Sankara Rao, has been appointed as Additional Director on the Board and he vacates office at the ensuing Annual General Meeting. A Notice under Section 257 of the Companies Act, 1956 has been received from a Member proposing the appointment of Mr A Sankara Rao as a Director of the Company, at the ensuing AGM.

Mr. K. V. K. Seshavataram and Mr. M. Sudhakara Rao, Directors retire by rotation at the ensuing Annual General Meeting and being eligible offer themselves for re-appointment.

8. Directors Responsibility Statement

Pursuant to Section 217(2AA) of the Companies Act, 1956 and on the basis of explanation given by the Executives of the Company and also subject to disclosures in the Annual Accounts, your Directors confirm as under:

- i. that in the preparation of the annual accounts, the applicable Accounting Standards have been followed along with proper explanations relating to material departures.
- ii. that the Directors had selected such accounting policies and applied them consistently and made judgements and that estimates are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profits of the company for that period.
- iii. that the Directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities.
- iv. that the Directors had prepared the annual accounts for the financial year ended 31st March, 2005 on a going concern basis.

9. Fixed Deposits

During the year under review, your Company has neither invited or accepted any fixed deposits from the public as per provisions of Section 58A of the Companies Act, 1956. As such, no amount of principal or interest was outstanding as on the date of the Balance Sheet.

10. Corporate Governance

Report on Corporate Governance as Annexure - I and Certificate of Auditors of the Company for the due compliance of code of Corporate Governance pursuant to Clause 49 of the Listing Agreement are attached and form part of this Report.

11. Personnel Relations

During the year, relations between the employees and the management continued to remain cordial. Your Directors hereby place on record their appreciation for the services rendered by the Executives, Staff and Workers of the Company.

12. Conservation of Energy, Technical Absorption and Foreign Exchange Earnings and Outgo:

The information relating to conservation of energy, technical absorption and foreign exchange earnings and outgo pursuant to 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 is given in the Annexure - II forming part of this Report.

13. Auditors

M/s. S. Venkatadri & Co., Chartered Accountants, the present Statutory Auditors of the company, retire at the conclusion of the ensuing Annual General Meeting and are eligible for reappointment. The company has received letter from them to the effect that their re-appointment, if made, would be within prescribed limits under Section 224 (1B) of the Companies Act.

Your Directors have appointed Mr. S.P Sarma, Cost Accountant, for conducting the audit of cost accounting records of Sugar Unit for the financial year 2004-05.

14. Particulars of Employees

None of the Employees in the Company is drawing remuneration in excess of the limits prescribed under Section 217 (2A) read with the Companies (Particulars of Employees) Rules, 1975 during the year ended 31st March, 2004.

15. Acknowledgements

Your Directors acknowledge and express their grateful appreciation for the co-operation and assistance received from Financial Institutions, Banks, Government Authorities, Customers, Farmers and Suppliers.

Your directors also thank the shareholders for the confidence reposed by them in the management of the Company and for their continued support and co-operation.

For and on behalf of the Directors

Date : 30th June, 2005
 Place : Hyderabad

K. V. K. Seshavataram
 Chairman

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, 2005, 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, 2005, 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.

For **S.Venkatadri & Co.**,
Chartered Accountants

Place : Hyderabad
Date : 01.06.2005

(K.SRINIVASA RAO)
PARTNER
M.No. 201470

ANNEXURE - 1 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 nine members, of whom, four directors are independent and seven directors are non-executive. Mr. K. V. K. Seshavaram is non-executive chairman.

Composition of the Board

Name of the Director	Designation	Category
Mr. K.V.K. Seshavaram	Chairman	Independent and Non Executive
Mr. K. Narayana Rao	Managing Director	Promoter and Executive
Mr. V. K. Rao Ch.	Joint Managing Director	Promoter and Executive
Mr. Kiran Kumar Grandhi	Director	Promoter and Non Executive
Mr. A. Sankara Rao (*)	Director	Promoter and Non Executive
Mr. A. Subba Rao	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

(*) appointed as Additional Director on 30th October, 2004

Details of Directors and their Attendance in the Board Meetings / last AGM in the financial year 2004-05.

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. Seshavaram	2	2	2	8	Yes
Mr. K. Narayana Rao	1	3	2	9	Yes
Mr. V. K. Rao Ch.	-	3	-	8	Yes
Mr. Kiran Kumar Grandhi	3	-	-	4	No
Mr. A. Sankara Rao	-	-	-	1	No
Mr. A. Subba Rao	1	-	-	3	No
Mr. I. Sada Siva Gupta	-	-	-	6	No
Mr. N. V. Varadarajulu	1	2	-	5	No
Mr. M. Sudhakara Rao	-	2	-	9	No

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

No. of Board Meetings : 9 Board Meetings were held during the year 2004-05 on the following dates:

13th April, 2004	1st September, 2004
12th May, 2004	30th October, 2004
26th May, 2004	29th January, 2005
28th July, 2004	28th March, 2005
14th August, 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 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 Audit Committee comprises three Independent Directors

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

Mr. V. Balasubramanian, Vice President (Finance) & Company Secretary acts as Secretary to Audit Committee.

During the year under review, the Audit Committee met three times on 26th May, 2004; 30th October, 2004 and 29th January, 2005. Mr. K. V. K. Seshavataram and Mr. M. Sudhakara Rao have attended all the three meetings. Mr. N.V.Varadarajulu has attended two meetings. Besides the Committee members, Managing Director, Joint Managing Director, Internal Auditors and Statutory Auditors wherever necessary were also invited to Audit Committee Meetings.

4. Details of Remuneration to Directors

The Company has not constituted Remuneration Committee. The Company pays remuneration in the form of salary and perquisites to the wholtime 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 2004-2005:

(Amount in Rupees)

Name of the Director	Sitting Fees	Salary	Perquisites	Commission	Total
Mr. K.V.K. Seshavataram	2,500-00	--	--	9,50,000-00	9,52,500-00
Mr. K. Narayana Rao	--	14,49,000-00	4,60,228-00	--	19,09,228-00
Mr. V. K. Rao Ch.	--	10,24,800-00	2,54,176-00	--	12,78,976-00
Mr. Kiran Kumar Grandhi	2,500-00	--	--	--	2,500-00
Mr. A. Sankara Rao (*)	2,500-00	--	--	--	2,500-00
Mr. A. Subba Rao	--	--	--	--	--
Mr. I. Sada Siva Gupta	15,000-00	--	--	--	15,000-00
Mr. N. V. Varadarajulu	22,500-00	--	--	--	22,500-00
Mr. M. Sudhakara Rao	37,500-00	--	--	--	37,500-00

(*) appointed as Additional Director on 30th October, 2004

5. Share Transfer Committee

The Share Transfer Committee consists of Mr. K. Narayana Rao (Chairman of the Committee) and Mr. V.K. Rao Ch. as members. Mr. V. Balasubramanian, Vice President (Finance) & Company Secretary acts as the Secretary to the Committee. The Board has delegated the power of Share Transfer to Registrar & Share Transfer Agents, who process the transfers. 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, an 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 delay 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 2004-05, the Committee met 4 times to review the investor grievances. The following are the details of Shareholders Grievance Redressals for the financial year 2004-05

S No.	Nature	Number	
		Received	Attended
1	Dividends	103	103
2	Non receipt of securities	43	43
3	Non receipt of company's new name stickers	6	6
4	Non receipt of securities after transfer	35	35
5	Other miscellaneous complaints	6	6
	Total	193	193

7. Particulars of last three Annual General Body Meetings

AGM	Date	Venue	Time	No. of Special Resolutions
16th AGM	30-09-2002	Ravivalasa Village, Tekkali Mandal Srikakulam District, Andhra Pradesh PIN - 532 212	3.30 P. M.	4
17th AGM	30-12-2003	Ravivalasa Village, Tekkali Mandal Srikakulam District, Andhra Pradesh PIN - 532 212	4.00 P. M.	1
18th AGM	07-08-2004	Ravivalasa Village, Tekkali Mandal Srikakulam District, Andhra Pradesh PIN - 532 212	4.00 P. M.	4

In the 18th AGM, a postal ballot was conducted for resolution pertaining to Change of Registered Office. The following was the voting pattern:

No. of valid postal ballots and votes cast	:	412 covering 17752381 votes (shares)
No. of postal ballots cast in favour of the Resolution	:	401 covering 17749181 votes (shares)
No. of postal ballots cast against the Resolution	:	11 covering 3200 votes (shares)
Special Resolution is passed by majority of votes (shares) by	:	99.98%

Mr. K. Venkata Rao, a renowned Advocate in the Tekkali Town, had conducted the postal ballot.

A resolution pertaining to change of main objects clause is proposed to be conducted through postal ballot.

Mr. L.V.V. Iyer, renowned Corporate Lawyer is appointed as Scrutinizer for conducting the postal ballot.

Procedure:

The proposed resolution; explanatory note to the resolution; postal ballot form and prepaid envelope shall be dispatched to the members.

The members are required to accord their consent or dissent to resolution in the proposed resolution and send the postal ballot in the prepaid envelope to the Scrutinizer.

The scrutinizer shall scrutinize the postal ballot received from the members and record the postal ballot result in the register.

The scrutinizer shall submit the postal ballot results along with supportings to Chairman of the Company.

The Chairman in the ensuing AGM will declare the postal ballot results.

8. Disclosures

There are no transactions, which may have potential conflicts with the interests of the Company at large. Transactions with related parties are disclosed in Note No. 19 of schedule to the Accounts in the Annual Report.

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

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

GROUP COMPANIES

GMR Energy Limited
GMR Power Corporation Private Limited
Vemagiri Power Generation Limited
GMR Infrastructure Limited
GMR Holdings Private Limited
GVL Investments Private Limited
GMR Tuni Anapakalli Expressways Private Limited
GMR Tambaram Tindivanam Expressways Private Limited
Sri Varalakshmi Jute Twine Mills Private Limited
Hyderabad International Airport Limited
GMR Operations Private Limited
GMR Estates & Properties Private Limited
GMR Varalakshmi Foundation

INDIVIDUALS

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

9. 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.

10. Means of communication

The financial results of the Company are published in Business Line & Business Standard; (national newspapers) and Andhra Bhoomi / Andhra Jyothi (vernacular newspapers). The company also publishes various notices / information required under the Companies Act and the Listing Agreement in national newspaper and vernacular newspaper, whenever required.

The following information was submitted to Stock Exchanges within stipulated period.

- 1) Full version of Annual Report including the Balance Sheet, Profit and Loss Account' Directors' Report; Auditors' Report and Cash Flow Statement
- 2) Quarterly Corporate Governance Report
- 3) Quarterly and half year un-audited financial results taken on record by the Board of Directors of the Company.
- 4) Quarterly Shareholding pattern
- 5) Quarterly Secretarial Report
- 6) Disclosures as per SEBI (SAST) Regulations
- 7) Disclosures as per SEBI (Prohibition of Insider Trading) Regulations
- 8) Limited Review Report by Auditors on unaudited quarterly financial results.
- 9) Appointment, Resignation of Director and Company Secretary
- 10) Such other information or reports as may be specified by SEBI from time to time.

In terms of the requirements of Clause 51 of the Listing Agreement with the Stock Exchanges, the Company also submits the statements, information and reports on the Electronic Data Information Filing and Retrieval (EDIFAR) and they are available for information at the website : www.sebidifar.nic.in

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

11. General Shareholders information

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

Name of the Director	Mr. K. V. K. Seshavataram	Mr. M. Sudhakara Rao	Mr. A. Sankara Rao
Date of Birth	27th July, 1941	10th December, 1940	24th June, 1950
Date of appointment	30th December, 2002	30th July, 2003	30th October, 2004
Qualifications	B. Com, LLB, FCA, FICWA, FCS	B.E. (Electrical Engineering) F.I.E. (Fellow of Institute of Engineers India)	B. Com
Expertise in specific functional areas	Financial & General Management	Consultant to Transmission and Distribution	General Management and Administration
List of public Companies in which outside Directorship held.	Hyderabad International Airport Ltd GMR Infrastructure Limited	-	-
Chairman / Member of the Committees of other Companies on which he is a Member as on date of this Report	-	-	-

General Shareholder Information

Annual General Meeting

Date : 20th August, 2005 (Saturday)
 Time : 4.00 P. M.
 Venue : at Auditorium, Bharatiya Vidya Bhavan, King Koti, Hyderabad- 500 029

Calendar of events for the financial year 2005-2006 (April 1, 2005 - March 31, 2006)

Declaration of financial results

Unaudited financial results for the 1st Qtr	Will be reported in July, 2005
Unaudited financial results for the 2nd Qtr	Will be reported in October, 2005
Unaudited financial results for the 3rd Qtr	Will be reported in January, 2006
Annual Audited financial results for the 4th Qtr	Will be reported in June, 2006

Date of Book Closure: 16th August, 2005 to 20th August, 2005 (both days inclusive) on account of AGM

Record date : 20th August, 2005 on account of declaration of dividend

Dividend Payment Date : 18th September, 2005 (Tentatively)

The equity shares of the Company are listed on :

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

The annual listing fees for the financial year 2005-2006 has been paid to each of these Stock Exchanges.

Stock Code:	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 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, 425381 equity shares were transferred.

Distribution of Shareholding as on 31st March, 2005

Distribution of holding			No. of shareholders	% of shareholders	Amount (Rs.)	% of Amount
From	to					
1	-	5000	16334	94.53	25360780	7.88
5001	-	10000	563	3.26	4848880	1.50
10001	-	20000	203	1.17	3213410	1.00
20001	-	30000	61	0.35	1577810	0.49
30001	-	40000	33	0.19	1172970	0.37
40001	-	50000	15	0.09	719810	0.22
50001	-	100000	27	0.16	1940180	0.60
100001	and	above	44	0.25	283129180	87.94
			17280	100.00	321963020	100.00

Equity Shareholding Pattern as on 31st March, 2005

Category	No. of Shareholders	% of Shareholders	No. of Shares Held	% of Shareholding
Promoter Group	18	0.10	22788833	70.78
Banks, FIs & Mutual Funds	5	0.03	227668	0.72
Private Bodies Corporate	229	1.33	4399337	13.66
Resident Individuals	16848	97.50	3863367	12.00
NRIs / OCBs	171	0.99	257632	0.80
Others	9	0.05	659465	2.04
Totals	17280	100.00	32196302	100.00

Mode of Equity Shares held

The Company is registered with NSDL and CDSL. The ISIN pertaining to Equity Shares is INEB353B01013. As on 31st March, 2005, the equity shares are held on following modes.

Type	No. of Shareholders	% of Shareholders	No. of Shares	% of total Equity Share Capital
NSDL	569	3.29	24267671	75.37
CDSL	3681	21.30	234842	0.73
Physical	13030	75.41	7693789	23.90
Total	17280	100.00	32196302	100.00

Market Price: High / Low during each month in Financial Year 2004-2005 in BSE and performance comparison to BSE Sensex are furnished below:

Month	GMR Industries Stock Performance		BSE Index Performance	
	High (Rs.)	Low (Rs.)	High (Rs.)	Low (Rs.)
April, 2004	27.25	22.20	5979.25	5599.12
May, 2004	28.50	20.50	5772.64	4227.50
June, 2004	25.00	21.45	5012.52	4613.94
July, 2004	34.90	22.00	5200.85	4723.04
August, 2004	34.55	26.10	5269.22	5022.29
September, 2004	63.40	33.00	5638.79	5178.57
October, 2004	60.00	47.95	5803.82	5558.14
November, 2004	57.00	47.45	6248.43	5649.03
December, 2004	72.25	47.40	6617.15	6176.09
January, 2005	85.00	64.05	6696.31	6069.33
February, 2005	89.00	68.00	6721.08	6508.33
March, 2005	93.00	71.05	6954.86	6321.31

Plant Locations

Metallurgical Unit

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

Sugar, Co-generation Power & Distillery 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 / JMD Certification

To the best of our knowledge and belief.

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.

- these statements do not contain any materially untrue statement or omit any material fact nor do they contain statement that might be misleading.
- 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;
- 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;
- 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
- 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.
 Joint Managing Director

ANNEXURE - II TO DIRECTORS' REPORT

A. CONSERVATION OF ENERGY	METALLURGICAL DIVISION	SUGAR DIVISION
a. Energy Conservations Measures Taken	Nil	<p>We have installed various energy (steam) saving equipments in the following areas of our Sugar plant as detailed below :</p> <ol style="list-style-type: none"> 1. Recovery of waste heat from the clarified Flash tank to heat the clear juice by introducing direct contact juice heater. 2. Steam saving in Evaporator Station by introducing Exhaust & vapours condensate flash cigars and recover the flash heat available and by re-arranging the vapour bleeding system, introduction of vapour line juice heater and direct contact heaters. 3. Energy saving in Pan Station by introducing DEVC second effect vapour for pan body washing in place of Exhaust steam. 4. Improvements in Centrifugal Station: 7.5 Kg/Sq.cm pressure steam is totally stopped at centrifugal station by installing a heater to heat the DEVC 2nd effect condensate through exhaust steam condensate to meet the centrifugal wash water requirement. 5. Use of NCGs: Direct contact heaters have been installed to heat the Syrup, Filtered juice and Molasses conditioning by using Non condensible gasses from 4th effect evaporator quadruple set. 6. Boiler efficiency improvement: Radiators were installed to heat the F.D. air by using waste heat from the surplus hot condensate this results in improvement in Boiler efficiency. 7. Heating air at Fluidised bed sugar dryer: A radiator was installed at fluidised bed sugar dryer to heat the air by using surplus hot condensate. With this Exhaust steam which was being used was saved.
b. Additional investments and proposals, if any, being implemented for reduction of consumption of energy	Nil	We have invested an amount of Rs.66.30 lakhs (net of Cenvat) for reduction of consumption of energy (steam) during the financial year 2004-05 and commissioned successfully in the month of December - 04.
c. Impact of the measures at (a) and (b) above for reduction of energy consumption and consequent impact on the cost of production of goods	Nil	Energy (steam) consumption has come down by 4% per tonne of cane crushed. The cost of production due to the above has come down by Rs.15/- per tonne of cane crushed.
d. Total energy consumption and energy consumption per unit of production	Form - A enclosed	Form - A enclosed

B. TECHNOLOGY ABSORPTION

The Company has not made any material investments in the area of Research and Development, Technology adoption, absorption and innovation.

(Rs. In lakhs)

C. FOREIGN EXCHANGE EARNINGS AND OUTGO:	CURRENT YEAR	PREVIOUS YEAR
1 Foreign Exchange Earnings:	14319.90	9897.30
2 Foreign Exchange Outgo:		
a) Material	4334.48	1333.17
b) Machinery	-	-
c) Foreign Travel	1.01	0.70
d) Consultancy Fees	6.30	1.74

FORM A

Form of Disclosure of Particulars with respect to Conservation of Energy

A. Power & Fuel Consumption

		2004-05		2003-04	
		Metallurgical Division	Sugar Division	Metallurgical Division	Sugar Division
1	Electricity				
	(a) Purchased Units	102302848	37885	101358793	***
	Amount (Rs.)	216882037	209161	214898642	
	Rate / Unit (Rs.)	2.12	5.52	2.12	
	(b) Own Generation				
	(i) Through Diesel	NIL	NIL	NIL	
	Units generated		42725		11196
	Unit per Litre of Diesel Oil		2.52		2.60
	Cost / Unit (Rs.)		10.44		8.11
	(ii) Through Steam Turbine				
	Units generated	NIL	14034903	NIL	15906491
	Cost / Unit (Rs.)		2.68		3.12
2	Furnace Oil				
	Units (Litre)	NIL	NIL	NIL	NIL
	Amount (Rs.)				
	Cost / Unit (Rs.)				
3	HSD Oil				
	Units (Litre)	NIL	16974	NIL	4313.33
	Amount (Rs.)		445977		90752.46
	Rate / Unit (Rs.)		26.27		21.04

B. Consumption Per Unit of Production

		Ferro Alloys (MT)	Sugar (QTL)	Ferro Alloys (MT)	Sugar (QTL)
1	Electricity (Units)	3672.80	24.66	3673.32	28.53
2	HSD Oil (Litre)	NIL	0.03	NIL	0.01***2

Notes :

- ** 1. Import from Aprtransco is taken in Cogen account. So import bill is debited to Cogen A/c. However the sugar portion consumption of import is included in the Power Consumption by Sugar from Power generated by our DG set.
2. 1/4rd of Diesel consumption of Nagawali Pump House & DG Sets is taken in Sugar a/c. 2/3rd is taken in Cogen a/c.

AUDITORS' REPORT

To,
The Members,
GMR Industries Ltd.

1. We have audited the attached Balance sheet of GMR Industries Ltd as at 31st March 2005, the Profit & Loss Account and also the Cash Flow statement for the year ended on that date annexed thereto. 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 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, Issued by the Central Government of India in terms of Sub Section (4A) of Section 227 of the Companies Act, 1956, we enclose 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:
 - i) 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;
 - ii) 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;
 - iii) The Balance Sheet, Profit and Loss Account and cash flow statement dealt with by this report are in agreement with the books of account;
 - iv) 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 Companies Act, 1956;
 - v) On the basis of written representations received from the directors, and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31st March 2005 from being appointed as director in terms of Clause (g) of Sub section (1) of Section 274 of the Companies Act, 1956;
 - vi) In our opinion and to the best of our information and according to the explanations given to us, the said accounts give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:
 - a) In the case of the Balance Sheet, of the State of affairs of the Company as at 31st March, 2005;
 - b) In the case of the Profit and Loss Account, of the Profit for the Year ended on that date; and
 - c) In the case of Cash flow statement, of the Cash Flows for the year ended on that date.

For **S.Venkatadri & Co.**,
Chartered Accountants

Place : Hyderabad
Date : 01.06.2005

(K.SRINIVASA RAO)
PARTNER
M.No.201470

ANNEXURE TO AUDITOR'S REPORT

(Referred to in Paragraph 3 of Our Report of Even Date)

- (i) a) The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets.
- b) As explained to us, the fixed assets have been physically verified by the management during the year in a phased periodical manner, which in our opinion is reasonable, having regard to the size of the company and the nature of its assets. No material discrepancies were noticed on such verification.
- c) During the year, the company has not disposed off any substantial part of its fixed assets, affecting the going concern status of the company.
- (ii) a) The inventory has been physically verified during the year by the management at reasonable intervals. In our opinion, the frequency of verification is reasonable and adequate.
- b) The procedures of physical verification of inventories followed by the management are reasonable and adequate in relation to the size of the company and the nature of its business.
- c) The company is maintaining proper records of inventory. The discrepancies noticed on verification between the physical stocks and the book records were not material.
- (iii) a) The company has not granted any loan, secured or unsecured to companies, firms or other parties covered in the register maintained under Section 301 of the Companies Act, 1956. Therefore, the provisions of clause 4 (iii) (b), (c) and (d) of the Companies (Auditor's Report) Order, 2003 (as amended) are not applicable to the company.
- b) As informed, the Company has taken loan from two companies covered in the register maintained under Section 301 of the Companies Act, 1956. The maximum amount involved during the year was Rs. 235.41 Crores and the year end balance of the loan from such parties was Rs. 73.66 Crores.
- c) In our opinion and according to the information and explanations given to us, the rate of interest and other terms and conditions for such loan are not prima facie prejudicial to the interest of the company.
- d) In respect of such loan taken, repayment of the principal amount is as stipulated and payment of interest has been regular.
- iv). 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 inventory, fixed assets and for sale of goods and services. During the course of our audit, we have not observed any continuing failure to correct major weaknesses in internal control system.
- v). a) According to the information and explanations provided by the management, we are of the opinion that the particulars of contracts or arrangements referred to in section 301 of the Act that need to be entered into the register maintained under section 301 have been so entered.
- b) In our opinion and according to the information and explanations given to us, the transactions made in pursuance of such contracts or arrangements exceeding value of Rupees five lakhs have been entered into during the financial year at prices which are reasonable having regard to the prevailing market prices at the relevant time.
- vi) In our opinion and according to the explanations given to us, the Company has complied with the directives issued by the Reserve Bank of India and the provisions of Sections 58A, 58AA or any other relevant provisions of the Act and the rules framed thereunder with regard to the deposits accepted from the public. No order has been passed by the Company Law Board or National Company Law Tribunal or Reserve Bank of India or any Court or any other Tribunal.
- vii) In our opinion, the company has an internal audit system commensurate with the size and nature of its business.

- viii) The Central Government has prescribed maintenance of cost records U/s 209 (1) (d) of the companies Act, 1956 in respect of certain manufacturing activities of the company. We have broadly reviewed the accounts and records, of the Company and are of the opinion that, prima facie, the prescribed accounts and records have been made and maintained.
- ix) 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 regular in depositing undisputed statutory dues including provident fund, employees state insurance, income tax, sales tax, wealth tax, Service Tax, custom duty, excise duty, cess, investor education and protection fund and any other statutory dues as applicable, with the appropriate authorities.
- b) According to the information and explanations given to us, no undisputed amounts payable in respect of Provident fund, employees state insurance, investor education and protection fund, income tax, wealth tax, sales tax, Service Tax, customs duty, excise duty and cess were in arrears, as at 31.03.2005 for a period of more than six months from the date they became payable.
- c) According to the information and explanations given us, the disputed statutory dues aggregating to Rs. 828.28 Lakhs, that have not been deposited on account of matters pending before appropriate authorities are as under :

Sl. No.	Nature of the Dues	Forum where Dispute is pending	Amount (Rs. In Lakhs)
1.	Income Tax	I.T.A.T.	70.23
2.	Excise Duty	Commissioner of Central Excise	24.75
3.	Sales Tax	Joint Commissioner of Commercial Taxes	
		S.T.A.T.	96.07
		S.T.A.T.	419.37
		Appellate Dy. Commissioner	78.81
		High Court	105.49
		High Court	6.25
4.	Customs Duty	Commissioner of Customs	27.31
			828.28

- x). The company has no accumulated losses as at 31.03.2005 and it has not incurred any cash losses in the financial year ended on that date or in the immediately preceding financial year.
- xi). In our opinion and according to the information and explanations given to us, the company has not defaulted in repayment of dues to financial institutions, banks or debenture holders.
- xii). In our opinion and according to the information and explanations given to us, no loans and advances have been granted by the Company on the basis of security by way of pledge of shares, debentures and other securities.
- xiii). In our opinion, and according to the information and explanations given to us, the company is not a chit fund or a nidhi/ mutual benefit fund/society. Therefore, the provisions of clause 4(xiii) of the Companies (Auditor's Report) Order, 2003 are not applicable to the company.
- xiv). In our opinion, the company has maintained proper records of transactions and contracts in respect of trading in securities, debentures and other investments and timely entries have been made therein. All shares debentures and other investments have been held by the company in its own name.
- xv). The company has given guarantees for loans taken by others from banks or financial institutions. According to the information and explanations given to us, we are of the opinion that the terms and conditions thereof are not prima-facie prejudicial to the interest of the Company.
- xvi). In our opinion, and according to the information and explanations given to us, the term loans have been applied for the purposes for which the loans were obtained.

- xvii) According to the information and explanations given to us and on an overall examination of the balance sheet of the company, we report that no funds raised on short-term basis have been used for long-term investment.
- xviii) According to the information and explanations given to us, 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.
- xix) According to the information and explanations given to us, during the period covered by our audit report, the company has not issued any debentures.
- xx) The company has not raised any money by way of public issue during the year.
- xxi) In our opinion and according to the information and explanations given to us, no fraud on or by the company has been noticed or reported during the year.

For **S.Venkatadri & Co.**,
Chartered Accountants

Place : Hyderabad
Date : 01.06.2005

(K.SRINIVASA RAO)
PARTNER
M.No. 201470

AUDITOR'S CERTIFICATE

We have examined the attached Cash flow Statement of GMR Industries Limited for the year ended 31st March, 2005. The Statement has been prepared by the Company in accordance with the requirements of Clause 32 of Listing Agreements with Various Stock Exchanges and is based on and in agreement with the corresponding Profit & Loss Account and Balance Sheet of the Company covered by our report of even date to the members of the Company.

For **S.Venkatadri & Co.**,
Chartered Accountants

Place : Hyderabad
Date : 01.06.2005

(K.SRINIVASA RAO)
PARTNER
M.No. 201470

BALANCE SHEET AS AT 31st MARCH, 2005

		Rs. in lakhs	
	Schedule	As at 31-03-2005	As at 31-03-2004
I. Sources of Funds:			
1. Shareholders' Funds			
a) Share Capital	1	5,496.25	6,046.25
b) Reserves and Surplus	2	<u>6,770.75</u>	<u>7,962.00</u>
		12,267.00	14,008.25
2. Loan Funds			
a) Secured Loans	3	21,772.63	9,840.23
b) Unsecured Loans	4	<u>8,365.80</u>	<u>8,896.12</u>
		30,138.43	18,736.35
3. Deferred Tax Liability - Net			
Total		<u>1,823.82</u>	<u>786.06</u>
		44,229.25	33,530.66
II. Application of Funds:			
1. Fixed Assets			
a) Gross Block	5	19,244.67	16,345.87
b) Less: Depreciation		<u>4,550.53</u>	<u>3,745.35</u>
c) Net Block		14,694.14	12,600.52
d) Capital Work in Progress		<u>(116.81)</u>	<u>130.63</u>
		14,577.33	12,731.15
2. Investments			
	6	19,278.94	11,843.59
3. Current Assets, Loans and Advances			
a) Inventories	7	10,434.43	4,055.03
b) Sundry Debtors	8	4,084.32	5,143.55
c) Cash and Bank Balances	9	1,033.13	998.23
d) Other Current Assets	10	24.57	15.37
e) Loans and Advances	11	3,885.16	3,564.93
		<u>19,461.61</u>	<u>13,777.11</u>
Less : Current Liabilities and Provisions			
a) Current Liabilities	12	8,050.09	4,531.22
b) Provisions		<u>1,134.64</u>	<u>599.51</u>
		9,184.73	5,130.73
Net Current Assets			
		10,276.88	8,646.38
4. Miscellaneous Expenditure			
Total	13	<u>96.10</u>	<u>309.54</u>
		44,229.25	33,530.66
Notes to the Accounts			
	18	<u>44,229.25</u>	<u>33,530.66</u>

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

as per our report attached
for **S. Venkatadri & Co**
Chartered Accountants

For and on behalf of the Board

K. Srinivasa Rao
Partner

K. Narayana Rao
Managing Director

V. K. Rao Ch.
Jt. Managing Director

Place : Hyderabad
Date : 1st June, 2005

V. Balasubramanian
Vice President (Finance) &
Company Secretary

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31st MARCH, 2005

Rs. in lakhs

	Schedule	For the Year ended 31-03-2005	For the Year ended 31-03-2004
I. Income			
Sales (Gross)		30,997.89	25,884.26
Less: Duties & Taxes		<u>1,216.66</u>	<u>1,273.28</u>
Sales (Net)		29,781.23	24,610.98
Other Income	14	1,877.82	2,379.05
Total		<u><u>31,659.05</u></u>	<u><u>26,990.03</u></u>
II. Expenditure			
Materials and Other Consumption	15	19,354.07	16,358.91
Manufacturing, Selling and Administrative Expenses	16	6,858.76	6,513.42
Interest and Finance Charges	17	1,250.63	1,383.75
Depreciation	5	825.49	770.70
Amortisation of Miscellaneous Expenditure		213.44	241.10
Total		<u><u>28,502.39</u></u>	<u><u>25,267.88</u></u>
III. Profit Before Prior Period Expenses & Taxation		3,156.66	1,722.15
Prior Period Expenses		<u>0.46</u>	<u>92.52</u>
IV. Profit Before Taxation		3,156.20	1,629.63
Provision for Taxation - Current		248.19	104.00
- Deferred		<u>1,037.76</u>	<u>415.68</u>
		<u>1,285.95</u>	<u>519.68</u>
V. Profit After Taxation		1,870.25	1,109.95
Balance brought forward		1,825.50	2,015.42
VI. Available for Appropriation		<u><u>3,695.75</u></u>	<u><u>3,125.37</u></u>
Preference Dividend		149.88	79.90
Income Tax on Preference Dividend		21.03	37.71
Proposed Equity Dividend		605.65	405.33
Income Tax on Proposed Dividend		84.94	51.93
Transfer to Capital Redemption Reserve		550.00	625.00
Transfer to General Reserve		<u>200.00</u>	<u>100.00</u>
		1,611.50	1,299.87
VII. Available surplus carried to Balance Sheet		<u><u>2,084.25</u></u>	<u><u>1,825.50</u></u>
Notes to the Accounts	18		

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

as per our report attached
for **S. Venkatadri & Co**
Chartered Accountants

For and on behalf of the Board

K. Srinivasa Rao
Partner

K. Narayana Rao
Managing Director

V. K. Rao Ch.
Jt. Managing Director

Place : Hyderabad
Date : 1st June, 2005

V. Balasubramanian
Vice President (Finance) &
Company Secretary

SCHEDULES FORMING PART OF THE BALANCE SHEET AS AT 31st MARCH, 2005

Rs. in lakhs

	As at 31-03-2005	As at 31-03-2004
SCHEDULE - 1		
SHARE CAPITAL		
Authorised		
3,59,00,000	3,590.00	
3,00,00,000		3,000.00
25,00,000		250.00
25,00,000		250.00
2,10,00,000	2,310.00	
8,00,00,000	1,600.00	
7,00,000		700.00
1,30,00,000		1,300.00
10,00,00,000		2,000.00
Total	<u>7,500.00</u>	<u>7,500.00</u>
Issued, Subscribed and Paid up		
3,21,96,302	3,219.63	2,702.22
(Out of the above 1,39,63,002 Equity shares of Rs. 10 each were allotted as fully paid up, to the amalgamating company, pursuant to the schemes of amalgamation for consideration other than cash.)		
Preference Shares		
2,06,96,580	2,276.62	
(The above Preference shares were allotted as fully paid up, to the amalgamating company, pursuant to the scheme of amalgamation for consideration other than cash.)		
2,75,00,000	-	550.00
Share Suspense Account		2,794.04
	<u>5,496.25</u>	<u>6,046.25</u>
SCHEDULE - 2		
RESERVES AND SURPLUS		
	As at 31-03-2005	As at 31-03-2004
General Reserve		
Opening Balance	2,176.43	2,076.43
Add: Transfer from Profit and Loss Account	200.00	100.00
Closing Balance	<u>2,376.43</u>	<u>2,176.43</u>
Capital Reserve		
	143.10	143.10
Capital Redemption Reserve		
Opening Balance	625.00	-
Add: Transferd from Profit & Loss Account	550.00	625.00
Closing Balance	<u>1,175.00</u>	<u>625.00</u>
Share Premium		
Opening Balance	3,191.97	3,191.97
Less : Redeemed during the year	2,200.00	-
Closing Balance	<u>991.97</u>	<u>3,191.97</u>
Balance in Profit and Loss Account		
	2,084.25	1,825.50
Total	<u>6,770.75</u>	<u>7,962.00</u>

SCHEDULES FORMING PART OF THE BALANCE SHEET AS AT 31st MARCH, 2005

	Rs. in lakhs	
	As at 31-03-2005	As at 31-03-2004
SCHEDULE - 3		
TERM LOANS		
Term Loans		
Rupee Loans		
From Financial Institutions	-	152.16
From Banks	84.76	-
From Bodies Corporate	10,003.46	-
From Others	390.04	390.04
Foreign Currency Loans		
From Financial Institutions	-	-
From Banks	3,405.64	3,509.69
Cash Credits and Demand Loans from Banks		
Rupee Loans	-	-
Foreign Currency Loans	2,473.04	2,159.75
Vehicle Loans	5,356.20	3,608.81
	59.49	19.78
Total	<u>21,772.63</u>	<u>9,840.23</u>
SCHEDULE - 4		
UNSECURED LOANS		
Bodies Corporate	7,365.80	8,896.12
Banks	1,000.00	-
Total	<u>8,365.80</u>	<u>8,896.12</u>

**SCHEDULE - 5
FIXED ASSETS**

(Rs. in Lakhs)

	Gross Block				Depreciation				Net Block	
	As at 31-04-2004	Additions during the year	Deletions during year	As at 31-03-2005	As at 31-03-2004	For the Year	Deletions for the year	As at 31-03-2005	As at 31-03-2005	As at 31-03-2004
Land	226.11	31.23	0.51	256.83	--	--	--	--	256.83	226.11
Bulidings	2,713.06	905.79	7.42	3,611.43	443.14	79.19	0.50	521.83	3,089.60	2,269.92
Plant & machinery	12,753.38	1,816.09	100.63	14,468.84	3,065.92	677.79	18.55	3,725.16	10,743.68	9,709.79
Furniture and fixtures	501.55	225.42	3.50	723.47	198.40	51.55	--	249.95	473.52	280.82
Vehicles	151.77	36.01	3.68	184.10	37.89	16.96	1.26	53.59	130.51	113.88
Total	16,345.87	3,014.54	115.74	19,244.67	3,745.35	825.49	20.31	4,550.53	14,694.14	12,600.52
Capital work in progress	130.63	(69.46)	177.98	(116.81)	--	--	--	--	(116.81)	130.63
Grand total	16,476.50	2,945.08	293.72	19,127.86	3,745.35	825.49	20.31	4,550.53	14,577.33	12,731.15
Previous year	16,141.71	1,333.09	998.30	16,476.50	2,989.03	770.70	14.38	3,745.35	12,731.15	12,269.92



GMR Industries Limited

SCHEDULES FORMING PART OF THE BALANCE SHEET AS AT 31st MARCH, 2005

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SCHEDULES FORMING PART OF THE BALANCE SHEET AS AT 31st MARCH, 2005

	Rs. in lakhs	
	As at 31-03-2005	As at 31-03-2004
SCHEDULE 6		
INVESTMENTS		
Long term Investment - At Cost		
Other than Trade		
Unquoted		
GMR Tambaram - Tindivanam Expressways Private Limited	10.00	10.00
1,00,000 (1,00,000) Equity Shares of Rs.10/- each fully paid up		
GMR Tuni - Anakapalli Expressways Private Limited	10.00	10.00
1,00,000 (1,00,000) Equity Shares of Rs.10/- each fully paid up		
ING Vysya Life Insurance Company Private Limited	15,000.00	11,760.00
15,00,00,000 (11,76,00,000) Equity Shares of Rs. 10/- each fully paid up		
ING Vysya Life Insurance Company Private Limited - Share Application Money	4,160.00	
Amentis International	14.91	14.91
60,000 (60,000) Equity Shares of Singapore \$ 1 each fully paid up		
Sri Varalakshmi Jute Twine Mills Pvt. Ltd	51.92	47.87
6,202,20 (5,93,220) Equity Shares of Rs. 10/- each fully paid up		
Investment in Mutual Fund	31.00	
Government Securities - National Savings Certificates	1.11	0.81
Total	<u>19,278.94</u>	<u>11,843.59</u>

SCHEDULE - 7
INVENTORIES

Inventories		
(As Valued and certified by the Management)		
Raw Materials	4,357.43	1,017.05
Trading Stock	1,888.52	34.01
Work-in-Progress	133.78	122.47
Finished Goods	3,557.58	2,482.00
Stores & Spares	497.12	399.50
Total	<u>10,434.43</u>	<u>4,055.03</u>

SCHEDULES FORMING PART OF THE BALANCE SHEET AS AT 31st MARCH, 2005

	As at 31-03-2005	As at 31-03-2004
Rs. in lakhs		
SCHEDULE - 8		
SUNDRY DEBTORS		
Unsecured and considered good		
Debts outstanding for a period exceeding six months	405.75	39.82
Other Debts	3,678.57	5,103.73
	<u>4,084.32</u>	<u>5,143.55</u>
Unsecured and considered doubtful		
Debts outstanding for a period exceeding six months	57.64	57.64
Other Debts	-	-
	<u>4,141.96</u>	<u>5,201.19</u>
Less: Provision for Doubtful Debts	57.64	57.64
Total	<u>4,084.32</u>	<u>5,143.55</u>
SCHEDULE - 9		
CASH AND BANK BALANCE		
Cash And Cheques On Hand	2.88	9.52
Balance with Scheduled Banks		
Current Accounts	129.25	249.78
Fixed Deposit Accounts	881.72	726.94
Unclaimed Dividend Accounts	19.28	11.99
Total	<u>1,033.13</u>	<u>998.23</u>
SCHEDULE - 10		
OTHER CURRENT ASSETS		
Other Current Assets		
(Unsecured - Considered Good)		
Interest accrued but not due	24.57	15.37
Total	<u>24.57</u>	<u>15.37</u>
SCHEDULE - 11		
LOANS AND ADVANCES		
(Unsecured and considered good)		
Advances recoverable in cash or in kind or for value to be received	3,197.34	3,224.29
Income Tax Recoverable	343.45	123.85
Deposits with Government Authorities	440.05	266.43
Deposits with Others	-	412.60
Balances with Excise and Customs Authorities	82.08	37.76
	<u>4,062.92</u>	<u>4,064.93</u>
LESS : Provision for doubtful advances	177.76	500.00
Total	<u>3,885.16</u>	<u>3,564.93</u>

SCHEDULES FORMING PART OF THE BALANCE SHEET AS AT 31st MARCH, 2005

	As at 31-03-2005	As at 31-03-2004
Rs. in lakhs		
SCHEDULE - 12		
CURRENT LIABILITIES		
Sundry Creditors		
Dues to Small Scale Industrial Undertakings	6.38	27.46
Dues to other than Small Scale Industrial Undertakings	6,256.84	3,376.92
Advances from Customers	59.72	84.49
Unclaimed Dividends	19.23	11.99
Other Liabilities	1,707.92	1,030.36
	<u>8,050.09</u>	<u>4,531.22</u>
PROVISIONS		
Retirement Benefits	26.13	29.83
Taxation	247.02	50.37
Dividend and tax thereon	861.51	519.31
	<u>1,134.64</u>	<u>599.51</u>
Total	<u><u>9,184.73</u></u>	<u><u>5,130.73</u></u>

SCHEDULE - 13
MISCELLANEOUS EXPENDITURE
(to the extent not written off or adjusted)

Preliminary Expenses	-	10.62
Deferred Revenue Expenditure	309.54	540.02
	<u>309.54</u>	<u>550.64</u>
Less: Written off during the year	213.44	241.10
Total	<u><u>96.10</u></u>	<u><u>309.54</u></u>

SCHEDULES FORMING PART OF THE PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31st MARCH, 2005

Rs. in lakhs

	As at 31-03-2005	As at 31-03-2004
SCHEDULE - 14		
OTHER INCOME		
Dividend Income	62.57	388.22
Income from Investments - Other than Trade	1,432.08	907.72
Profit on transfer of Asset	0.50	5.05
Gain on Foreign Exchange Fluctuation	170.04	152.46
Professional charges	-	900.00
Miscellaneous income	212.63	25.60
Total	<u>1,877.82</u>	<u>2,379.05</u>
 SCHEDULE - 15		
MATERIALS CONSUMPTION		
Raw Materials Consumed		
Opening Stock	1,017.05	683.75
Add: Purchase	<u>25,669.86</u>	<u>15,369.46</u>
	26,686.91	16,053.20
Less: Closing Stock	<u>4,357.48</u>	<u>1,017.05</u>
	22,329.47	15,036.16
(Increase) / Decrease in Finished Goods		
Opening Stock	2,482.00	3,383.05
Less: Closing Stock	<u>5,446.10</u>	<u>2,482.00</u>
	(2,964.10)	901.05
(Increase) / Decrease in Work-in-Progress		
Opening Stock	122.47	544.17
Less: Closing Stock	<u>133.78</u>	<u>122.47</u>
	(11.31)	421.70
	-	-
Total	<u>19,354.07</u>	<u>16,358.91</u>

SCHEDULES FORMING PART OF THE PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31st MARCH, 2005

Rs. in lakhs

	As at 31-03-2005	As at 31-03-2004
SCHEDULE - 16		
MANUFACTURING, SELLING AND ADMINISTRATIVE EXPENSES		
Material Handling Expenses	87.47	209.12
Distribution Expenses	929.02	510.63
Power and Fuel	3,079.94	2,359.79
Stores and Spares	740.24	482.65
Repairs and Maintenance		
Plant and Machinery	308.88	497.92
Buildings	61.40	22.02
Others	42.44	18.86
Salaries, Wages and Bonus	614.52	534.55
Contribution to Provident and Other Funds	57.94	58.26
Staff Welfare Expenses	26.69	28.72
Travelling and Conveyance	70.60	83.64
Communication Expenses	43.52	33.76
Office Maintenance Expenses	127.89	119.36
Consultancy and Other Professional Charges	171.25	80.43
Directors' Remuneration	34.23	23.10
Secretarial Expenses	19.22	13.17
Rent	12.10	8.28
Printing & Stationary	10.46	12.21
Rates and Taxes	31.79	18.94
Insurance	53.38	67.53
Vehicle Maintenance	14.98	16.43
Donations	53.14	6.83
Auditor's Remuneration		
Statutory Audit	2.23	1.62
Tax Audit	0.55	0.54
Certification Fee	0.66	0.11
Loss on Sale of Fixed Assets	25.43	11.98
Loss on Sale of Investments	-	375.68
Project expenses written off	-	145.06
Provision for Doubtful Debts/Advances	177.76	534.54
Bad Debts Written Off	59.19	237.72
Advances Written Off	1.84	-
Total	<u>6,858.76</u>	<u>6,513.42</u>

SCHEDULE - 17

INTEREST AND FINANCE CHARGES

Interest on Term Loans	120.85	387.73
Interest - Others	739.03	744.51
Bank / Other Finance Charges	390.75	251.51
Total	<u>1,250.63</u>	<u>1,383.75</u>

SCHEDULE - 18**THE FOLLOWING ARE THE SIGNIFICANT ACCOUNTING POLICIES FOLLOWED BY THE COMPANY IN PREPARATION OF THE ACCOUNTS.****1. Basis of Financial Statements:**

- a. Financial Statements have been prepared under the historical cost convention in accordance with the Generally Accepted Accounting Principles In India and the Provisions of Companies Act, 1956.
- b. The Company generally follows Mercantile System of Accounting and recognises significant items of income and expenditure on accrual basis.

2. Fixed Assets and Depreciation:

- a. Fixed Assets are stated at cost Net of CENVAT wherever applicable less accumulated depreciation. All costs directly attributable to bring the assets to their working conditions for the intended use, including the financing costs and pre-operative expenses till the commencement of commercial production are capitalised.
- b. Capital Work- in-Progress: All expenses including advances given net of Creditors for Capital Goods are shown as capital work-in-progress.
- c. Depreciation on the Fixed Assets of the Company is provided on straight line method at the rates provided in Schedule XIV of the Companies Act, 1956 on the basis of continuous process plant.

3. Investments: Investments are stated at cost.**4. Inventories:** Inventories are valued as follows:

- a. **Raw-materials:** At cost on FIFO basis and stores on weighted average basis.
- b. **Finished goods and Work-in-process:** Work- in- Process has been valued at Cost of Production and Finished Goods at lower of cost of Production or realisable value. The cost of production includes value of material, stores, direct and indirect expenses.
- c. **By Products:** At estimated realisable value.
- d. Trading Goods are valued at cost or market value whichever is lower.

5. Foreign Exchange Transactions:

- a. Transactions denominated in foreign currencies are recorded at the exchange rate prevailing on the date of transaction.
- b. Monetary Items denominated in Foreign Currency not covered by Forward Contracts and remaining unsettled at the end of the year are translated at year end rates.
- c. Monetary Items denominated in Foreign Currency covered by Forward Cover are recorded at the Forward Cover contract rate.
- d. Gains or losses on Foreign Exchange Transactions/Translations on working capital loans and Foreign Currency Term Loans utilised for the purpose of purchasing Fixed Assets manufactured in India are recognised in the Profit & Loss A/c.
- e. Gains or losses on Foreign Exchange Transactions/Translations on Foreign Currency Term Loans utilised for the purpose of acquisition of Fixed Assets manufactured outside India are adjusted to the cost of the relevant asset.
- f. The foreign exchange fluctuation on revenue transactions are recognised in the Profit & Loss Account.

6. Employee Retirement Benefits:

- a. The Company contributes to the gratuity fund maintained and administered by the Life Insurance Corporation of India to cover the liability that may arise towards gratuity. The contribution paid/payable as determined by the fund is Charged to the Profit & Loss Account on accrual basis.
- b. Contribution to Provident Fund is accounted on accrual basis.
- c. Leave Encashment benefits is provided for on accrual basis.

7. Contingent Liabilities:

No liability was provided for in respect of contingent liabilities but only mentioned by way of note to accounts.

8. Sales: Sales includes Excise Duty, Sales Tax.

9. Deferred Tax

Deferred Tax is recognised subject to the consideration of prudence, on timing differences, being the difference between Taxable Income and Accounting Income that originates in one period and are capable of reversal in one or more subsequent periods. Deferred Tax Assets are not recognised unless there is a reasonable certainty that sufficient future taxable income will be available against which such Deferred Tax Asset will be realised.

10. Miscellaneous Expenditure:

- a. Public issue expenses and Preliminary expenses incurred are amortised over a period of 10 years.
- b. Amalgamation expenses, Debenture Issue expenses and Product Development expenses are amortised over a period of 5 Years.
- c. Expenditure incurred during the first 5 years of crushing operations towards plantation subsidy, transportation subsidy and sugar cane price paid to the cane growers in excess of support price fixed by the State Government is treated as cane development expenses and is written off over a period of 5 years from the year in which it is incurred.

	As at 31-03-2005 (Rs. in Lakhs)	As at 31-03-2004 (Rs. in Lakhs)
1 Contingent Liabilities not provided for on account of :		
a) Bills Discounted with Banks (Backed by LCs)	2049.58	-
b) Bank Guarantees	1732.48	1281.24
c) Letter of Credit	-	688.02
d) Claims made by A.P Transco against the Company not acknowledged as debts.	-	425.76
e) Claims made by Govt Departments against the Company not acknowledged as debts.	828.28	70.06
f) Corporate Guarantees given by the Company.	1,508.00	1,608.00
2 Licenced and Installed Capacity :		
a) Licenced Capacity		
i) Bulk Ferro Alloys (MT Per Year)	25,000	25,000
ii) Sugarcane crushing capacity (MT per day)	3,125	3,125
iii) Co-generation of Power Plant Capacity Units per Hour	16,000	16,000
iv) Distillery Kilo Leters per Day	40	-
b) Installed Capacity (As certified by the management and not verified by the auditors, being a technical matter)		
i) Bulk Ferro Alloys (MT Per Year)	25,000	25,000
ii) Sugarcane crushing capacity (MT per day)	3,125	3,125
iii) Co-generation of Power Plant Capacity Units per hour	16,000	16,000
iv) Distillery Kilo Liters per Day	40	

	Current year		Previous year	
	Qty.	Rs. in lakhs	Qty.	Rs. in lakhs
3 Production :				
i) High Carbon Ferro Chrome (MT)	27,854		27,653	
ii) Sugar (QTLS)	572,500		557,490	
iii) Raw Sugar Processed (QTLS)	36,343		-	
iv) Molasses (MT)	23,461		29,157	
v) Co-Generation of Power (Units)	66,246,714		94,950,116	
vi) Distillery (Litres)				
Rectified Spirit	995,272			
Impure Spirit	43,498			
4 Sales :				
a. Manufacturing Sales:				
i) Ferro Alloy Products (MT)	26,101	9,333.51	29,016	8,149.76
ii) DEPB benefit/SIL		127.73		428.73
iii) Sugar (QTLS)	541,611	8,973.49	634,370	8,487.33
iv) Raw Sugar Processed (QTLS)	36,343	591.54	-	-
v) Molasses (MT) excluding Self Consumption	16,226	524.58	22,035	502.93
vi) Inter Division Sales	8,763	-	-	-
vii) Molasses - Processed (MT)	123	9.58	-	-
viii) Co-Generation of Power (Units)	45,960,000	1,166.87	65,069,880	2,264.43
ix) Distillery (Litres)				
Rectified Spirit		-	-	-
Impure Spirit		-	-	-
x) Others		22.49		26.55
Total (A)		<u>20,749.79</u>		<u>19,859.73</u>

	Unit	Current year		Previous year	
		Qty.	Rs. in lakhs	Qty.	Rs. in lakhs
b. Merchandise Sales :					
High Carbon Ferro Crome	MT	21,200.00	7,590.49	15,839.43	4,152.72
Lamcoke	MT	2,518.95	441.84	11,500.00	568.84
Inter Division Sales	MT	2,981.05			
Iron Ore	MT	1,956.00	34.12		
Anthracite Coal	MT	7,668.36	546.81		
Inter Division Sales	MT	3,330.64			
Coke	MT	6,365.88	970.26		
Inter Division Sales	MT	5,822.12			
Steel and allied Products	MT			3,311.95	697.10
Charge Chrome		1,999.00	664.58	1,976.09	605.88
Total (B)			<u>10,248.10</u>		<u>6,024.54</u>
Total (A+B)			<u><u>30,997.89</u></u>		<u><u>25,884.27</u></u>

5 Opening and Closing Stock

a) Opening Stocks

i) Finished Goods - Ferro Alloys	MT	1,019.95	262.50	2,383	481.29
ii) Work in Process- Ferro Alloys		150.00	33.54		462.98
iii) Sugar QTL		179,676.00	1,910.36	256,656.00	2,726.62
iv) Molasses	MT	15,879.00	309.14	8,757.00	175.15
v) Work-in-Progress - Sugar Division			88.93		81.19
			<u>2,604.47</u>		<u>3,927.23</u>

b) Closing Stocks

i) Finished Goods - Ferro Alloys	MT	2,774.00	737.00	1,020.00	262.50
ii) Work in Process- Ferro Alloys		150.00	37.87	150.00	33.54
iii) Sugar	QTL	210,565.00	2,238.31	179,676.00	1,910.36
iv) Molasses	MT				
In Sugar tanks		10,379.00	311.38	15,879.00	309.14
In Distillery tanks		3,972.00	119.16	-	0.00
v) Work-in-progress - Sugar Division			92.07		88.93
vi) Distillery					
Rectified Spirit		995,272.00	147.39	-	-
Impure Spirit		43,498.00	4.35	-	-
Work in Progress			3.84	-	-
Merchandise					
vii) Coke		18,288.00	1,888.52		
			<u>5,579.89</u>		<u>2,604.47</u>

	Unit	Current year		Previous year	
		Qty.	Rs. in lakhs	Qty.	Rs. in lakhs
6 VALUE OF MATERIALS CONSUMED					
Raw Material consumption					
a. Metallurgical Division					
i) Ores	MT	72040.65	1,804.61	76290.05	1,833.89
ii) Coke & Coal	MT	11294.46	380.78	17668.63	907.18
Inter Division Transfers		8803.17			
iii) Others (in different units of measurement)			216.33		328.39
(a)			<u>2,401.72</u>		<u>3,069.46</u>
b. Merchandise Consumption					
Steel and allied products	MT			3311.95	693.94
High carbon ferro chrome	MT	21200.00	7,559.15	15839.43	4,012.42
Iamcoke	MT	5500.00	905.62	11500.00	497.99
Charge Chrome	MT	1999.00	633.35	1976.09	607.61
Iron Ore	MT	1956.00	33.55		
Anthracite Coal	MT	10,999	638.73		
Other Items (Coal, imported coal etc)			3500.64		
(b)			<u>13,271.04</u>		<u>5,811.96</u>
Sugar Division (Raw Material Consumption)					
i) Sugar cane	MT	541,913.00	5,877.80	555,884	5,409.82
ii) Raw Sugar Purchases		3,990.00	392.29	-	-
iii) Raw Material for Cogen			386.63		744.92
(c)			<u>6,656.72</u>		<u>6,154.74</u>
Distillery Division (Raw Material Consumption)					
i) Mollasses		4,237			-
Total (a+b+c)			<u>22,329.48</u>		<u>15,036.16</u>
7 Percentage of Raw Material Consumed					
i) Indigenous		78.54%	17,538.26	96.19	15,735.49
ii) Imported		21.46%	4,791.22	3.81	623.42
		100.00	<u>22,329.48</u>	100.00	<u>16,358.91</u>
8 Stores & Spares Consumed					
i) Indigenous		100.00	740.24	100.00	482.65
		100.00	<u>740.24</u>	100.00	<u>482.65</u>
9 Auditors' Remuneration					
i) Statutory Audit			2.23		1.62
ii) Tax Audit			0.55		0.54
iii) Certification Charges			0.66		0.11
			<u>3.44</u>		<u>2.27</u>
10 Managerial Remuneration					
i) Salary			24.74		16.02
ii) Perquisites			7.14		10.33
iii) Contribution to Provident Fund			2.12		1.92
			<u>34.00</u>		<u>28.27</u>

	Current year Qty. Rs. in lakhs	Previous year Qty. Rs. in lakhs
11 Foreign exchange Earnings / Out Go		
a) FOB Value of Exports		
Metallurgical Division	4,598.63	4,920.96
Merchandise Division	8,289.19	3,680.41
b) Income on Investments	1,432.08	1,295.93
c) CIF Value of Imports(material) in respect of :		
Metallurgical Division	0.00	835.40
ITD	4,334.48	497.77
d) Expenditure in Foreign Currency on account of		
Foreign Travel	1.01	0.70
Consultancy fees	6.30	1.74
12 Interest Payment was shown after set off of interest received.		
13 Considering the strategic and long term nature of the investments, in the opinion of the management, the decline in the book value of the unquoted investments is of a temporary nature and required no provisioning.		
14 a) Term Loans from Financial Institutions and Banks, other than which are specifically mentioned hereinafter, are secured by first charge on all the Movable and Immovable Assets of the respective Divisions of the Company both present and future, ranking pari passu in terms of sanction.		
b) Working Capital loans for Metallurgical Division from Andhra Bank is secured by way of hypothecation of finished goods, raw materials, stores & spares, stocks in process, receivables and merchandise advances and secured by second charge on Fixed Assets of the Metallurgical Division of the Company.		
c) Working Capital loans for Sugar Division from Andhra Bank and Union Bank of India are secured as first charge on current assets by way of hypothecation of finished goods, stores & spares stock in process and raw materials and secured against second Charge on fixed assets of the Sugar Division of the Company.		
d) Working Capital Loans for International Trading Division from State Bank of Mysore are secured by hypothecation of stock of raw materials, semi finished goods, stores & spares, book-debts, and advances to Suppliers and second charge on fixed assets of the Metallurgical Division of the Company.		
e) All the above loans are secured by the personal guarantee of Promoter and by the corporate guarantee of Sri Varalakshmi Jute Twine Mills Pvt. Ltd., Rajam, one of the group companies.		
15 i) Crop Loan taken from IDBI is secured by hypothecation of advances to cane growers		
ii) Loan from Sugar Development Fund (SDF), Govt. of India, for MCO project - Sugar is secured by way of second charge on all the movable and immovable properties of the Sugar Division of the Company.		
iii) Loan from SDF for Ethanol / Distillery project is secured by way of Bank Guarantee from Andhra Bank.		
iv) Loan from bodies corporate is secured by pledging shares of ING Vysya Life Insurance Co. Ltd.		
v) All the second charges are ranking pari passu perse.		
16 National Saving Certificates are deposited with Government Departments.		
17 Commercial operation of Distillery Plant was commenced from 18.03.05 onwards.		
18 Interest on Term Loans and apportionable revenue expenditure amounting to Rs. 92.48 lakhs incurred on distillery division till the commencement of commercial production was capitalised and apportioned among the fixed assets.		

19 Related Party Disclosure : (As identified by the Management)

1) Related Party Relationships:

- | | |
|---|---|
| a) Key Management Personnel :
and their relatives | Sri K. Narayana Rao, Managing Director
Sri V.K.Rao Ch., Joint Managing Director |
| b) Individuals having significant
influence and his relatives. | Sri G.Mallikarjuna Rao, Smt. G. Varalakshmi
Sri GBS Raju and Shri G. Kiran Kumar
Sri A. Srinivasa Rao, Shri. A. Sitaratnam, Smt. B Rama Devi
Sri A. Sankara Rao |
| c) Enterprise over which person
mentioned in (b) above is able
to exercise significant influence. | GMR Energy Ltd., GMR Power Corp. Ltd.,
Vemagiri Power Generation Ltd., GMR Holdings Pvt. Ltd.,
Sri Varalakshmi Jute Twine Mills Ltd.,
Hyderabad International Airport Ltd.,
GMR Tuni Anakapalle Expressways Pvt. Ltd.,
GMR Tambaram Tindivanam Expressways Pvt. Ltd.,
Adarsh Industries |

Notes:

- 1) In respect of the above parties, there is no provision for doubtful debts as on 31-3-2005 and no amount has been written off or written back during the accounting year in respect of the debts due from/to them
- 2) Transactions with the Related Parties:

Type of Related Party	Nature of Transactions	Value of Transactions during 2004-2005	Rs. in Lakhs	
			Balance Outstanding as on 31-3-2005 Debit bal.	Credit Bal.
a) Key Management Personnel :	Managerial Remuneration	34.00		-
b) Relatives of Individuals having significant influence	Hire Charges, Rent, Purchases	16.18		2.32
c) Enterprise over which person mentioned in (d) above is able to exercise significant influence.	Sales Purchases, Consulting	11,280	51.11	733.80

20 Segment Information for the year ended 31st March,2005
Primary Segment reporting - Business Segments

Particulars	Rs. in Lakhs						Total
	Metal-lurgical	Intern'l Trading	Sugar	Power	Ethanol	Unallocated /Corporate	
REVENUE							
External Sales	9,461.24	10,248.25	10,121.53	1,166.87			30,997.89
Inter - Segment revenue		1,533.73	1,383.34	1,142.24			4,059.31
	9,461.24	11,781.98	11,504.87	2,309.11			35,057.20
Less: Elimination (Inter-segment revenue)		1,533.73	1,383.34	1,142.24			4,059.31
	9,461.24	10,248.25	10,121.53	1,166.87			30,997.89
RESULT							
PROFIT BEFORE INTEREST, DEPRECIATION & TAXATION	1,035.34	1,460.33	2,436.09	298.42	2.60		5,232.78
Less Depreciaton	222.20	0.03	385.26	214.03	3.97		825.49
PROFIT AFTER DEPRECIATION (Segment Result)	813.13	1,460.30	2,050.83	84.40	(1.37)		4,407.29
Less: Interest Expenses (net of income)	123.87	879.22	180.60	59.73	7.21		1,250.63
Less: Prior Period Expenditure		0.46					0.46
Less: Provisions for taxation :						1,285.95	1,285.95
PROFIT AFTER TAX	689.26	580.62	1870.23	24.67	(8.58)	(1,285.95)	1,870.25
OTHER INFORMATION							
Segment Assets	7,602.49	3,265.66	8,039.21	3,681.88	2,326.71	19,313.30	44,229.25
Segment Liabilities	3,311.48	1,821.01	4,391.45	1,802.78	1,758.07	18,877.46	31,962.25
Capital Expenditure (incl.Capital Work-in-Progress)	154.66		258.28	220.04	2107.66	26.45	2,767.09
Depreciation debited to profit & Loss account	222.20		385.26	214.03	3.97		825.46
Non Cash Expenses other than depreciation debited to Profit & Loss account	12.70		191.22	9.52			213.44

NOTES:

- A) The Company has identified Bussiness Segments as primary Segments. The reportable Bussiness Segments are "Metallurgical" , "Sugar","Power", "Distillery" and International Trading based on Industry and Product lines.
- B) The types of products in each bussiness segment are as under.
- 1 Metallurgical - Ferro Alloys Products
 - 2 Sugar - Sugar, Molasses and Bagasse.
 - 3 Power - Power
 - 4 Distillery - Rectified Spirit and Impured Spirit
 - 5 Inernational Trading - Trading in various products both indigineous and Export.
- C) Interdivisional transfers have been valued at prevailing market price.
Secondary Segment information - (By Geographical Segments)

A) SALES	Rs. In Lakhs.
Sales within India	17,867.95
Sales Out side India	13,129.94
TOTAL	<u>30,997.89</u>

- B) Total Assets of the Company as on 31.03.2005 amounting to Rs 19244.67 Lakhs are situated within India only.
- C) The total amount Rs.3014.54 lacs of additions to fixed Assets.
- D) All the Assets of the Company are situated within India

	2003-05 Rs. in lakhs	2002-03 Rs. in lakhs
21 Earnings Per Equity Share		
a) Net Profit after Tax	1,870.25	1,109.95
b) Preference Dividend Accrued for the year	170.91	55.00
c) Net Profit After Tax available for Equity Shareholders (a-b)	1,699.34	1054.95
d) Weighted average No. of Equity Shares of Rs. 10 each outstanding during the year (No. of Equity shares)	30,282.572	27,022.52
e) Basic/Diluted Earnings per Equity Share (d/e)	<u>5.61</u>	<u>3.90</u>
22 As on 31.03.2005, the timing difference has resulted in deferred tax liability amounting to Rs.1823.82 Lakhs The break up of deferred tax assets/liabilities is as follows;		
Deferred Tax Liability on account of timing difference in Depreciation	: Rs. 1887.00	
Deferred Tax liability on account of Miscellaneous Expenses	: Rs. 9.11	
Deferred Tax Asset on account of Section 43B of IT Act	: Rs. -59.83	
Deferred Tax Asset on account of Unabsorbed Losses	: Rs. -12.46	
23 Balance with Central Excise Department includes unavailed Modvat credit of Rs.82.08 Lakhs (Previous Year Rs.37.98 Lakhs) of which there is no dispute by the Central Excise Department.		
24 SSI Units to whom amounts in excess of Rs.1.00 Lakh is due for more than 30 days, within agreed terms as at 31-03-2005 are Nil		
25 Excise duty estimated at Rs.308.65 Lakhs (Previous year Rs. 232.20Lakhs) on Finished goods lying in the Factory Premises However the company has not provided Excise Duty as a Liability and the Excise duty is not considered in valuation of closing stock, because of this there is no impact on the Profit for the year.		
26 During the current financial year 2,75,00,000 cumulative redeemable preference shares of Rs. 2/- each amounting to Rs. 550 lacs were redeemed at a premium of Rs.8/- per share. Premium on redemption of above pref. Shares amounting to Rs.2200 lacs were adjusted against share premium.		
27 Previous year's figures have been regrouped wherever necessary.		
28 Additional information pursuant to provisions of Part IV of Schedule VI of the Companies Act, 1956 is furnished in Annexure.		

as per our report attached
for **S. Venkatadri & Co**
Chartered Accountants

For and on behalf of the Board

K. Srinivasa Rao
Partner

K. Narayana Rao
Managing Director

V. K. Rao Ch.
Jt. Managing Director

Place : Hyderabad
Date : 1st June, 2005

V. Balasubramanian
Vice President (Finance) &
Company Secretary

CASH FLOW STATEMENT FOR THE YEAR ENDED 31st MARCH, 2005

	Rs. in Lakhs	
	Year ended 31-03-2005	Year ended 31-03-2004
A. Net profit before tax and extraordinary items	3,156.20	1,629.63
Adjustments for:		
Loss on sale of fixed assets	25.43	11.98
Depreciation & Miscellaneous expenditure writtenoff	1,038.92	1,011.80
Interest and Financial charges	1,250.63	1,383.74
loss on sale of investments		375.68
Profit on transfer of Assets	(0.50)	(5.05)
Dividend received	(62.57)	(388.22)
OPERATING PROFIT BEFORE WORKING CAPITAL CHANGES	5,408.11	4,019.57
Adjustments for :		
Trade & Other receivables	949.40	4,458.14
Inventories	(6,379.39)	881.85
Trade Payables	3,515.18	(6,467.14)
Cash generated from operations	3,493.30	2,892.42
B. Cash flow from investing activities		
Purchase of fixed assets	(2,767.10)	(580.94)
Sale of fixed assets	70.49	224.87
Purchase of Investments	(7,435.35)	(3,344.02)
Dividend Received	62.57	388.22
	(10,069.39)	(3,311.87)
C. Cash flow from financing activities		
Preference Share Capital	(550.00)	(625.00)
Preference Share Premium	(2,200.00)	-
Preference Share Application Money	-	(4,810.00)
Proceeds from long term borrowings(Net)	11,932.41	(943.62)
Interest Paid	(1,250.63)	(1,383.74)
Direct Taxes paid (Net of refund)	(271.15)	(519.68)
Unsecured Loans	(530.33)	7,969.46
Dividend Paid	(519.31)	(457.68)
	6610.98	(770.26)
D. Net increase in cash & cash equivalents (A+B+C)	34.89	(1189.72)
Cash & Cash equivalents (Opening Balance)	998.23	2187.95
Cash & Cash equivalents (Closing Balance)	1033.13	998.23

as per our report attached
for **S. Venkatadri & Co**
Chartered Accountants

For and on behalf of the Board

K. Srinivasa Rao
Partner
Place : Hyderabad
Date : 1st June, 2005

K. Narayana Rao
Managing Director

V. K. Rao Ch.
Jt. Managing Director
V. Balasubramanian
Vice President (Finance) &
Company Secretary

BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

(Pursuant to the provisions of Part IV of Schedule VI to the Companies Act, 1956)

1 Registration Details		State Code	1
Registration No.	6568		
Balance Sheet date	31.03.2005		
2 Capital raised during the year (Rs. In '000)			
Public Issue	Nil	Bonus Issue	Nil
Rights Issue	Nil	Private Placement	2,79,403
3 Position of mobilization and deployment of funds (Rs. In '000)			
Total Liabilities	44,229	Total Assets	44,229
Sources of Funds		Application of Funds	
Paid up Share Capital			
Equity Share Capital	3,220	Net Fixed Assts	14,577
Preference Share Capital	2,277	Investments	19,279
Reserves & Surplus	6,771	Net Current Assets	10,277
Secured Loans	21,773	Miscellaneous Expenditure	96
Unsecured Loans	8,366		
Deferred Tax Liability	1,824		
4 Performance of Company (Rs. In '000)			
Turnover	32,876	Profit before Tax	3,156
(including other income)			
Total Expenditure	28,502	Profit after Tax	1,870
5 Generic Names of Four Principal Products/Services of Company			
Item code	7202.41	Product Description	Ferro Chrome
Item code	1701.11	Product Description	Sugar
Item code		Product Description	Rectified Spirit
Item code		Product Description	Electrical Energy

as per our report attached
for **S. Venkatadri & Co**
Chartered Accountants

For and on behalf of the Board

K. Srinivasa Rao
Partner

K. Narayana Rao
Managing Director

V. K. Rao Ch.
Jt. Managing Director

Place : Hyderabad
Date : 1st June, 2005

V. Balasubramanian
Vice President (Finance) &
Company Secretary



GMR INDUSTRIES LIMITED

Registered Office: 6-3-866/1/G2, Greenlands, Begumpet, Hyderabad, 500016.

ATTENDANCE SLIP

**PLEASE COMPLETE THIS ATTENDANCE SLIP AND
HAND IT OVER AT THE ENTRANCE OF THE MEETING HALL**

Name & Address Of the Member	Registered Folio No.	Client ID & DP ID No.	No. of Shares Held

I hereby record my presence at 19th Annual General Meeting of the Company at Auditorium, Bharatiya Vidya Bhavan, 5-9-1105, King Koti, Hyderabad - 500 029, Andhra Pradesh, on Saturday, the 20th August, 2005 at 4.00 P. M.

SIGNATURE OF THE MEMBER OR THE PROXY ATTENDING THE MEETING

If Member, please sign here	If Proxy, please sign here

Note : Members are requested to bring their copies of the AGM Notice at the Meeting as the same will not be circulated at the Meeting.



GMR INDUSTRIES LIMITED

Registered Office: 6-3-866/1/G2, Greenlands, Begumpet, Hyderabad, 500016.

PROXY FORM

Folio No

Client ID No. & DP ID No

I / We of
being a Member / Members of GMR INDUSTRIES LIMITED, hereby appoint
..... of or failing
him / her of or failing
him / her of as my /
our Proxy to attend and vote for me / us on my / our behalf at the 19th Annual General Meeting of the Company at Auditorium, Bharatiya Vidya Bhavan, 5-9-1105, King Koti, Hyderabad - 500 029, Andhra Pradesh, on Saturday, the 20th August, 2005 at 4.00 P. M. and at any adjournment thereof.

Signed this day of 2005.

Affix Revenue Stamp

Note : The Proxy form duly completed must be deposited at the Registered Office of the Company, not less than 48 hours before the time of holding the meeting. The Proxy need not be a Member of the Company.

19th
Annual Report
2004 - 2005



GMR Industries Limited

**PRINTED MATTER
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If undelivered, please return to:
GMR INDUSTRIES LIMITED
6-3-866/1/G2, Greenlands
Begumpet
Hyderabad - 500 016
Andhra Pradesh.