

NOTICE

Notice is hereby given that the Eighteenth Annual General Meeting of GMR Industries Limited will be held on Saturday, the 7th August, 2004 at 4.00 P.M. at its Registered Office at Ravivalasa Village - 532 212, Tekkali Mandal, Srikakulam District, Andhra Pradesh, to transact the following business:

Ordinary Business

1. To receive, consider and adopt the Audited Balance Sheet as at March 31, 2004; 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. N. V. Varadarajulu, who retires by rotation and being eligible, offers himself for reappointment.
4. To 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

5. To consider and if thought fit, to pass, with or without modification(s), the following resolution as an ordinary resolution.

"RESOLVED THAT the Audited Balance Sheet as at March 31, 2003; the Profit and Loss Account for the year ended as on that date, prepared for the purpose of giving effect to the scheme of amalgamation of Varalakshmi International Limited sanctioned by the respective High Courts of Andhra Pradesh, Calcutta and Madras be and the same are hereby received, considered and adopted."

6. To consider and if thought fit, to pass, with or without modification(s), the following resolution as an ordinary resolution.

"RESOLVED THAT Mr. Kiran Kumar Grandhi, who was appointed as an Additional Director of the Company by the Board of Directors on 26th May, 2004, who holds directorship under Section 260 of

the Companies Act, 1956, upto the date of this Annual General Meeting, be and is hereby appointed as a Director of the Company, liable to retire by rotation."

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

"RESOLVED THAT Mr. I. Sada Siva Gupta, who was appointed as an Additional Director of the Company by the Board of Directors on 26th May, 2004, who holds directorship under Section 260 of the Companies Act, 1956, upto the date of this 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 Mr. A. Subba Rao, who was appointed as an Additional Director of the Company by the Board of Directors on 26th May, 2004, who holds directorship under Section 260 of the Companies Act, 1956, upto the date of this Annual General Meeting, be and is hereby appointed as a Director of the Company, liable to retire by rotation."

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

"RESOLVED THAT pursuant to Sections 309, and other applicable provisions, if any, of the Companies Act, 1956, and subject to necessary approvals, if any, consent of the Members of the Company be and is hereby accorded for payment of remuneration to Mr. K.V.K. Seshavataram, Director of the Company, by way of commission @ 1% on the net profits of the Company, subject to a maximum of Rs.9,50,000 (Rupees Nine Lakhs Fifty Thousand only) per financial year, payable from the financial year ending 31st March, 2005 for a period of five years."

"RESOLVED FURTHER THAT the Board of Directors of the Company be and is hereby authorized to pay such commission to Mr K.V.K Seshavataram and do all things and deeds necessary or incidental in this connection."

10. To consider and if thought fit, to pass with or without modification(s), the following resolution as a ordinary resolution.

"RESOLVED THAT pursuant to the provisions of Section 94 and other applicable provisions, if any, of the Companies Act, 1956, the authorised capital of the Company be modified as hereunder :

From	(Rupees)
Equity Share Capital:	
3,00,00,000 Ordinary Equity Shares @ of Rs.10/- per share aggregating to	300,000,000
25,00,000 Class-A Equity Shares @ of Rs.10/- per share aggregating to	25,000,000
25,00,000 Class-B Equity Shares @ of Rs.10/- per share aggregating to	25,000,000
Preference Share Capital:	
1,30,00,000 13.25% Preference Shares @ of Rs.10/- per share aggregating to	130,000,000
7,00,000 15% Preference Shares @ of Rs.100/- per share aggregating to	70,000,000
10,00,00,000 10% Preference Shares @ of Rs.2/- per share aggregating to	200,000,000
TOTAL	<u>75,00,00,000</u>
To	
Equity share capital:	
3,59,00,000 Ordinary Equity Shares @ of Rs.10/- per share aggregating to	359,000,000
Preference share capital:	
2,10,00,000 8% Preference Shares @ of Rs.11/- per share aggregating to	231,000,000
8,00,00,000 10% Preference Shares @ of Rs.2/- per share aggregating to	160,000,000
TOTAL	<u>750,000,000</u>

11. To consider and if thought fit, to pass with or without modification(s), the following resolution as an ordinary resolution.

"RESOLVED THAT pursuant to Section 16 of the Companies Act, 1956, the existing Clause V of the Memorandum of Association of the Company as to the share capital, be and is hereby deleted and in its place the following Clause V be substituted :

The authorised share capital of the Company is Rs.75,00,00,000/- (Rupees Seventy Five Crores Only) divided into 3,59,00,000 equity shares of Rs.10/- each and 2,10,00,000 8% preference shares of Rs.11/- each and 8,00,00,000 10% preference shares of Rs.2/- 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."

12. To consider and if thought fit, to pass with or without modification(s), the following resolution as an ordinary resolution.

"RESOLVED THAT in partial modification of the resolution approved earlier on 29th September, 2001, pursuant to Sections 198, 269, 309, 310 and other applicable provisions, if any, of the Companies Act, 1956, read with Schedule XIII thereof as amended up to date, the consent of the members of the Company be and is hereby accorded to the revision in the remuneration of the Managing Director i.e. Mr. K. Narayana Rao with retrospective effect from 1st April, 2003 on the following terms and conditions.

- a. Basic Salary:Rs.75,000/- per month in the scale of Rs.50000-5000-80000
- b. Perquisites:
 - Category - A:
 - (i) House Rent: House Rent Allowance or Rent Free Unfurnished Accommodation not exceeding 40% of basic salary.
 - (ii) Reimbursement of expenditure on Gas, Electricity, Water and Furniture subject to a ceiling of 10% of basic salary.
 - (iii) Medical Reimbursement: Medical Expenses incurred on self and family subject to a ceiling of 75% of one month's basic salary in a year.
 - (iv) Leave Travel Concession: Leave Travel Concession for self and family once in a year subject to the ceiling of one month's basic salary.
 - (v) Club Fees: Membership Fees in any Two Clubs not being Admission and Life Membership Fee.
 - (vi) Medclaim Insurance and Plans as per the rules of the Company.
 - (vii) Other perquisites and allowances including Bonus: As per the rules of the Company.

Category - B:

- (i) Contribution to Provident Fund, Superannuation Fund or Annuity Fund as per the Company's rules and applicable provisions of the relevant statutes.
- (ii) Encashment of leave at the end of the tenure as per Company's rules.

Category - C:

Provision of Car for use on Company's business and telephone at residence for official purpose. Personal long distance calls on telephone and use of car for private purpose shall be billed by the Company.

"RESOLVED FURTHER THAT the Board of Directors of the Company be and is hereby authorised to grant to the Managing Director suitable number of increment(s) within the limits prescribed in the scale at appropriate intervals during the remaining period of appointment at the discretion and judgement of the Board."

"RESOLVED FURTHER THAT in the event of loss or inadequacy of profits, in any financial year during the currency of tenure of service, the payment of salary, commission, perquisites and other allowances shall be governed under Section II of Part II of Schedule XIII to the Companies Act, 1956, including any statutory modifications or re-enactment thereof, as may, for the time being, be in force."

- 13. To consider and if thought fit, to pass with or without modification(s), the following resolution as an ordinary resolution.

"RESOLVED THAT in partial modification of the resolution approved earlier on 30th December, 2003, pursuant to Sections 198, 269, 309, 310 and other applicable provisions, if any, of the Companies Act, 1956, read with Schedule XIII thereof as amended up to date, the consent of the Members of the Company be and is hereby accorded to the revision of remuneration of the Director & CFO i.e. Mr. V. K. Rao Ch. with retrospective effect from 1st September, 2003 on the following terms and conditions.

- a. Basic Salary:Rs.55,000/- per month in the scale of Rs.40000-5000-80000

- b. Perquisites:

Category - A:

- (i) House Rent: House Rent Allowance or Rent Free Unfurnished Accommodation not exceeding 40% of basic salary.
- (ii) Reimbursement of expenditure on Gas, Electricity, Water and Furniture subject to a ceiling of 10% of basic salary.
- (iii) Medical Reimbursement: Medical Expenses incurred on self and family subject to a ceiling of one month's basic salary in a year.

- (iv) Leave Travel Concession: Leave Travel Concession for self and family once in a year subject to a ceiling of one month's basic salary.
- (v) Reimbursement of books & periodicals not exceeding Rs.4,000/- per annum.
- (vi) Club Fees: Membership Fees in any Two Clubs not being Admission and Life Membership Fee.
- (vii) Mediclaim Insurance and Plans as per the rules of the Company.
- (viii) Other perquisites and allowances including Bonus: As per the rules of the Company.

Category - B:

- (i) Contribution to Provident Fund, Superannuation Fund or Annuity Fund as per the Company's rules and applicable provisions of the relevant statutes.
- (ii) Encashment of leave at the end of the tenure as per Company's rules.

Category - C:

Provision of Car for use on Company's business and telephone at residence for official purpose. Personal long distance calls on telephone and use of car for private purpose shall be billed by the Company.

"RESOLVED FURTHER THAT the Board of Directors of the Company be and is hereby authorised to grant to the Director & CFO suitable number of increment(s) within the limits prescribed in the scale at appropriate intervals during the remaining period of appointment at the discretion and judgement of the Board."

"RESOLVED FURTHER THAT in the event of loss or inadequacy of profits, in any financial year during the currency of tenure of service, the payment of salary, commission, perquisites and other allowances shall be governed under Section II of Part II of Schedule XIII to the Companies Act, 1956, including any statutory modifications or re-enactment thereof, as may, for the time being, be in force."

- 14. To consider and if thought fit, to pass with or without modification(s), the following resolution as a special resolution.

"RESOLVED THAT pursuant to the provisions of Section 31 (1) of the Companies Act, 1956, the existing Article 2 of the Articles of Association of the Company be modified by deletion of the under-mentioned words and expressions contained in the Articles of Association:

"Equity shares with differential voting rights" of the Company shall mean the equity shares, which are different from the ordinary equity shares and having differential rights as to dividend, voting power and to receive the remaining property of the division on dissolution.

- 15. To consider and if thought fit, to pass with or without modification(s), the following resolution as a special resolution.

"RESOLVED THAT pursuant to the provisions of Section 31 (1) of the Companies Act, 1956, the existing Article 2 of the Articles of Association of the Company be modified by deletion of the under-mentioned words and expressions contained in the Articles of Association:

"Class-A Equity Shares with differential voting rights" - Pertains to Shares allotted by the company pursuant to the investment made by the company in a company which is engaged in the business of insurance i.e. Project - A.

"Class-B Equity Shares with differential voting rights" - Pertains to Shares allotted by the company pursuant to the investment made by the company in a company in association under a consortium arrangement which is engaged in the business of infrastructure related activities i.e. Project - B."

- 16. To consider and if thought fit, to pass with or without modification(s), the following resolution as a special resolution.

"RESOLVED THAT pursuant to the provisions of Section 31 (1) of the Companies Act, 1956, the

existing Article 21A, 55, 57, 60, 61, 83, 132 and 134 of the Articles of Association of the Company be deleted and in their place, the following Articles 21A, 55, 57, 60, 61, 83, 132 and 134 be substituted:

21A The Company shall be entitled to purchase its own ordinary equity shares and / or other securities, subject to such limits upon such terms and conditions and subject to such approvals as required under Section 77A and other applicable provisions of the Companies Act, 1956.

55. The Company in General Meeting may from time to time, increase the capital by creating and/or issuing new shares. The new capital may be divided into preference shares or equity shares and may be issued upon such terms and conditions, and with such rights and privileges annexed thereto, as the General Meeting resolving upon the creation and/or issuing thereof shall direct, and if not direction be given, as the Board of Directors shall determine, and in particular such shares may be issued with a preferential or qualified right to dividends and in the distribution of assets of the Company.

57. The Company may, subject to confirmation by the court, from time to time, by special resolution, reduce its capital in any way, and in particular and without prejudice to the generality of the foregoing powers by exercising the powers mentioned in Section 100 of the Companies Act, 1956.

60. The Company may convert all or any of its fully paid up shares into stock, and re-convert that stock into fully paid up shares of any denomination.

61. The holders of stock may transfer the same or any part thereof in the same manner as, and subject to the same regulation under which, the shares from which the stock arose might before the conversion have been transferred or as near thereto as circumstances admit; provided that the Board, may from time to time, fix the minimum amount of stock transferable, so however that such minimum shall not exceed the nominal amount of shares from which the stock arose

83. On a show of hands, every member present in person, or by a proxy, or attorney, and being a holder of equity (ordinary) shares, and entitled to vote shall be as laid down in the Act, preference shareholders shall have right to vote in accordance with the provisions of Section 87 of the Act.

132. The Company in Annual General Meeting may declare a dividend to be paid to the member according to their right and interests in the profits, and for the purpose of the equalisation of dividends any sums from time to time in accordance with these presents carried to the reserve, depreciation, or other special funds may be applied in payment thereof. The dividends so declared by the general body shall not exceed the amount so recommended by the Board of Directors.

134. a) The members of any particular class of shares shall be entitled to bonus shares of the same class of shares only.

b) If and whenever any bonus on any particular class of shares is declared, the Company may issue such shares with or without considering other class of shares.

17.(*)To consider and if thought fit, to pass with or without modification(s), the following resolution as a special resolution.

"RESOLVED THAT the Registered Office of the Company be shifted from Ravivalasa Village - 532 212, Tekkali Mandal, Srikakulam District in the state of Andhra Pradesh to Door No.6-3-866 / I / G2, Greenlands, Begumpet, Hyderabad - 500 016 in the state of Andhra Pradesh."

"RESOLVED FURTHER THAT for the purpose of giving effect to this resolution, the Board be and is hereby authorised to do all such things and acts as may be necessary and expedient."

By order of the Board of Directors

Place : Hyderabad
Date : 26th May, 2004

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 4th August 2004 to 7th August 2004, both days inclusive.
5. Members holding shares in physical form, may write to the Company's Share Transfer Agents (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 being 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. 17 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 respective 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 (ü). After according your vote, please sign the Postal Ballot Form and forward it to the Scrutinizer in the enclosed prepaid self addressed envelope within 30 days from the date of issue of this notice.

Explanatory Statement pursuant to Section 173 (2) of the Companies Act, 1956.**Item No.5**

Consequent upon amalgamation of Varalakshmi International Limited along with its 100% subsidiaries with your Company, the Balance Sheet as at 31st March 2003 and the Profit and Loss Account for the year ended as on that date has been prepared for the purpose of giving effect to the Scheme of Amalgamation sanctioned by the respective High Courts of Andhra Pradesh, Calcutta and Madras, and the same has been audited by M/s. S Venkatadri & Co., Chartered Accountants and the statutory auditors, covered in their report dated 26th May 2004.

Your directors commend the proposed resolution set out under Item No.5 of the Notice for your approval.

None of the Directors is interested or concerned in this item of business.

Item Nos. 6, 7 & 8

Mr. Kiran Kumar Grandhi, Mr. I. Sada Siva Gupta and Mr. A. Subba Rao were co-opted as Additional Directors on 26th May, 2004, pursuant to Section 260 of the Companies Act, 1956. These additional directors hold Office of Directors up to the date of this Annual General Meeting. The Company has received notices in writing from members along with required deposit, proposing the candidatures of Mr. Kiran Kumar Grandhi, Mr. I. Sada Siva Gupta and Mr. A. Subba Rao for the Office of Directors under the provisions of the Section 257 of the Companies Act, 1956. The profiles of Mr. Kiran Kumar Grandhi, Mr. I. Sada Siva Gupta and Mr. A. Subba Rao are given under the head Shareholder Information in Corporate Governance, which is annexed hereto.

Your Directors recommend the resolutions as set out in Item Nos. 6, 7 & 8 of the Notice for your approval.

Mr. Kiran Kumar Grandhi, Mr. I. Sada Siva Gupta and Mr. A. Subba Rao are interested in the above resolutions to the extent of their respective appointments.

Item No. 9

Section 309 (4) of the Companies Act, 1956, empowers the Company to pay remuneration by way of commission to a director other than managing or whole time director, if authorised by a special resolution. Such commission shall not exceed 1% of the net profits, if the Company has a managing or whole time director and the net profits shall be computed in the manner laid down in Section 198 (1) of the Companies Act, 1956. Considering the involvement of Mr. K. V. K. Seshavataram, Director, in the affairs of the company, it is proposed to pay remuneration to him by way of commission at the rate of 1% of the net profits subject to a maximum of Rs.9,50,000 per financial year, as set out in the resolution under Item No.9 of the Notice.

Apart from payment of commission as above, Mr. K V K Seshavataram shall not be entitled for payment of sitting fees for attending any meeting of the Board of Directors of the Company or any Committee thereof. Your directors commend the resolution for approval by the members.

Mr. K. V. K. Seshavataram is interested in this resolution to the extent of remuneration proposed to be paid to him. None of the other directors is interested or concerned in this item of business.

Item Nos. 10 & 11

Consequent upon amalgamation of Varalakshmi International Limited (VIL) with your company, your company being the transferee company has to allot and issue shares to shareholders of Varalakshmi International Limited as per the scheme of amalgamation. The present authorised share capital of the Company needs to be modified for accommodating the new shares to be issued. Hence, it is proposed to modify the existing authorised share capital in the manner as detailed in Item No. 10 to enable issue of further shares pursuant to the Scheme of Amalgamation approved by the respective High Courts of Andhra Pradesh, Calcutta and Madras, comprising 88,77,843 equity shares of Rs.10/- each, 2,10,00,000 8% Preference shares of Rs.11/- each and 5,25,00,000 10% Preference shares of Rs.2/- each credited as fully paid-up. The alteration to the

authorized capital carried out under Section 94 of the Companies Act, 1956 does not result in any increase the aggregate share capital of Rs.75,00,00,000. The Resolution under Item No.11 is consequential to the modification of share capital as per Resolution under Item No.10.

Your Directors commend the aforesaid resolutions for your approval.

None of the directors are interested in the above resolutions.

Item Nos. 12 & 13

During the financial year 2003-04, the overall performance of your company has been impressive. Considering the contribution put in by Mr. K. Narayana Rao, Managing Director and Mr. V. K. Rao Ch. Director & CFO for the growth of the Company, remunerations of Mr. K. Narayana Rao, Managing Director and Mr. V. K. Rao Ch. Director & CFO have been revised as set out in the resolutions under Item NO.12 & 13 of the Notice, subject to the approval of the members. The Board of Directors of the Company had approved the revision in the remuneration payable to the aforesaid directors at the meeting held on 30th January 2004, subject to the approval of the shareholders.

Your Directors commend the resolutions as set out in Item Nos. 12 & 13 of the Notice for your approval.

Mr. K. Narayana Rao and Mr. V. K. Rao Ch, are interested in the above resolutions to the extent of their respective remunerations. None of the other directors is interested or concerned in this item of business.

The above statement may be regarded as an abstract of the terms and memorandum of interest under section 302 of the Companies Act, 1956 in respect of each of the aforesaid directors to whom increased remuneration is payable under the resolutions set out under Item No.12 & 13 of the Notice .

Item Nos. 14, 15 & 16

Your Company earlier had modified the articles of association to accommodate the requirements of issue of

equity shares with differential voting rights. As the proposal of issue of shares with differential voting rights has been now shelved and accordingly the capital clause in the Memorandum of Association of the Company has been sought to be modified, the articles relating to equity shares with differential voting rights are also proposed to be modified accordingly as set out in the resolutions under item No.14, 15 & 16 of this Notice.

Your Directors commend the proposed resolutions for approval of the members.

None of the Directors is interested in the resolutions.

Item No. 17

At present, the registered office of the company is situated at Ravivalasa Village - 532 212, Tekkali Mandal, Srikakulam District in the state of Andhra Pradesh which is 150 KM from the Visakhapatnam. As per Section 166 of the Companies Act, 1956, the general meetings of members of the Company shall be held only within postal limits of the registered office. The members are finding it difficult to attend the General Meetings held at Ravivalasa Village due to distance fact and accessing difficulties. Hence, it is proposed to shift the registered office of the Company from Ravivalasa Village - 532 212, Tekkali Mandal, Srikakulam District in the state of Andhra Pradesh to Door No.6-3-866 / 1 / G2, Greenlands, Begumpet, Hyderabad - 500 016 in the state of Andhra Pradesh.

Pursuant to section 192A of the Companies Act, 1956 read with the Companies (Passing of the Resolution by Postal Ballot) Rules, 2001, the shifting of registered office of the company outside local limits requires approval of the members by postal ballot. Hence, the members are requested to cast their vote by postal ballot for this resolution.

None of the Directors is interested in the above resolution.

By order of the Board of Directors

Place : Hyderabad
Date : 26th May, 2004

V. BALASUBRAMANIAN
Vice President (Finance) &
Company Secretary

DIRECTORS' REPORT

Dear Shareholders,

Your Directors have pleasure in presenting the Eighteenth Annual Report and the Audited Accounts of the Company for the financial year ended 31st March, 2004.

I. Financial Results

Varalakshmi International Limited (VIL) along with its 100% subsidiaries, Viz., Eastern Syntex Private Limited, Shulton Commercial Company Private Limited and Varistha Finco Private Limited was amalgamated with your Company effective from 25th April, 2004 pursuant to the Orders of the Honourable High Courts of Andhra Pradesh, Calcutta and Madras. As the appointed date of the amalgamation was 1st April, 2002, the assets and liabilities of VIL were incorporated in the Company's books as on that date and are reflected in the balance sheet as at 31st March, 2004 and also as at 31st March, 2003. The financial performance of the Company includes the results of VIL for the year ended 31st March, 2004 which are as summarised below:

(Rs. in lakhs)

Particulars of Working Results	Year Ended 31.03.2004	Year Ended 31.03.2003
Sales Income	24610.98	23993.07
Other Income	2379.05	2493.37
Total Income	26990.03	26486.44
Profit before depreciation	2492.85	2279.38
Depreciation	770.70	742.23
Profit before Prior period expenses	1722.15	1537.15
Prior period expenditure / (income)	92.52	149.84
Profit before tax	1629.64	1387.31
Provision for tax		
Current Tax	104.00	202.48
Deffered Tax	415.68	370.38
Profit after tax	1109.96	814.45
Balance brought forward from previous year	2015.42	665.22
Transfer from Debenture Redemption reserve	--	950.00
Balance for appropriations	3125.37	2429.67
Appropriations		
Proposed Dividend	(405.33)	(404.69)
Preference Dividend paid	(79.90)	--
Tax on Dividend	(89.64)	(9.56)
Transfer to General Reserve	(100.00)	--
Transfer to Capital		
Redemption Reserve	(625.00)	--
Balance carried forward to Balance Sheet	1825.50	2015.42

2. Dividend

Taking into account of the improved performance, the Directors have recommended a dividend of Rs.1.50 ps. per equity share on 27022157 equity shares for the financial year ended 31st March, 2004 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 7th August, 2004.

The fixed rate of dividend on preference shares for the financial year ended 31st March, 2004, will be paid to the preference shareholders along with arrears.

3. Operations

During the year under review, the overall performance of the Company has been impressive. The income from operations recorded at Rs.24610.98 Lakhs. The Profit after tax reported at Rs.1722.15 Lakhs. This is mainly due to better price realizations coupled with optimum capacity utilisation 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 overall growth of the Company.

To align the name with the diversified activities of the Company, the name of the Company has been changed from "GMR Technologies & Industries Limited" to "GMR Industries Limited".

4. Management Discussion and Analysis

Industry Structure and Development:

Metallurgical Division

Ferro Chrome is consumed as an alloy element in the production of stainless steel. During 2003, 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 an improvement for ferro chrome requirement and also price levels. Your company has been able to overcome the loss on appreciation of Rupee by taking forward cover for the USD receivables.

Your company is trying to get Chrome Ore mining lease from the Government of Orissa, which will reduce our raw material cost to a greater extent.

During the year, your Company produced 27653 MT of High Carbon Ferro Chrome and sold 29016 MT compared to 12619 MT and 11918 MT, respectively in the previous year.

Sugar Division

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 436 sugar mills in India, which produces a little over 180 tons of sugar every season.

The sugar industry is also 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. On account of these sales, there has been in pressure on selling prices.

During the year, the availability of cane for sugar production 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 expected, the Sugar prices have slowly started to look up.

Government of India for the crushing season 2002-03, initially announced SMP of Rs.645/- per ton which has been arbitrarily increased by Rs.50/- which has now been challenged in the respective High Courts. Again for the crushing season 2003-04, Government of India announced high SMP of Rs.730/- per ton which has been again challenged in respective High Courts.

Since Government is not able assure the sugar prices, the sugar industry, has requested government to decontrol the sugar industry, including fixation of sugar price.

Power Division

Government of India had encouraged the Sugar plants to set up Baggasse 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 your company was in its second full year of operation. There was a general increase in the Bio-mass prices as most of the sugar manufacturing units have 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 lot of pressure as the cost of production including Bagassee per unit of power currently is around Rs.3.25 ps. per unit.

To add to the above, APERC has issued notification for reducing the power tariff from Rs. 3.48 ps per unit to Rs.2.65 ps per unit with effect from 1st April, 2004. The industry has approached the Honourable High Court of Andhra Pradesh against this unjust reduction in the power purchase tariff. Also AP Transco has abstained from paying for the efficient running of your company by limiting the purchase to only the installed production capacity as mentioned in the DPR and not paying for the units generated more than envisaged in the DPR.

Your company is planning to have large scale cane trash procurement by using baling machines from Italy and also to have its own captive supply of biomass by going into backward integration of planting and cultivating biomass-producing plants.

International Trading Division

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

Segment wise performance information

The segment wise performance information is given separately in note no. 20 in the schedules to accounts for the year ended 31st March 2004 as per Accounting Standard 17 issued by The Institute of Chartered Accountants of India.

Future Outlook:

Metallurgical Division

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 prices of ferro Chrome are 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. Presently the industry is facing shortage of Coke. Your company is planning to import Coking coal and convert the same to LAM Coke to tide over the current shortage. With the increase in demand for Steel expected to continue for at least next 4 years, your company is expecting a sustained growth.

Sugar Division

The proposed decontrol of sugar is now deferred and the industry is back in the release order mechanism for the sale of sugar. Also the company intends to expand its capacity from current 3125 tpd of cane crushed to 5000 tpd. This is possible, as the availability of cane in the region would increase with the Madduvalasa irrigation project, which got completed recently, and proposed Thota Palli Project, will bring in more lands under cane cultivation.

With the government going in for 5% doping of petrol with ethanol, your company is planning forward integration by installing 40 klpd ethanol manufacturing unit with molasses from the sugar mill as input raw material in addition to procurement of molasses. Your company has already placed orders with M/s Alfa Laval for the erection of Ethanol plant and the completion date would be by end of October 2004 and your company would start commercial production of Ethanol by end November 2004.

Power Division

Power division during the year did well but the reduction in the power tariff announced by APERC from Rs. 3.48 ps per unit to Rs. 2.65 ps per unit with PLF ceiling of 55% and the increase in the prices of the biomass and restrictions in the use of coal is a major concern for this division. With the current prices of biomass and other inputs, the cost of generation comes to around Rs.3.25ps per unit of production. The industry has petitioned to the Honourable High Court of Andhra Pradesh against the reduction of tariff to this extent, which would make the division unviable. Also AP Transco is restricting the purchase to the number of units mentioned in the DPR as capacity production whereby the efficiency of the unit in producing more units with the same plant is being penalized.

International Trading Division

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.

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 Institute of Chartered Accountants of India.

Operational and Establishment expenses

Your company has continued its three pronged cost reduction measures to bring about:

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

Share Capital

On the Amalgamation of Varalakshmi International Limited (along with its 100% subsidiaries) with your company 5174145 Equity shares of Rs. 10/- each and 20696580 (8%) redeemable preference shares of Rs.11/- each will be issued to the shareholders of erstwhile Varalakshmi International Limited. During the year Rs.425 lakhs of 15% Cumulative Redeemable Preference Shares and Rs.200 lakhs of 13.25% Cumulative Redeemable Preference Shares held by banks and Financial Institutions were redeemed. Also Rs. 200

lakhs of 15% Cumulative Redeemable Preference Shares and Rs.930 lakhs of 13.25% Cumulative Redeemable Preference Shares held by Varalakshmi International Limited were cancelled on amalgamation of VIL with the company.

Secured Loans

Your company has restructured its debt as below Union Bank of India has taken over the IDBI, IIBI and Indian Bank loans by foreign currency term loan at LIBOR + 400 basis points.

Andhra Bank has also taken over the Canara Bank share in the Sugar division consortium by FCNRB loan at LIBOR + 150 basis points.

The above measure has decreased the cost of borrowing to a large extent.

Your company has honoured all the commitments of interest and principal to all its lenders as per schedule.

Interest

Your 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

Your 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. Further measures for the safety of the employees are also adopted through training programs and mock drills. As on 31st March 2004, the total number of salaried employees of the company stood at around 700.

Your 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 affect with 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.8601.37 lakhs and imports worth Rs.1333.17 lakhs.

6. Financial Restructuring & Investments

During the year under review, your company continued to replace high cost rupee debts with low cost foreign / Rupee 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.625 lakhs subscribed by Financial Institutions / Banks.

During the year under review, your company has made further investment to the extent of Rs.36 Crores in M/s. ING Vysya Life Insurance Company Private Limited.

7. Amalgamation of M/s. Varalakshmi International Limited along with its 100% Subsidiaries

The Hon'ble High Court of Andhra Pradesh and Hon'ble High Courts of Madras and Calcutta have sanctioned the Scheme of Amalgamation of Varalakshmi International Limited (VIL) along with its 100% subsidiaries viz., Eastern Syntex Private Limited, Shulton Commercial Company Private Limited and Varistha Finco Private Limited. The amalgamation of VIL along with its subsidiaries became effective from 1st April, 2002 being the appointed date. Consequent to this amalgamation, your Company has grown in terms of assets, network, sales and profits. This amalgamation has resulted in a stronger capital base which will enable your company to raise resources to meet the requirements for further growth including future diversification in global trading. Your Company will have the ability to leverage on its asset base, diverse activities and pool financial and managerial resources, to enhance the shareholder value.

8. Directors

During the year under review, the following were changes in the composition of the Board:

- a. IFCI withdrew its nomination of Mr. Anil S. Supanekar with effect from 4th April, 2003 consequent upon repayment of IFCI loans.
- b. IREDA, withdrew the nomination of Mr. M. Sudhakara Rao on 20th June, 2003, consequent upon repayment of IREDA loan. However, the Board of Directors have appointed Mr. M. Sudhakara Rao as an additional Director representing as Independent Director on the Board with effect from 30th July, 2003.
- c. Mr. V. K. Rao Ch. was appointed as additional Director on Board on 30th July, 2003. Mr. V. K. Rao Ch has also been appointed as Wholetime Director designated as Director & CFO with effect from 1st September, 2003.
- d. Mr. S. Ravi and Mr. C. Prasanna have resigned from the Board, due to their pre-occupations / other commitments.

Your Directors place on record their appreciation for the services rendered by Mr. Anil S. Supanekar, Mr. S. Ravi and Mr. C. Prasanna during their tenure as Directors of the Company.

Mr. N. V. Varadarajulu retires by rotation at the ensuing Annual General Meeting and is being eligible offers himself for re-appointment.

9. 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, 2004 on a going concern basis.

10. Fixed Deposits

During the year under review, your Company has neither invited nor 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.

11. 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 forms part of this Report.

12. 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.

13. 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 as forms of this Report.

14. 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.

15. 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.

16. Acknowledgements

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

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

For and on behalf of the Directors

Date : 26th May, 2004
Place : Hyderabad

K. V. K. Seshavataram
Chairman

ANNEXURE - I TO DIRECTORS' REPORT

REPORT ON CORPORATE GOVERNANCE

1. Philosophy

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

2. Board of Directors

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

Composition of the Board

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

(*) appointed on 30th July 2003

(#) appointed on 26th May, 2004

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

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

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

Board Meetings

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

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

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

3. Audit Committee

Terms of reference:

The Audit Committee will, inter alia,

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

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

Mr. K.V.K. Seshavataram, Chairman

Mr. N.V. Varadarajulu

Mr. M. Sudhakara Rao and

Mr. V.K. Rao Ch.

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

4. Details of Remuneration to Directors

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

(Amount in Rupees)

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

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

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

5. Share Transfer Committee

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

6. Shareholders' / Investors' Grievance Committee

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

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

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

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

7. Particulars of last three Annual General Body Meetings

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

No special resolution was passed last year through postal ballot.

8. Disclosures

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

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

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

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

GROUP COMPANIES

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

INDIVIDUALS

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

10. Disclosure of contingent liabilities

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

11. Means of communication

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

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

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

12. General Shareholders information

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

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

Annual General Meeting

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

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

Declaration of financial results

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

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

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

The equity shares of the Company are listed on :

- | | |
|---|--|
| 1. Hyderabad Stock Exchange Limited
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 2004-2005 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 Private Limited. The Share Certificates lodged for transfer are normally processed within 30 days from the date of lodgement, if the documents are clear in all respects. Share Transfers approved by the Committee are placed at the Board Meeting from time to time. During the period under review, 564406 equity shares were transferred.

Distribution of Shareholding as on 31st March, 2004

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

Equity Shareholding Pattern as on 31st March, 2004

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

Mode of Equity Shares held

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

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

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

Market Price:

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

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

Operating Units:

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

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

Address for correspondence

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

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

13. MD / CFO Certification

To the best of our knowledge and belief:

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

K. Narayana Rao
Managing Director

V. K. Rao Ch.
Director & CFO

CERTIFICATE ON CORPORATE GOVERNANCE

To,
The Members of
GMR Industries Limited

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

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

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

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

We further state that such compliance is neither an assurance as to the future viability of the Company nor the efficiency or effectiveness with which the management has conducted the affairs of the company.

Place : Hyderabad
Date : 26.05.2004

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

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

ANNEXURE - 2 TO DIRECTORS' REPORT

Details as required under Companies (Disclosure of particulars in the Report of Board of Directors) Rules, 1988, read with the Section 217(1) (e) of the Companies Act, 1956.

	Metallurgical Division	Sugar Division
A) CONSERVATION OF ENERGY		
a) Energy Conservation Measures Taken;	NIL	NIL
b) Additional investments and proposals, if any, being implemented for reduction of consumption of energy;	NIL	NIL
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	NIL
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		
C) FOREIGN EXCHANGE EARNINGS AND OUTGO:		(Rs. in lakhs)
	CURRENT YEAR	PREVIOUS YEAR
1 Foreign Exchange Earnings:	9897.30	2512.62
2 Foreign Exchange Outgo:		
a) Material	1333.17	191.07
b) Machinery	—	—
c) Foreign Travel	0.70	—
d) Consultancy Fees / Testing Fees	1.74	5.86

FORM A
Form of Disclosure of Particulars with respect to Conservation of Energy
A. Power & Fuel Consumption

	2003-04		2002-03	
	Metallurgical Division	Sugar Division	Metallurgical Division	Sugar Division
1 Electricity				
(a) Purchased Units	101358793	—	42040726 (#)	1626
Amount (Rs.)	214898642	—	91817273	393478
Rate / Unit (Rs.)	2.12	—	2.18	241.99 (#)
(b) Own Generation				
(i) Through Diesel	NIL	NIL	NIL	
Units generated		11196		58552
Unit per Litre of Diesel Oil		2.60		2.45
Cost / Unit (Rs.)		8.11		7.65
(ii) Through Steam Turbine				
Units generated	NIL	15906491	NIL	15481949
Cost / Unit (Rs.)		3.12		3.06
2 Furnace Oil				
Units (Litre)	NIL	NIL	NIL	NIL
Amount (Rs.)				
Cost / Unit (Rs.)				
3 HSD Oil				
Units (Litre)	NIL	4313.33 (# #)	NIL	23899
Amount (Rs.)		90752.46		448102
Rate / Unit (Rs.)		21.04		18.75

B. Consumption Per Unit of Production

	Ferro Alloys (MT)	Sugar (QTL)	Ferro Alloys (MT)	Sugar (QTL)
1 Electricity (Units)	3673.32	28.53	3713.75	30.20
2 HSD Oil (Litre)	NIL	0.01(# #)	NIL	0.05

Notes :

- (#) 1 Rate per unit is high as we have paid minimum tariff to APTRANSCO on 11kv Power supply connection without consuming the power
- (# #) 2. Import from AP Transco is taken in Co-generation account. So import bill is debited to Co-generation account. However the Sugar portion consumption of import is included in the Power Consumption by Sugar from Power generated by our TG Set.
3. 1/3rd of Diesel consumption of Nagawali Pump House & DG Sets is taken in Sugar account 2/3rd is taken in to Co-generation account.

AUDITORS' REPORT

To,
The Members,
GMR Industries Ltd.

1. We have audited the attached Balance Sheet of GMR Industries Ltd as at 31st March 2004, 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, as on 31st March, 2004, and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31st March 2004 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, 2004;
 - 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 : 26.05.2004

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

ANNEXURE TO AUDITOR'S REPORT

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

1.
 - 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) In our opinion, the company has not disposed off substantial part of fixed assets during the year and the going concern status of the company is not effected.
2.
 - a) As explained to us, inventories have been physically verified by the management at regular intervals during the year.
 - b) In our opinion and according to the information and explanations given to us, 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 has maintained proper records of inventories. As explained to us, there were no material discrepancies noticed on physical verification of inventory as compared to the book records.
3. The company has neither granted nor taken any loans, secured or unsecured, to/from companies, firms or other parties covered in the register maintained under Section 301 of the Companies Act, 1956.
4. In our opinion and according to the information and explanations given to us, there are adequate internal control procedures commensurate with the size of the company and the nature of its business with regard to purchases of inventory, fixed assets and with regard to the sale of goods. During the course of our audit, we have not observed any major weaknesses in internal controls.
5. In our opinion and according to the information and explanations given to us, there are no transactions that need to be entered into the register in pursuance of Section 301 of the Companies Act, 1956.
6. The Company has not accepted any fixed Deposits from the public within in the meaning of sections 58A and 58AA of the Companies Act, 1956 and the rules framed there under.
7. In our opinion, the company has an internal audit system commensurate with the size and nature of its business.
8. 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.
9.
 - 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, custom duty, excise duty, cess and other material statutory dues as applicable, with the appropriate authorities. Investor education and protection fund are not applicable to the company for the current year.
 - b) According to the information and explanations given to us, no undisputed amounts payable in respect of income tax, wealth tax, sales tax, customs duty, excise duty and cess were in arrears, as at 31.03.2004 for a period of more than six months from the date they became payable.
 - c) According to the information and explanations given to us, the disputed statutory dues aggregating to Rs. 649.90 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	17.63
3.	Sales Tax	Joint Commissioner of Commercial Taxes.	11.04
4.	Customs Duty	S.T.A.T. Commissioner of Customs	519.00
			32.00
			649.90

10. The company has no accumulated losses as at 31.03.2004 and it has not incurred any cash losses in the financial year ended on that date or in the immediately preceding financial year.
11. 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.
12. 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.
13. In our opinion, 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.
14. 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.
15. 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.
16. In our opinion, and according to the information and explanations given to us, on an overall basis, the term loans have been applied for the purposes for which they were raised.
17. According to the information and explanations given to us and on an overall examination of the balance sheet of the company, we are of the opinion that no funds raised on short-term basis have been used for long-term investment and vice versa.
18. 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.
19. According to the information and explanations given to us, during the period covered by our audit report, the company has not issued any debentures.
20. The company has not raised any money by way of public issue during the year.
21. 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 : 26.05.2004

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

BALANCE SHEET AS AT 31st MARCH, 2004

		Rs. in lakhs	
	Schedule	As at 31-03-2004	As at 31-03-2003
I. SOURCES OF FUNDS:			
1. Shareholders' Funds			
a) Share Capital	1	6,046.25	11,481.25
b) Reserves and Surplus	2	7,962.00	7,426.92
		<u>14,008.25</u>	<u>18,908.17</u>
2. Loan Funds			
a) Secured Loans	3	9,820.44	10,764.06
b) Unsecured Loans	4	8,915.91	946.45
		<u>18,736.35</u>	<u>11,710.51</u>
3. Deferred Tax Liability - Net			
Total		<u>33,530.66</u>	<u>30,989.06</u>
II. APPLICATION OF FUNDS:			
1. Fixed Assets			
a) Gross Block	5	16,345.87	15,258.95
b) Less: Depreciation		<u>3,745.35</u>	<u>2,989.03</u>
c) Net Block		12,600.52	12,269.92
d) Capital Work in Progress		<u>130.63</u>	<u>882.78</u>
		<u>12,731.15</u>	<u>13,152.70</u>
2. Investments			
3. Current Assets, Loans and Advances			
a) Inventories	7	4,055.03	4,936.88
b) Sundry Debtors	8	5,143.55	10,325.48
c) Cash and Bank Balances	9	998.23	2,187.95
d) Other Current Assets	10	15.37	43.20
e) Loans and Advances	11	3,564.93	2,778.52
		<u>13,777.11</u>	<u>20,272.02</u>
Less : Current Liabilities and Provisions			
a) Current Liabilities	12	4,531.22	11,028.19
b) Provisions		<u>599.51</u>	<u>457.68</u>
		<u>5,130.73</u>	<u>11,485.87</u>
Net Current Assets		<u>8,646.38</u>	<u>8,786.15</u>
4. Miscellaneous Expenditure			
Total	13	<u>309.54</u>	<u>550.64</u>
		<u>33,530.66</u>	<u>30,989.06</u>
Notes to the Accounts	18		

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.
Director & CFO

Place : Hyderabad
Date : 26th May 2004

V. Balasubramanian
Vice President (Finance) &
Company Secretary

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31st MARCH, 2004

Rs. in lakhs			
	Schedule	For the Year ended 31-03-2004	For the Year ended 31-03-2003
I. Income			
Sales (Gross)		25,884.26	24,948.18
Less: Excise Duty		1,273.28	955.11
Sales (Net)		24,610.98	23,993.07
Other Income	14	2,379.05	2,493.37
Total		26,990.03	26,486.44
II. Expenditure			
Materials and Other Consumption	15	16,358.92	18,665.50
Manufacturing, Selling and Administrative Expenses	16	6,513.42	2,853.56
Interest and Finance Charges	17	1,383.74	2,442.14
Depreciation	5	770.70	742.23
Amortisation of Miscellaneous Expenditure		241.10	245.86
Total		25,267.88	24,949.29
III. Profit Before Prior Period Expenses & Taxation			
Prior Period Expenses		1,722.15	1,537.15
		92.52	149.84
IV. Profit Before Taxation			
Provision for Taxation - Current Tax		1,629.63	1,387.31
- Deferred Tax		104.00	202.48
		415.68	370.38
V. Profit After Taxation			
Balance brought forward		1,109.95	814.45
Transfer from Debenture Redemption Reserve		2,015.42	665.22
		—	950.00
VI. Available for Appropriation			
Preference Dividend Paid		3,125.37	2,429.67
Income Tax on Preference Dividend		79.90	404.69
Proposed Equity Dividend		37.71	9.56
Income Tax on Proposed Dividend		405.33	—
Transfer to Capital Redemption Reserve		51.93	—
Transfer to General Reserve		625.00	—
		100.00	—
VII. Available surplus carried to Balance Sheet			
		1,825.50	2,015.42

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.
Director & CFO

Place : Hyderabad
Date : 26th May 2004

V. Balasubramanian
Vice President (Finance) &
Company Secretary

SCHEDULES FORMING PART OF THE BALANCE SHEET AS AT 31st MARCH, 2004

		Rs. in lakhs	
		As at 31-03-2004	As at 31-03-2003
SCHEDULE - 1			
SHARE CAPITAL			
Authorised			
30,000,000	Ordinary Equity Shares of Rs. 10/- each	3,000.00	3,000.00
2,500,000	Class - A Equity Shares of Rs. 10/- each	250.00	250.00
2,500,000	Class - B Equity Shares of Rs. 10/- each	250.00	250.00
700,000	15% Preference Shares of Rs. 100/- each	700.00	700.00
13,000,000	13.25% Preference Shares of Rs. 10/- each	1,300.00	1,300.00
100,000,000	10% Preference Shares of Rs. 2/- each	2,000.00	2,000.00
	Total	7,500.00	7,500.00
Issued, Subscribed and Paid up			
27,022,157*	Ordinary Equity Shares of Rs. 10/- each fully paid up	2,702.22	2,702.22
Nil	(2003 - 425,000) 15% Cumulative Redeemable Preference Shares of Rs. 100/- each fully paid up	—	425.00
Nil	(2003 - 2,000,000) 13.25% Cumulative Redeemable Preference Shares of Rs. 10/- each fully paid up	—	200.00
27,500,000	10% Cumulative Redeemable Preference Shares of Rs. 2/- each fully paid up	550.00	550.00
		3,252.22	3,877.22
	Share Suspense Account**	2,794.03	2,794.03
	Preference Share Application Money	—	4,810.00
	Total	6,046.25	11,481.25
<p>(* Of the above, 87,88,857 equity shares of Rs.10/- each, were allotted as fully paid up, to the amalgamating company, pursuant to the scheme of amalgamation for consideration other than cash.)</p> <p>(** Represents 51,74,145 equity shares of Rs.10/- each and 20,696,580 8% redeemable preference shares of Rs.1/- each pending allotment, to the shareholders of the amalgamating company, pursuant to the scheme of amalgamation for consideration other than cash.)</p>			
SCHEDULE - 2			
RESERVES AND SURPLUS			
General Reserve			
	Balance as at 1st April, 2003	2,076.43	2,076.43
	Add: Transfer from Profit and Loss Account	100.00	—
		2,176.43	2,076.43
Capital Reserve			
	Capital Redemption Reserve - Balance as on 1st April 2003	143.10	143.10
	Transferred from Profit & Loss Account	625.00	—
	Total	625.00	—
Share Premium			
	Debtenture Redemption Reserve	—	—
	Balance as at 1st April, 2003	—	950.00
	Add: Transfer from / (Transfer to) Profit and Loss Account	—	(950.00)
	Balance in Profit and Loss Account	1,825.50	2,015.42
	Total	7,962.00	7,426.92

SCHEDULES FORMING PART OF THE BALANCE SHEET AS AT 31st MARCH, 2004

	Rs. in lakhs	
	As at 31-03-2004	As at 31-03-2003
SCHEDULE - 3		
TERM LOANS		
Rupee Loans		
From Financial Institutions	542.20	516.24
From Banks	—	473.26
Foreign Currency Loans		
From Financial Institutions	—	—
From Banks	3,509.69	4,526.32
 (Secured by first charge on all movable and immovable assets of all the respective divisions of the Company, both present and future, ranking pari passu in terms of sanction and subject to prior charges on specified movables in favour of Company's working capital bankers. Loans from financial institutions and banks are further secured by guarantees of promoter directors of the Company and by corporate guarantee of Sri Varalakshmi Jute Twine Mills Private Limited)		
Interest Accrued & Due	—	1.30
Cash Credits and Demand Loans from Banks		
Rupee Loans	2,159.75	4,153.06
Foreign Currency Loans	3,608.80	1,093.88
 (Secured by hypothecation of finished goods, semi-finished goods, raw materials, stores & spares, book debts and merchandise advances of the respective division for which the loan was given. Further secured by guarantees of promoter directors of the Company and by corporate guarantee of Sri Varalakshmi Jute Twine Mills Private Limited)		
 (Cash Credit availed from Andhra Bank for metallurgical division of the Company and from UTI Bank Limited are further secured by second charge on the fixed assets of the metallurgical division of the Company.)		
Total	9,820.44	10,764.06
 SCHEDULE - 4		
UNSECURED LOANS		
Bodies Corporate	8,915.91	946.45
Total	8,915.91	946.45

SCHEDULES FORMING PART OF THE BALANCE SHEET AS AT 31st MARCH, 2004
SCHEDULE - 5
FIXED ASSETS

	Gross Block		Depreciation		Net Block	
	As at 31-03-2003	As at Additions during the year	As at 31-03-2003	For the Year	On Withdrawals	As at 31-03-2004
Land	219.94	26.29	—	—	—	226.12
Buildings	2,500.59	212.47	368.99	74.16	—	2,269.92
Plant and Machinery	11,958.32	1,020.20	2,435.34	640.04	3.47	9,709.78
Furniture and Fixtures	462.66	29.52	157.84	42.94	8.37	280.82
Vehicles	117.44	44.60	26.86	13.56	2.53	113.88
Total	15,258.95	1,333.08	2,989.03	770.70	14.37	12,600.52
Capital						
Work-in-Progress	882.76	—	—	—	—	130.62
Grand Total	16,141.71	1,333.08	2,989.03	770.70	14.37	12,731.12
Previous Year	15,581.24	711.33	2,265.78	742.23	18.99	13,152.69

SCHEDULES FORMING PART OF THE BALANCE SHEET AS AT 31st MARCH, 2004

	Rs. in lakhs	
	As at 31-03-2004	As at 31-03-2003
SCHEDULE - 6		
INVESTMENTS		
Long term Investments - At Cost		
Other than Trade		
Unquoted		
GMR Tambaram - Tindivanam Expressways Pvt. Ltd (100,000 Equity Shares of Rs.10/- each fully paid up)	10.00	10.00
GMR Tuni - Anakapalli Expressways Pvt. Ltd (100,000 Equity Shares of Rs.10/- each fully paid up)	10.00	10.00
ING Vysya Life Insurance Company Pvt. Ltd (117,600,000 (2003- 81,600,000) Equity Shares of Rs. 10/- each fully paid up)	11,760.00	8,160.00
Amentis International (60,000 Equity Shares of Singapore \$ 1 each fully paid up)	14.91	14.91
Sree Varalakshmi Jute Twine Mills Pvt. Ltd (593,220 Equity Shares of Rs. 10/- each fully paid up)	47.87	
Galore Finance & Leasing Pvt Ltd (300,000 Equity Shares of Rs.10/- each fully paid up)	—	30.00
Reclame Commercials & Securities Pvt Ltd (193,000 Equity Shares of Rs.10/- each fully paid up)	—	19.30
Amit Polyseeds (55,000 Equity Shares of Rs.10/- each fully paid up)	—	5.50
Chranjeevi Traders Pvt Ltd (170,000 Equity Shares of Rs.10/- each fully paid up)	—	17.00
Classic Diamonds (900 Equity Shares of Rs.10/- each fully paid up)	—	0.09
Infission Communications Ltd. (15,000 Equity Shares of Rs.10/- each fully paid up)	—	1.50
Innovative Syntex Pvt Ltd. (45,000 Equity Shares of Rs.10/- each fully paid up)	—	4.50
Meghalaya Hotels & Properties Pvt Ltd. (149,740 Equity Shares of Rs.10/- each fully paid up)	—	14.97
Rajam Aluminium Metal Products Pvt Ltd. (500 Equity Shares of Rs.100/- each fully paid up)	—	0.50
Seethamahalakshmi Poultry & farms Pvt Ltd. (26000 Equity Shares of Rs.10/- each fully paid up)	—	2.60
Sri Vasavi Hotels and Properties Pvt Ltd. (45,150 Equity Shares of Rs10/- each fully paid up)	—	4.52
Sri Vasavi Soft Drinks Pvt Ltd. (82,650 Equity Shares of Rs.10/- each fully paid up)	—	8.27
Vasavi Securities Limited (1,216,540 Equity Shares of Rs.10/- each fully paid up)	—	121.65
Ideaspace Financial Technologies Pvt. Ltd (730,000 Equity Shares of Rs.10/- each fully paid up)	—	73.00
Quoted		
Sterlite Industries Limited (100 Equity Shares of Rs10/- each fully paid up)	—	0.35
Government Securities - National Savings Certificates	0.81	0.91
Total	11,843.59	8,499.57

SCHEDULES FORMING PART OF THE BALANCE SHEET AS AT 31st MARCH, 2004

	Rs. in lakhs	
	As at 31-03-2004	As at 31-03-2003
SCHEDULE - 7		
INVENTORIES		
(As valued and certified by the Management)		
Raw Materials	1,017.05	683.75
Trading Stock	34.01	—
Work-in-Process	122.47	544.17
Finished Goods	2,482.00	3,383.05
Stores & Spares	399.50	325.91
Total	<u>4,055.03</u>	<u>4,936.88</u>
SCHEDULE - 8		
SUNDRY DEBTORS		
Unsecured and considered good:		
Debts outstanding for a period exceeding six months	39.83	5,054.78
Other Debts	5,103.72	5,270.69
	<u>5,143.55</u>	<u>10,325.48</u>
Unsecured and considered doubtful:		
Debts outstanding for a period exceeding six months	34.54	23.09
Other Debts	—	—
	<u>5,178.09</u>	<u>10,348.57</u>
Less: Provision for Doubtful Debts	34.54	23.09
Total	<u>5,143.55</u>	<u>10,325.48</u>
SCHEDULE - 9		
CASH AND CHEQUES ON HAND		
Cash and Cheques on Hand	9.52	18.55
Balances with Scheduled Banks:		
Current Accounts	249.78	367.07
Fixed Deposit Accounts	726.94	1,780.97
Unclaimed Dividend Accounts	11.99	21.36
Total	<u>998.23</u>	<u>2,187.95</u>
SCHEDULE - 10		
OTHER CURRENT ASSETS		
(Unsecured - Considered Good)		
Interest accrued but not due	15.37	43.20
Total	<u>15.37</u>	<u>43.20</u>

SCHEDULES FORMING PART OF THE BALANCE SHEET AS AT 31st MARCH, 2004

	Rs. in lakhs	
	As at 31-03-2004	As at 31-03-2003
SCHEDULE - 11		
LOANS AND ADVANCES		
(Unsecured and considered good)		
Advances recoverable in cash or in kind or for value to be received	3,224.29	1,873.10
Income Tax Recoverable	123.85	381.01
Deposits with Government Authorities	266.43	486.43
Deposits with Others	412.60	—
Balances with Excise and Customs Authorities	37.76	37.98
	<u>4,064.93</u>	<u>2,778.52</u>
Less : Provision for doubtful advances	500.00	—
Total	<u>3,564.93</u>	<u>2,778.52</u>
SCHEDULE - 12		
CURRENT LIABILITIES		
Sundry Creditors:		
Dues to Small Scale Industrial Undertakings	27.46	1.49
Dues to other than Small Scale Industrial Undertakings	3,376.92	10,247.21
Advances from Customers	84.49	84.59
Unclaimed Dividends	11.99	21.36
Other Liabilities	1,030.36	673.53
	<u>4,531.22</u>	<u>11,028.19</u>
Provisions:		
Retirement Benefits	29.83	—
Taxation	50.37	—
Dividend and tax thereon	519.31	457.68
	<u>599.51</u>	<u>457.68</u>
Total	<u>5,130.73</u>	<u>11,485.87</u>
SCHEDULE - 13		
MISCELLANEOUS EXPENDITURE		
(to the extent not written off or adjusted)		
Preliminary Expenses	10.62	40.35
Deferred Revenue Expenditure	540.02	756.16
	<u>550.64</u>	<u>796.51</u>
Less: Written off during the year	241.10	245.87
Total	<u>309.54</u>	<u>550.64</u>

SCHEDULES FORMING PART OF THE PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31st MARCH, 2004

Rs. in lakhs

	For the Year ended 31-03-2004	For the Year ended 31-03-2003
SCHEDULE - 14		
OTHER INCOME		
Dividend Income	388.22	15.41
Income from Investments - Other than Trade	907.72	439.45
Profit on transfer of Assets	5.05	—
Gain on Foreign Exchange Fluctuations	152.46	(1.82)
Professional charges	900.00	900.00
Miscellaneous income	25.60	1140.33
Total	<u>2,379.05</u>	<u>2,493.37</u>
 SCHEDULE - 15		
MATERIALS CONSUMPTION		
Raw Materials Consumed :		
Opening Stock	683.75	495.87
Add: Purchase	15,369.46	16,819.78
	<u>16,053.21</u>	<u>17,315.65</u>
Less: Closing Stock	1,017.05	683.75
	<u>15,036.16</u>	<u>16,631.90</u>
(Increase) / Decrease in Finished Goods :		
Opening Stock	3,383.05	6,187.56
Less: Closing Stock	2,482.00	3,383.05
	<u>901.05</u>	<u>2,804.51</u>
(Increase) / Decrease in Work-in-Process :		
Opening Stock	544.17	393.72
Less: Closing Stock	122.47	544.17
	<u>421.70</u>	<u>(150.45)</u>
Less : Purchase Returns	—	620.46
Total	<u>16,358.91</u>	<u>18,665.50</u>

SCHEDULES FORMING PART OF THE PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31st MARCH, 2004

Rs. in lakhs

	For the Year ended 31-03-2004	For the Year ended 31-03-2003
SCHEDULE - 16		
MANUFACTURING, SELLING AND ADMINISTRATIVE EXPENSES		
Material Handling Expenses	209.12	132.12
Distribution Expenses	510.63	235.93
Power and Fuel	2,359.79	997.18
Stores and Spares	482.65	364.88
Repairs and Maintenance :		
Plant and Machinery	497.92	217.49
Buildings	22.02	16.94
Others	18.86	23.46
Salaries, Wages and Bonus	534.55	249.38
Contribution to Provident and Other Funds	58.26	28.71
Staff Welfare Expenses	28.72	13.91
Travelling and Conveyance	83.64	20.66
Communication Expenses	33.76	15.70
Office Maintenance Expenses	119.36	68.48
Consultancy and Other Professional Charges	80.43	15.81
Directors' Remuneration	23.10	23.10
Secretarial Expenses	13.17	8.62
Rent	8.28	3.87
Printing & Stationary	12.21	9.82
Rates and Taxes	18.94	29.43
Insurance	67.53	40.80
Vehicle Maintenance	16.43	7.31
Donations	6.83	33.04
Auditor's Remuneration :		
Statutory Audit	1.62	1.08
Tax Audit	0.54	0.38
Certification Fee	0.11	0.38
Loss on Sale of Fixed Assets	11.98	49.10
Loss on Sale of Investments	375.68	152.96
Project expenses written off	145.06	—
Provision for Doubtful Debts / Advances	534.54	23.09
Bad Debts Written Off	237.72	69.94
Total	<u>6,513.42</u>	<u>2,853.56</u>

SCHEDULE - 17
INTEREST AND FINANCE CHARGES

Interest on Term Loans	387.73	1,542.42
Interest - Others	744.51	9.09
Bank / Other Finance Charges	251.51	890.63
Total	<u>1,383.74</u>	<u>2,442.14</u>

SCHEDULE - 18
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 and 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 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, interest incurred during the setting up period of project and pre-operative expenses are shown as capital work-in-progress.
 - c. Depreciation on the Fixed Assets of the Company is provided on straight line method in accordance with Schedule XIV of the Companies Act, 1956 on the basis of continuous process plant.
3. Investments: Long term Investments are stated at cost and provision for diminution in the value of long-term investments is made only if such a decline is other than temporary in the opinion of the management
4. Inventories: Inventories are valued as follows:
 - a. Raw-materials: At cost on FIFO basis and stores on weighted average / FIFO 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 in foreign currencies are normally recorded at the exchange rate prevailing at the time of transaction.
 - b. Foreign Exchange transactions not covered by Forward Contracts and remaining unsettled at the end of the year are translated at year end rates. Gains and losses on Foreign Exchange Transactions/Translations are recognised in the respective accounts in the Profit & Loss Account.
6. Employee Retirement Benefits:
 - a. The Company except for Sugar Division 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 debited to the Profit & Loss Account on accrual basis. In Sugar division gratuity was provided on estimated basis as per the provisions of payment of Gratuity Act.
 - 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 and sales to other Divisions.
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. Goodwill arising on account of amalgamation is considered in Misc. Expenses which is amortised over a period of 5 years
- d. 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 31-03-2004 (Rs. in Lakhs)	As at 31-03-2003 (Rs. in Lakhs)		
I Contingent Liabilities not provided for on account of :				
a. Bills discounted with Banks (Backed by LCs)	—	—		
b. Bank Guarantees	1281.24	730.68		
c. Letter of Credit	688.02	1527.26		
d. Claims made by A.P Transco against the Company not acknowledged as debts.	425.76	425.76		
e. Claims made by Income Tax Department against the Company not acknowledged as debts.	70.06	22.08		
f. Corporate Guarantees given by the Company.	1,608.00	3,412.30		
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	2,500		
iii) Co-generation Plant Capacity Units (Power) per Hour	16,000	16,000		
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	2,500		
iii) Co-generation Plant Capacity Units (Power) per hour	16,000	16,000		
	Current Year	Previous Year		
	Qty Rs. In Lakhs	Qty Rs. In Lakhs		
3 Production :				
i) High Carbon Ferro Chrome (MT)	27,653	12,619		
ii) Sugar (QTLS)	557,490	514,710		
iii) Molasses (MT)	29,157	25,495		
iv) Co-Generation (Units)	94,950,116	59,971,364		
4 Sales :				
a. Manufacturing Sales:				
i) Ferro Alloy Products (MT)	29,016	8,149.76	11,918	2,697.84
ii) DEPB benefit/SIL		428.73		100.24
iii) Sugar (QTLS)	634,370	8,487.33	724,863	9,194.96
iv) Molasses (MT)	22,035	502.93	22,408	602.76
v) Co-Generation (Units) Excluding Self Consumption	65,069,880	2,264.43	39,052,711	1,270.44
vi) Others		26.55		23.59
Total (A)		19,859.72		13,889.83

	Unit	Current year		Previous year	
		Qty.	Rs. in lakhs	Qty.	Rs. in lakhs
b. Merchandise Sales :					
High Carbon Ferro Crome	MT	15,839.43	4,152.72	2,000.00	394.84
Lamcoke	MT	11,500.00	568.84	2,286.60	93.65
Silico Manganese	MT	—	—	5,000.00	1,171.00
Cut & Polished Diamonds	CRTS	—	—	9,649.01	602.57
Steel and allied Products	MT	3,311.95	697.10	42,161.31	8,223.05
Timber	CBM	—	—	3,265.48	462.11
Boards	Sheets	—	—	47,287.00	110.67
Charge Chrome		1,976.09	605.88	—	—
Total (B)			<u>6,024.54</u>		<u>11,058.35</u>
Total (A+B)			<u>25,884.26</u>		<u>24,948.18</u>
5 Opening and Closing Stock					
a. Opening Stocks					
i) Finished Goods - Ferro Alloys	MT	2,383	481.29	1,681	338.95
ii) Work in Process- Ferro Alloys			462.98		314.80
iii) Chrome Concentrate	MT	—	—	22,200	620.46
iv) Sugar	QTL	256,656	2,726.62	466,809	5,148.77
v) Molasses	MT	8,757	175.15	5,670	79.38
vi) Work-in-Process - Sugar Division			81.19		79.92
			<u>3,927.23</u>		<u>6,582.28</u>
b. Closing Stocks					
i) Finished Goods - Ferro Alloys	MT	1,020	262.50	2,383	481.29
ii) Work in Process- Ferro Alloys			33.54		462.98
iii) Sugar	QTL	179,776	1,910.36	256,656	2,726.62
iv) Molasses	MT	15,879	309.14	8,757	175.15
v) Work-in-process - Sugar Division			88.93		81.19
			<u>2,604.47</u>		<u>3,927.23</u>
6 VALUE OF MATERIALS CONSUMED / PURCHASED					
Raw Material consumption					
a. Metallurgical Division					
i) Ores	MT	76290.05	1,833.89	31304.00	1,003.95
ii) Coke & Coal	MT	17668.63	911.83	10761.00	469.68
iii) Others (in different units of measurement)			971.99		114.49
(a)			<u>3,717.71</u>		<u>1,588.12</u>
b. Merchandise Purchases:					
High Carbon Ferro Crome	MT	15839.43	4,012.42	2000.00	394.83
Lamcoke	MT	11500.00	497.99	2286.60	93.65
Silico Manganese	MT	—	—	5000.00	1,127.10
Cut & polished diamonds	CRTS	—	—	9427.23	493.56
Steel and allied products	MT	3311.95	693.94	42161.58	7,713.57
Timber	CBM	—	—	3258.59	451.69
Boards	Sheets	—	—	47263.00	109.92
Charge Chrome	MT	1976.09	607.61		
(b)			<u>5,811.96</u>		<u>10,384.32</u>
c. Sugar Division (Raw Material Consumption)					
i) Sugar cane	MT	555,884	5,160.42	507,451	6,395.64
ii) Others			1,668.82		297.42
(c)			<u>6,829.24</u>		<u>6,693.06</u>
Total (a+b+c)			<u>16,358.91</u>		<u>18,665.50</u>

		Current year		Previous Year	
		%	Amount Rs. in Lakhs	%	Amount Rs. in Lakhs
7	Percentage of Raw Material Consumed / Purchased				
	i) Indigenous	96.19	15,735.49	93.85	17,516.67
	ii) Imported (Manufacturing)	3.81	623.42	6.15	1148.83
		<u>100.00</u>	<u>16,358.91</u>	<u>100.00</u>	<u>18,665.50</u>
8	Stores & Spares Consumed				
	i) Indigenous	100.00	482.65	100.00	364.88
		<u>100.00</u>	<u>482.65</u>	<u>100.00</u>	<u>364.88</u>
9	Auditors' Remuneration				
	i) Statutory Audit		1.62		1.08
	ii) Tax Audit		0.54		0.38
	iii) Certification Charges		0.11		0.38
			<u>2.27</u>		<u>1.84</u>
10	Managerial Remuneration				
	i) Salary		16.02		15.00
	ii) Perquisites		10.33		7.99
	iii) Contribution to Provident Fund		1.92		1.80
			<u>28.28</u>		<u>24.79</u>
11	Foreign exchange Earnings / Out Go				
	a) FOB Value of Exports :				
	Metallurgical Division		4,920.96		659.90
	International Trading Division		3,680.41		1,959.00
	b) Income on Investments		907.72		439.45
	c) CIF Value of Imports(material) in respect of :				
	Metallurgical Division		835.40		191.07
	International Trading Division		497.77		—
	d) Expenditure in Foreign Currency on account of				
	Foreign Travel		0.70		—
	Consultancy fees/Testing fees		1.74		5.86
12	Interest Payment is shown net 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 requires no provisioning. Investments held in equity shares of ING Vysya Life Insurance have been pledged as security for loans given to other bodies corporate				
14	The Company had received preference share application money to the tune of Rs. 62.50 Crores. Since the company is not intending to allot those shares in the near future and also the company is paying interest on the share application money, the same is reclassified as unsecured loan.				
15	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 all the respective Divisions of the Company both present and future, ranking pari passu in terms of sanction (Subject to prior charges on specified movables in favour of the Bankers for working capital borrowings).				
	b) Working Capital loans for Metallurgical Division from Andhra Bank is secured by way of hypothecation of finished goods, raw materials, stores & spares, book debts 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 and Co-generation Division from Andhra Bank, Canara Bank and Union Bank of India are secured by way of hypothecation of work-in-process book debts. Finished goods, stores & spares and secured against second charge on Fixed Assets of the Sugar Division of the Company.				

- d Working Capital Loans from UTI Bank Ltd. are secured by hypothecation of stock of raw materials, semi finished goods, stores & spares, book-debts, unsold DEPB/SIL and advances to suppliers of International Trading Division and secured by second charge on fixed Assets of the Metallurgical division of the Company.
- e Crop Loan from Union Bank of India is secured by hypothecation of advances to cane growers and a second charge on the movable and immovable properties of the Sugar Division of the Company.
Crop Loan from Andhra Bank is secured by hypothecation of advances to cane growers
- f Loan from Sugar Development Fund, Govt. of India, is secured by way of second charge on all the movable and immovable properties of the Sugar Division of the Company.
- g All the second charges are ranking pari passu perse.
- h Further, all the above loans are guaranteed by Promoter Directors of the Company individually and by the corporate guarantee of Sri Varalakshmi Jute Twine Mills Pvt. Limited, Rajam
- 16 National Saving Certificates are deposited with Government Departments.
- 17 20,00,000 13.25% Cumulative Redeemable Preference Shares of Rs.10/- each aggregating to Rs.200 lakhs and 4,25,000 15% Cumulative Preference Shares of Rs. 100/- each aggregating to Rs. 425 Lakhs are redeemed during the year from internal accruals of the company. The Company has created capital Redemption Reserve Account for Rs. 625 Lakhs on account of the above redemption
- 18 10% Cumulative Redeemable Preference Shares of Rs. 2/-each aggregating to Rs. 550/- Lakhs are to be redeemed in phase at premium of Rs. 8/- each at the end of 5th, 6th, 7th year from the date of allotment in equal instalments
- 19 Related Party Disclosure : (As identified by the Management)
- 1) Related Party Relationships:
- a) Key Management Personnel : Mr. K. Narayana Rao, Managing Director
and their relatives Mr. C.Prasanna, Director (Finance)
Mr. V.K.Rao Ch, Director & CFO
Mrs. K. Sridevi (Spouse of Mr. K. Narayana Rao)
Mrs. C.Lakshmi (Spouse of Mr. C. Prasanna)
- b) Individuals having significant Mr. G.Mallikarjuna Rao, Mrs. G. Varalakshmi
influence and his relatives. Mr. G.B.S. Raju and Mr. Kiran Kumar Grandhi
- c) Enterprise over which person M/s. GMR Investments Pvt. Ltd.
mentioned in (b) above is able
to exercise significant influence.

Notes:

- 1) In respect of the above parties, there is no provision for doubtful debts as on 31-3-2004 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: Rs. in Lakhs

Type of Related Party	Nature of Transactions	Value of Transactions during 2003-2004	Balance Outstanding as on 31-3-2004	
			Debit bal.	Credit Bal.
a) Key Management Personnel	Managerial Remuneration	28.28		
b) Relatives of Key Management Personnel	Rent	3.78		
c) Individuals having significant influence and his relatives.	Rent	3.14		0.63
d) Enterprise over which person mentioned in (b) above is able to exercise significant influence.	Preference Share Application Money Interest Payable	7865.14 769.02		7865.14 769.02

20 Segment Information for the year ended 31st March,2004
Primary Segment reporting - Business Segments

Rs. in Lakhs

Particulars	Metal-lurgical	Intern'l Trading	Sugar	Power	Vara-lakshmi Intern'l	Unallocated /Corporate	Total
REVENUE							
External Sales	8,578.49	6,024.54	8,931.76	2,264.43	—	—	25,799.22
Inter - Segment revenue	—	—	85.05	—	—	—	85.05
	8,578.49	6,024.54	9,016.81	2,264.43	—	—	25,884.27
Less: Elimination (Inter-segment revenue)	—	—	85.05	—	—	—	85.05
	8,578.49	6,024.54	8,931.76	2,264.43	—	—	25,799.22
RESULT							
Profit Before Interest, Depreciation & Taxation	913.21	156.35	1,072.55	872.40	(142.05)	1,004.14	3,876.59
Less : Depreciation	205.73	—	255.75	275.39	0.07	33.75	770.70
Profit after Depreciation (Segment Result)	707.47	156.35	816.80	597.00	(142.12)	970.39	3,105.89
Less: Interest Expenses (net of income)						(1,383.74)	(1,383.74)
Less: Prior Period Expenditure						(92.52)	(92.52)
Less: Provisions for taxation : Current (Net)						(519.68)	(519.68)
Profit after Tax							1,109.95
OTHER INFORMATION							
Segment Assets	6,323.35	533.76	9,248.92	3,364.94	1,094.11	12,965.58	33,530.66
Segment Liabilities	1,443.63	380.65	2,099.83	351.18	204.89	15,042.22	19,522.41
Capital Expenditure (incl. capital work-in-progress)	4.18	—	125.85	0.60	—	—	130.64
Depreciation debited to profit & Loss account	205.73	—	255.75	275.39	0.07	33.75	770.70
Non Cash Expenses other than depreciation debited to Profit & Loss account	30.84	—	178.52	—	—	31.74	241.10

NOTES:

- A) The Company has identified Business Segments as primary Segments. The reportable Business Segments are "Metallurgical" , "Sugar","Power" 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 Co-generation - Power
 - 4 International Trading - Trading in various products both indigineous and Export.
- C) Secondary Segment information - (By Geographical Segments) Rs.in Lakhs
- | | |
|---------------------|-----------|
| a) SALES | |
| Sales within India | 17,282.90 |
| Sales outside India | 8,601.37 |
| TOTAL | 25,884.27 |
- D) All the Assets of the Company are situated within India

	2003-04	2002-03
	Rs. in lakhs	Rs. in lakhs
21 Earnings Per Equity Share		
a) Net Profit after Tax	1,109.95	814.45
b) Preference Dividend Accrued for the year	55.00	248.59
c) Net Profit After Tax available for Equity Shareholders (a-b)	1,054.95	565.86
d) Weighted average No. of Equity Shares of Rs. 10/- each outstanding during the year (No. of Equity shares) (Including 51,74,145 Equity Shares to be allotted to the Share holders of Varalakshmi International Limited on amalgamation and which is considered as Share suspense Account)	32,196,302	32,196,302
e) Basic/Diluted Earnings per Equity Share (d/e) (Rs.)	3.28	1.76
22 As on 31.03.2004, the timing difference has resulted in deferred tax liability amounting to Rs.786.06 Lakhs. The break up of deferred tax assets/liabilities is as follows;		
Deferred Tax Liability on account of timing difference in Depreciation	: Rs. (2,239.98) Lakhs	
Deferred Tax liability on account of Miscellaneous Expenses	: Rs. (76.88) Lakhs	
Deferred Tax Asset on account of Section 43B of IT Act	: Rs. 10.02 Lakhs	
Deferred Tax Asset on account of Unabsorbed Losses	: Rs. 1,520.80 Lakhs	
23 Balance with Central Excise Department includes unavailed Modvat credit of Rs.37.98 Lakhs (Previous Year Rs.56.28 Lakhs) of which there is no (Previous Year Rs 0.14 Lakhs) dispute during the financial year 2003-04 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, not within agreed terms as at 31-03-2004 are NIL		
25 Excise duty is estimated at Rs.232.20 Lakhs (Previous year Rs.331.26 Lakhs) 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 at factories, because of this there is no impact on the profit for the year.		
26 Balances of Sundry Debtors and Creditors and advances are subject to confirmation.		
27 Previous year's figures have been regrouped wherever necessary.		
28 Additional information pursuant to provisions of Part IV of Schedule VI to 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.
Director & CFO

Place : Hyderabad
Date : 26th May 2004

V. Balasubramanian
Vice President (Finance) &
Company Secretary

CASH FLOW STATEMENT FOR THE YEAR ENDED 31st MARCH, 2004

	Rs. in Lakhs	
	Year ended 31-03-2004	Year ended 31-03-2003
A. Net profit before tax and extraordinary items	1,629.63	1,387.31
Adjustments for:		
Loss on sale of fixed assets	11.98	49.10
Depreciation & Miscellaneous expenditure written off	1,011.80	988.10
Interest and Financial charges	1,383.74	2,696.84
Bad debts & advances written off	917.32	69.94
loss on sale of investments	375.68	(6.86)
Profit on transfer of Assets	5.05	—
Goodwill on account of Amalgamation	—	158.72
Dividend received	(388.22)	(15.41)
OPERATING PROFIT BEFORE WORKING CAPITAL CHANGES	4,946.98	5,327.74
Adjustment for :		
Trade & Other receivables	4,395.51	(5,430.81)
Inventories	(881.84)	2,467.20
Trade Payables	(6,355.14)	6,368.05
Cash generated from operations	2105.51	8,732.18
B. Cash flow from investing activities		
Purchase of fixed assets	(566.79)	(466.30)
Sale of fixed assets	133.08	71.14
Increase in Miscellaneous expenditure	379.03	555.01
Purchase of Investments	(3,344.02)	(5,205.66)
Sale of Investments	—	410.83
Dividend Received	388.22	15.41
	(3010.48)	(4,619.57)
C. Cash flow from financing activities		
Preference Share Capital	(625.00)	—
Preference Share Application Money	(4,810.00)	4,810.00
Proceeds from long term borrowings(Net)	(943.62)	(1,958.56)
Interest Paid	(1,383.74)	(2,696.84)
Direct Taxes paid (Net of refund)	(519.68)	(572.86)
Unsecured Loans	7,969.46	(2,186.57)
	(312.58)	(2,604.83)
D. Net increase in cash & cash equivalents (A+B+C)	(1217.55)	1,507.78
Cash & Cash equivalents (Opening Balance)	2,231.15	723.37
Cash & Cash equivalents (Closing Balance)	1,013.60	2,231.15

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 : 26th May 2004

K. Narayana Rao
Managing Director

V. K. Rao Ch.
Director & CFO

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	01
Registration No.	6568		
Balance Sheet date	31.03.2004		
2 Capital raised during the year (Rs. in '000)			
Public Issue	Nil	Bonus Issue	Nil
Rights Issue	Nil	Private Placement (Issue of Shares on Amalgamation for consideration other than cash)	334,402
3 Position of mobilization and deployment of funds (Rs. in '000)			
Total Liabilities	3,353,066	Total Assets	3,353,066
Sources of Funds		Application of Funds	
Share Capital	604,625	Net Fixed Assts	1,273,115
Reserves & Surplus	796,200	Investments	1,184,359
Secured Loans	982,044	Net Current Assets	864,638
Unsecured Loans	891,591	Miscellaneous Expenditure	30,954
Deferred Tax Liability	78,606		
4 Performance of Company (Rs. in '000)			
Turnover (including other income)	2,826,331	Profit before Tax	162,963
Total Expenditure	2,663,368	Profit after Tax	110,995
5 Generic Names of Three Principal Products/Services of Company			
Item Code	7202.41	Product Description	Ferro Chrome
Item Code	1701.11	Product Description	Sugar
Item Code	2716.00	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.
Director & CFO

Place : Hyderabad
Date : 26th May 2004

V. Balasubramanian
Vice President (Finance) &
Company Secretary

AUDITORS' REPORT

To,
The Members of
GMR Industries Limited

We have examined the attached Balance Sheet of GMR Industries Limited as at 31st March, 2003, the Profit and Loss Account for the year ended as on that date to give effect to the Scheme of Amalgamation sanctioned by the respective High Courts of Andhra Pradesh, Calcutta and Madras. In our opinion and to the best of our information and according to the explanations given to us, the said accounts are in order.

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

Place : Hyderabad
Date : 26.05.2004

(K.SRINIVASA RAO)
PARTNER

BALANCE SHEET AS AT 31st MARCH, 2003

		Rs. in lakhs	
	Schedule	As at 31-03-2003	As at 31-03-2002
I. SOURCES OF FUNDS			
1.	Shareholders' Funds		
a)	Share Capital	11,481.25	7,207.22
b)	Reserves & Surplus	7,426.92	4,826.72
		<u>18,908.17</u>	<u>12,033.94</u>
2.	Loan Funds		
a)	Secured Loans	10,764.06	12,722.63
b)	Unsecured Loans	946.45	3,133.02
		<u>11,710.51</u>	<u>15,855.64</u>
3.	Deferred Tax Liability	370.38	—
	TOTAL	<u>30,989.06</u>	<u>27,889.58</u>
II. APPLICATION OF FUNDS			
1.	Fixed Assets		
a)	Gross Block	15,258.95	14,732.09
b)	Less: Depreciation	2,989.03	2,258.18
c)	Net Block	12,269.92	12,473.91
d)	Add: Capital Work-in-Progress	882.78	801.15
		<u>13,152.70</u>	<u>13,275.06</u>
2.	Investments	8,499.57	3,293.91
3.	Current Assets, Loans and Advances		
a)	Inventories	4,936.88	7,404.08
b)	Sundry Debtors	10,325.48	4,513.34
c)	Cash & Bank Balances	2,187.95	723.37
d)	Other Current Assets	43.20	—
e)	Loans & Advances	2,778.52	3,159.84
		<u>20,272.02</u>	<u>15,800.63</u>
	Less: Current Liabilities & Provisions		
a)	Current Liabilities	11,028.19	5,117.81
b)	Provisions	457.68	—
		<u>11,485.87</u>	<u>5,117.81</u>
	Net Current Assets	<u>8,786.15</u>	<u>10,682.82</u>
4.	Miscellaneous Expenditure	550.64	637.79
	TOTAL	<u>30,989.06</u>	<u>27,889.58</u>
	Notes to Accounts	18	

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.

Director & CFO

Place : Hyderabad

Date : 26th May 2004

V. Balasubramanian

Vice President (Finance) &
Company Secretary

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31st MARCH, 2003

		Rs. in lakhs	
	Schedule	Year ended 31-03-2003	Year ended 31-03-2002
I. INCOME			
Sales(Gross)		24,948.18	16,283.04
Less: Excise Duty		955.11	868.09
		23,993.07	15,414.95
Other Income	14	2,493.37	1,627.97
Transfer from General Reserve		—	1,275.15
TOTAL		26,486.44	18,318.06
II. EXPENDITURE			
Material and Other Consumption	15	18,665.50	12,125.91
Manufacturing, Selling and Administrative Expenses	16	2,853.56	2,562.87
Interest and Financial Charges	17	2,442.14	2,410.45
Depreciation	5	742.23	595.39
Amortisation of Miscellaneous Expenditure		245.87	214.12
TOTAL		24,949.29	17,908.74
III. Profit Before Prior period Expenses and Taxation		1,537.15	409.32
Prior Period Expenses		(149.84)	(44.38)
IV. Profit Before Taxation		1,387.31	364.94
Provision for Taxation - Current Tax		(202.48)	(13.95)
- Deferred Tax		(370.38)	—
V. Profit After Taxation		814.45	350.99
Balance Brought forward		665.22	464.23
Transfer from Debenture Redemption Reserve		950.00	—
VI. Available for Appropriation		2,429.67	815.22
Transfer to Debenture Redemption Reserve		—	(150.00)
Preference Dividend declared		(330.07)	—
Preference Dividend - Proposed		(74.63)	—
Dividend tax on proposed Dividend		(9.56)	—
VII. Available surplus carried to Balance Sheet		2,015.42	665.22
Notes to 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.
Director & CFO

Place : Hyderabad
Date : 26th May 2004

V. Balasubramanian
Vice President (Finance) &
Company Secretary

SCHEDULES FORMING PART OF THE BALANCE SHEET AS AT 31st MARCH, 2003

		Rs. In lakhs	
		As at 31-03-2003	As at 31-03-2002
SCHEDULE - I			
SHARE CAPITAL			
Authorised Capital			
3,00,00,000	Ordinary Equity Shares of Rs. 10/- each.	3,000.00	3,000.00
25,00,000	Class - A Equity Shares of Rs. 10/- each.	250.00	250.00
25,00,000	Class - B Equity Shares of Rs. 10/- each.	250.00	250.00
1,30,00,000	(13.25%) Preference Shares of Rs. 10/- each	1,300.00	1,300.00
7,00,000	(15%) Preference Shares of Rs.100/- each	700.00	700.00
10,00,00,000	(10%) Preference Shares of Rs. 2/- each	2,000.00	—
	TOTAL	7,500.00	5,500.00
Issued, Subscribed & Paid up Capital			
EQUITY			
2,70,22,157*	Equity Shares of Rs. 10/- each fully paid	2,702.22	2,702.22
PREFERENCE			
1,13,00,000	13.25% Cumulative Redeemable Preference Shares of Rs. 10/- each fully paid		1,130.00
6,25,000	15% Cumulative Redeemable Preference Shares of Rs. 100/- each fully paid	625.00	625.00
2,75,00,000	10% Cumulative Redeemable Preference Shares of Rs. 2/- each fully paid		550.00
	10% Preference Share Application Money	4,810.00	2,750.00
	Share Suspense Account **	2,794.04	—
		11,481.25	7,207.22
SCHEDULE - 2			
RESERVES & SURPLUS			
General Reserve			
	Opening Balance	2,076.43	3,351.58
	Transfer from / to other Divisions		
	Less: Transfer to Profit & Loss A/C -Refer Note 13	—	(1,275.15)
	(a)	2,076.43	2,076.43
	Capital Reserve (b)	143.10	143.10
	Share Premium (c)	3,191.97	991.97
	Debenture Redemption Reserve - opening balance	950.00	800.00
	Transfer from (+)/ to (-) Profit & Loss A/c	(950.00)	150.00
	Closing balance (d)	—	950.00
	Balance in Profit and Loss account (e)	2,015.42	665.22
	TOTAL (a+b+c+d+e)	7,426.92	4,826.72

(* of the above 87,88,857 Equity Shares of Rs. 10/- each, were allotted as fully paid up to the Shareholders of the Amalgamating Company, pursuant to the Scheme of Amalgamation for consideration other than cash)

(**Represents 51,74,145 Equity Shares of Rs. 10/- each and 2,06,96,580 8% Redeemable Preference Shares of Rs. 11/- each pending allotment to the Shareholders of Amalgamating Company, pursuant to the Scheme of Amalgamation for consideration other than cash)

SCHEDULES FORMING PART OF THE BALANCE SHEET AS AT 31st MARCH, 2003

	Rs. in lakhs	
	As at 31-03-2003	As at 31-03-2002
SCHEDULE - 3		
SECURED LOANS		
Term Loans		
Rupees Loans		
From Financial Institutions	516.24	5,529.60
From Banks	473.26	399.50
From Others		—
Foreign Currency Loans		
From Financial Institutions		—
From Banks		4,526.32
<p>(Secured by first charge on all movable and immovable assets of the respective Divisions of the company both present and future, ranking pari passu in terms of sanction and subject to prior charges on specified movables in favour of company's working capital bankers. Loans from financial institutions and banks are further secured by guarantees of promoter directors of the company and by corporate guarantee of Sri Varalakshmi Jute Twine Mills Pvt. Limited)</p>		
Interest Accrued & Due	1.30	17.95
	(a) <u>5,517.12</u>	<u>5,947.06</u>
Cash Credit and Demand Loans from Banks		
Rupee Loans	4,153.06	6,775.57
Foreign Currency Loans	1,093.88	
<p>(Secured by hypothecation of finished goods, semi-finished goods, raw materials, stores & spares, and merchandise advances of the respective division for which the loan was given, further secured by guarantees of promoter directors of the company and by corporated guarantees of Sri Varalakshmi Jute Twine Mills Pvt.Ltd.</p>		
<p>(Cash credit availed from Andhra Bank for metallurgical division of the Company and from UTI Bank Limited are further secured by second charge on the fixed assets of the metallurgical division of the Company)</p>		
	(b) <u>5,246.94</u>	<u>6,775.57</u>
TOTAL	(a + b) <u>10,764.06</u>	<u>12,722.63</u>
SCHEDULE - 4		
UNSECURED LOANS		
14% Secured Redeemable Non convertible Debentures - UTI	—	2,800.00
From Bodies Corporate	946.45	333.02
TOTAL	<u>946.45</u>	<u>3,133.02</u>

SCHEDULES FORMING PART OF THE BALANCE SHEET AS AT 31st MARCH, 2003

**SCHEDULE - 5
FIXED ASSETS**

	(Rs. in Lakhs)									
	Gross Block			Depreciation			Net Block			
	As at 31.03.2002	Additions	Deletions	As at 31.03.2003	Upto 31.03.2002	For the Year	On Deletions	Upto 31.03.2003	As at 31.03.2003	As at 31.03.2002
Land	211.93	1.97	—	213.90	—	—	—	—	213.90	211.93
Buildings (Non-factory)	2,419.29	87.33	—	2,506.62	298.57	70.41	—	368.99	2,137.64	2,110.21
Plant & Machinery	11,708.09	446.24	70.98	12,083.35	1,867.71	636.51	14.50	2,489.72	9,593.63	9,749.57
Furniture & Fixtures	327.82	12.38	2.55	337.64	79.22	24.42	0.18	103.46	234.18	325.60
Vehicles	112.97	28.39	23.92	117.44	20.28	10.88	4.30	26.86	90.58	76.60
Total	14,780.10	576.31	97.46	15,258.95	2,265.78	742.23	18.99	2,989.03	12,269.92	12,473.91
Capital Work in Progress	801.15	135.02	53.39	882.78	—	—	—	—	882.78	801.15
Grand Total	15,581.24	711.33	150.86	16,141.72	2,265.78	742.23	18.99	2,989.03	13,152.70	13,275.06
Previous Year	13,071.79	4,606.54	2,145.09	15,533.24	1,669.85	595.39	7.06	2,258.18	13,299.19	11,401.94

SCHEDULES FORMING PART OF THE BALANCE SHEET AS AT 31st MARCH, 2003

	Rs. in lakhs	
	As at 31-03-2003	As at 31-03-2002
SCHEDULE - 6		
INVESTMENTS		
Long Term Investments - At Cost		
Other than Trade - Unquoted:		
GMR Tambaram - Tindivanam Expressways (P) Ltd (1,00,000 Equity Shares of Rs. 10/- each fully paid up)	10.00	—
GMR Tuni - Anakapalli Expressways (P) Ltd (1,00,000 Equity Shares of Rs. 10/- each fully paid up)	10.00	—
ING Vysya Life Insurance Company (P) Ltd. (8,16,00,000 Equity Shares of Rs. 10/- each fully paid up)	8,160.00	2,750.00
Galore Finance & Leasing Pvt. Ltd (3,00,000 Equity Shares of Rs. 10/- each fully paid up)	30.00	—
Reclame Commercial & Securities Pvt.Ltd (1,93,000 Equity Shares of Rs. 10/- each fully paid up)	19.30	—
Amantis International Ltd (60,000 Equity Shares of Singapore \$ 1 each fully paid up)	14.91	—
Amit Polyseeds (55,000 Equity Shares of Rs. 10/- each fully paid up)	5.50	—
Chiranjeevi Traders Pvt Ltd (170,000 Equity Shares of Rs. 10/- each fully paid up)	17.00	—
Classic Diamonds (900 Equity Shares of Rs. 10/- each fully paid up)	0.09	—
Ideaspace Financial Tech Pvt. Ltd (7,30,000 Equity Shares of Rs. 10/- each fully paid up)	73.00	—
Infussion Communications Ltd (15,000 Equity Shares of Rs. 10/- each fully paid up)	1.50	—
Innovative Syntex Pvt. Ltd (45,000 Equity Shares of Rs. 10/- each fully paid up)	4.50	—
Meghalaya Hotels & Properties Pvt Ltd. (149,700 Equity Shares of Rs. 10/- each fully paid up)	14.97	—
Rajam Alluminium Metal Products Pvt Ltd. (500 Equity Shares of Rs. 10/- each fully paid up)	0.50	—
Sitamahalakshmi Poultry & Forms Pvt Ltd. (26,000 Equity Shares of Rs. 10/- each fully paid up)	2.60	—
Sri Vasavi Hotels & Properties Pvt. Ltd. (45,150 Equity Shares of Rs. 10/- each fully paid up)	4.52	—
Sri Vasavi Soft Drinks Pvt Ltd. (82,650 Equity Shares of rs. 10/- each fully paid up)	8.27	—
Vasavi Securities Ltd (12,16,540 Equity Shares of Rs. 10/- each fully paid up)	121.65	—
A.P. Gas Power Corporation Ltd. (2,73,360 Equity Shares of Rs. 10/- each fully paid up)	—	541.25
The VB Housing Finance Ltd. (5,000 Equity Shares of Rs. 10/- each fully paid up)	—	1.75
Quoted Shares:		
Sterlite Industries Limited (100 Equity Shares of Rs. 10/- each fully paid up)	0.34	—
Government Securities - National Saving Certificates	0.91	0.91
TOTAL (a+b)	8,499.57	3,293.91

SCHEDULES FORMING PART OF THE BALANCE SHEET AS AT 31st MARCH, 2003

	Rs. in lakhs	
	As at 31-03-2003	As at 31-03-2002
SCHEDULE - 7		
INVENTORIES		
(As valued and certified by the management)		
Raw Materials - Valued at Cost	683.75	495.86
Finished Goods	3,335.01	6,187.56
Consignment Stock	48.04	—
Work - in - Process	544.17	393.72
Stores & Spares	325.91	326.93
TOTAL	<u>4,936.88</u>	<u>7,404.08</u>
SCHEDULE - 8		
SUNDRY DEBTORS		
Unsecured and considered good		
Debts outstanding for a period exceeding six months	4,922.03	697.56
Other Debts	5,403.45	3,815.78
TOTAL	<u>10,325.48</u>	<u>4,513.34</u>
SCHEDULE - 9		
CASH & BANK BALANCES		
Cash and Cheques on hand	18.55	11.92
Balances with scheduled Banks in:		
Current Accounts	323.87	114.33
Unclaimed Dividend Accounts	21.36	21.44
Fixed Deposit Accounts	1,824.17	575.69
TOTAL	<u>2,187.95</u>	<u>723.37</u>
SCHEDULE - 10		
OTHER CURRENT ASSETS		
(Unsecured and considered good)		
Interest Accrued but not due	43.20	—
TOTAL	<u>43.20</u>	<u>—</u>
SCHEDULE - 11		
LOANS & ADVANCES		
(Unsecured and considered good)		
Advances Recoverable in cash or in kind or for value to be received	1,871.08	2,598.04
Income Tax Recoverable	381.01	165.94
Deposit with Govt. Authorities	483.01	347.17
Deposit with others	41.64	48.69
Balance with Excise & Customs Authorities	1.78	—
TOTAL	<u>2,778.52</u>	<u>3,159.84</u>

SCHEDULES FORMING PART OF THE BALANCE SHEET AS AT 31st MARCH, 2003

		Rs. in lakhs	
		As at 31-03-2003	As at 31-03-2002
SCHEDULE - 12			
CURRENT LIABILITES			
Sundry Creditors			
Due to Small Scale Industrial undertakings		1.49	29.07
Due to other than Small Scale Industrial Undertakings		10,247.21	4,131.71
Unclaimed Dividend		21.36	21.44
Advances from Customers		84.59	176.94
Other Liabilities		673.53	758.66
	(a)	<u>11,028.19</u>	<u>5,117.81</u>
PROVISIONS			
Dividend and tax thereon		457.68	—
	(b)	<u>457.68</u>	<u>—</u>
TOTAL	(a+b)	<u>11,485.87</u>	<u>5,117.81</u>
SCHEDULE - 13			
MISCELLANEOUS EXPENDITURE			
(To the extent not written off or adjusted)			
Preliminary and Public issue expenses			
Differed Revenue Expenditure		82.78	120.92
Good will on account of amalgamation		555.01	730.99
		158.72	—
		<u>796.51</u>	<u>851.91</u>
Less : Written off during the year		245.87	214.12
TOTAL		<u>550.64</u>	<u>637.79</u>

SCHEDULES FORMING PART OF THE PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31st MARCH, 2003

	Rs. in lakhs	
	Year ended 31-03-2003	Year ended 31-03-2002
SCHEDULE - 14		
OTHER INCOME		
Dividend Income	15.41	0.08
Profit on sale of Shares	6.86	911.83
Interest on loans & deposits (Gross)	60.50	—
Income on Investments - other than trade (Gross)	439.45	230.94
Commission	104.17	478.44
Interest others - Excess provision reversed	954.07	—
Professional charges	900.00	—
Bad debts recovered	3.67	—
Miscellaneous Income	9.24	6.68
TOTAL	<u>2,493.37</u>	<u>1,627.97</u>
SCHEDULE - 15		
RAW MATERIALS CONSUMED		
Opening Stock	537.45	683.75
Add: Purchases	<u>16,778.19</u>	<u>11,704.08</u>
	17,315.65	12,387.82
Less: Closing Stock	<u>683.75</u>	<u>537.45</u>
	<u>16,631.90</u>	<u>11,850.37</u>
(Increase)/Decrease in Finished Goods		
Opening Stock	6,187.56	6,475.74
Less: Closing Stock	<u>3,383.05</u>	<u>6,187.56</u>
	<u>2,804.51</u>	<u>288.18</u>
(Increase)/Decrease in Work-in-process		
Opening Stock	393.72	381.08
Less: Closing Stock	<u>544.17</u>	<u>393.72</u>
	<u>(150.45)</u>	<u>(12.64)</u>
Less: Returns	620.46	-
TOTAL MATERIAL CONSUMPTION	<u>18,665.50</u>	<u>12,125.91</u>

SCHEDULES FORMING PART OF THE PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31st MARCH, 2003

Rs. in lakhs

	Year ended 31-3-2003	Year ended 31-3-2002
SCHEDULE - 16		
ADMINISTRATIVE EXPENSES		
Material Handling Expenses	390.01	224.06
Distribution Expenses	235.93	193.80
Power & Fuel	997.18	1,087.93
Stores & Spares	364.88	295.62
Salaries, Wages & Bonus	292.00	419.56
Postage & Telephone charges	15.70	39.70
Professional charges	15.49	58.31
Other administrative expenses	56.89	73.82
Travelling & Conveyance	20.66	44.99
Directors Remuneration	23.10	14.47
Rent	3.59	23.88
License & Fees	29.43	9.66
Printing & Stationery	9.82	5.31
Insurance charges	40.80	36.06
Auditors Remuneration	2.16	1.25
Vehicle Maintenance	7.31	20.68
Office Expenses	0.41	—
Charities & Donations	33.04	5.66
Secretarial Expenses	8.42	4.11
Loss on sale Assets	49.10	3.63
Loss on sale of Shares	151.40	—
Lease rentals	0.28	0.28
Loss on Chits	1.56	—
Discount given	13.73	0.09
Electricity Charges	0.36	—
Audit Expenses	0.09	—
Additional Sales Tax	0.86	—
Staff Welfare	0.24	—
Repairs & Maintenance	0.55	—
Brokerage & Commission Charges	—	—
Demat Expenses	0.20	—
Storage Charges	1.80	—
Staff Salaries, Bonus & Gratuity	7.27	—
Quality Claims	6.07	—
Preliminary expenses written off	—	—
Provision for Bad debts written off	23.09	—
Bad Debts Written off	50.15	—
TOTAL	<u>2,853.56</u>	<u>2,562.87</u>
SCHEDULE - 17		
INTEREST & FINANCIAL CHARGES		
Interest on Term Loans	1,383.51	1,406.84
Interest on Working capital	665.32	933.26
Foreign Exchange Fluctuations	8.67	—
Interest others	9.09	—
Bank charges & Bill Discounting Charges	375.54	70.35
TOTAL	<u>2,442.14</u>	<u>2,410.45</u>

SCHEDULE - 18
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 and 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 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, interest incurred during the setting up period of project and pre-operative expenses are shown as capital work-in-progress.
 - c. Depreciation on the Fixed Assets of the Company is provided on straight line method in accordance with Schedule XIV of the Companies Act, 1956 on the basis of continuous process plant.
3. Investments: Long term investments are stated at cost and provision for diminution in the value of long term investments is made only if such a decline is other than temporary in the opinion of the management.
4. Inventories: Inventories are valued as follows:
 - a. Raw-materials: At cost on FIFO basis and stores on weighted average / FIFO 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 in foreign currencies are normally recorded at the exchange rate prevailing at the time of transaction.
 - b. Foreign Exchange transactions not covered by Forward Contracts and remaining unsettled at the end of the year are translated at year end rates. Gains and losses on Foreign Exchange Transactions/Translations are recognised in the respective accounts in the Profit & Loss Account.
6. Employee Retirement Benefits:
 - a. The Company except for Sugar Division 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 debited to the Profit & Loss Account on accrual basis. In Sugar division gratuity was provided on estimated basis as per the provisions of payment of Gratuity Act.
 - 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 and Sales to other Divisions.
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. Goodwill arising on account of amalgamation is considered in Misc. Expenses which is amortised over a period of 5 Years
- d. 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.

SCHEDULE - U
NOTES TO ACCOUNTS

	As at 31.03.2003 (Rs. in Lakhs)	As at 31.03.2002 (Rs. in Lakhs)
I	Contingent Liabilities not provided for on account of :	
a)		429.27
b)	385.26	672.86
c)	730.68	634.69
d)	1527.26	1114.67
e)	425.76	425.76
f)	22.08	22.08
g)		592.31
h)	3,412.30	3,872.30
2	Licenced and Installed Capacity :	
a)	Licenced Capacity	
i)	25,000	25,000
ii)	2,500	2,500
iii)		
	16,000	16,000
b)	Installed Capacity	
	<i>(As certified by the management and not verified by the auditors, being a technical matter)</i>	
i)	25,000	25,000
ii)	2,500	2,500
iii)		
	16,000	16,000
	Current Year	
	Qty	Rs. in Lakhs
	Previous Year	
	Qty	Rs. in Lakhs
3	Production :	
i)	12,619	14,532
ii)	514,710	364,150
iii)	25,495	17,529
iv)	59,971,364	33,644,487
4	Sales :	
a.	Manufacturing Sales:	
i)	11,918	15,350
ii)	100.24	49.83
iii)	724,863	297,478
iv)	22,408	22,201
v)	39,052,711	17,825,961
vi)	23.59	582.17
	13,889.83	8,773.42

	Unit	Current Year		Previous Year	
		Qty.	Rs. in lakhs	Qty.	Rs. in lakhs
b. Merchandise Sales :					
High Carbon Ferro Crome	MT	2,000.00	394.84	—	—
Lamcoke	MT	2,286.60	93.65	—	—
Silico Manganese	MT	5,000.00	1,171.46	—	—
Cut & Polished Diamonds	CRTS	9,649.01	602.57	6,167.63	360.33
Steel and allied Products	MT	42,161.31	8,223.05	37,049.29	6,852.51
Chrome Ore Concentrate		—	—	9,004.00	296.78
Timber	CBM	3,265.48	462.11	—	—
Boards	Sheets	47,287.00	110.67	—	—
			11,058.35		7,509.62
Total	(a+b)		24,948.18		16,283.04
5 Opening and Closing Stock					
a. Opening Stocks					
i) Finished Goods - Ferro Alloys	MT	1,681	338.95	2,499	456.51
ii) Work in Process- Ferro Alloys			314.80		307.87
iii) Chrome Concentrate	MT	22,200	620.46	6,200	164.30
iv) Sugar	QTL	466,809	5,148.77	400,137	5,701.95
v) Molasses	MT	5,670	79.38	10,342	103.42
vi) Bagasse				17,700	49.56
vii) Work-in-Progress - Sugar Division			79.92		73.22
			6,582.28		6,856.83
b. Closing Stocks					
i) Finished Goods - Ferro Alloys	MT	2,383	481.29	1,681	338.95
ii) Work in Process- Ferro Alloys			462.98		314.80
iii) Chrome Concentrate	MT	—	—	22,200	620.46
iv) Sugar	QTL	256,656	2,726.62	466,809	5,148.77
v) Molasses	MT	8,757	175.14	5,670	79.38
vi) Work-in-process - Sugar Division			81.19		79.92
			3,927.23		6,582.28
6 VALUE OF MATERIALS CONSUMED					
a. Metallurgical Division					
i) Ores	MT	31,304.00	1,003.95	34441.560	932.47
ii) Coke & Coal	MT	10,761.00	469.68	8810.747	326.38
iii) Others (in different units of measurement)			114.49		147.42
	(a)		1,588.12		1,406.27
b. Merchandise Purchases:					
High carbon ferro crome	MT	2,000.00	394.83	—	—
Lamcoke	MT	2,286.60	93.65	—	—
Silico Manganese	MT	5,000.00	1,127.10	—	—
Cut & polished diamonds(ITD)	CRTS	9,427.23	493.56	6167.630	300.33
Steel and allied products	MT	42,161.58	7,713.56	37049.290	6,236.72
Chrome Concentrate	MT	—	—	25004.000	729.51
Timber	CBM	3,258.59	451.69	—	—
Boards	Sheets	47,263.00	109.92	—	—
	(b)		10,384.32		7,266.56
Sugar Division (Raw Material Consumption)					
i) Sugar cane	MT	507,451	6,395.64	362,990	3,099.11
ii) Others			297.42		78.43
	(c)		6,693.06		3,177.54
Total	(a+b+c)		18,665.50		11,850.37

	Current Year		Previous Year	
	Percentage %	Amount Rs. in Lakhs	Percentage %	Amount Rs. In Lakhs
7				
Percentage of Raw Material Consumed / Purchased				
i) Indigenous	93.85	17,516.67	98.79	11,706.51
ii) Imported (Merchandise)				
ii) Imported (Manufacturing)	6.15	1,148.83	1.21	143.86
	<u>100.00</u>	<u>18,665.50</u>	<u>100.00</u>	<u>11,850.37</u>
8				
Stores & Spares Consumed				
i) Indigenous	100.00	364.88	100.00	295.62
	<u>100.00</u>	<u>364.88</u>	<u>100.00</u>	<u>295.62</u>
9				
Auditors' Remuneration				
i) Statutory Audit		1.08		0.80
ii) Tax Audit		0.38		0.30
iii) Certification Charges		0.38		0.15
		<u>1.84</u>		<u>1.25</u>
10				
Managerial Remuneration				
i) Salary		15.00		11.33
ii) Perquisites		7.99		7.39
iii) Contribution to Provident Fund		1.80		1.36
		<u>24.79</u>		<u>20.08</u>
11				
Foreign exchange Earnings / Out Go				
a) FOB Value of Exports				
Metallurgical Division		659.90		479.85
International Trading Division		1,959.00		581.34
b) Income on Investments		454.86		230.94
c) CIF Value of Imports(material) in respect of :				
Metallurgical Division		191.07		143.86
d) CIF Value of Machinery Imported for Sugar Division		—		—
e) Expenditure in Foreign Currency on account of				
Foreign Travel		—		6.71
Consultancy fees		5.86		—
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. Investments held in equity shares of ING Vysya Life Insurance have been pledged as security for loans given to other bodies corporate.				
14				
Interest on preference share application money amounting to Rs. 395.87 lakhs was paid to the applicants pending allotment of preference shares.				
15a				
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 all the respective Divisions of the Company both present and future, ranking pari passu in terms of sanction (Subject to prior charges on specified movables in favour of the Bankers for working capital borrowings).				
b				
Working Capital loans for Metallurgical Division from Andhra Bank is secured by way of hypothecation of finished goods, raw materials, stores & spares, work-in-process, book debts 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 and Co-generation Division from Andhra Bank, Canara Bank and Union Bank of India are secured by way of hypothecation of work-in-process, book debts. Finished goods, stores & spares and secured against second charge on Fixed Assets of the Sugar Division of the Company.				
d				
Working Capital Loans from UTI Bank Ltd. are secured by hypothecation of stock of raw materials, semi finished goods, stores & spares, book-debts, unsold DEPB/SIL and advances to suppliers of International Trading Division and secured by second charge on fixed Assets of the Matallurgical deivision of the compnay.				

- e Loan from Life Insurance Corporation of India is secured by Keyman Insurance Policy.
- f Crop Loan from Union Bank of India is secured by hypothecation of advances to cane growers and a second charge on the movable and immovable properties of the Sugar Division of the Company.
- g Crop Loan from Andhra Bank is secured by hypothecation of advances to cane growers.
- h Loan from Sugar Development Fund, Govt. of India, is secured by way of second charge on all the movable and immovable properties of the Sugar Division of the Company.
- i All the second charges are ranking pari passu perse.
- j Further, all the above loans are guaranteed by Promoter Directors of the Company individually and by the corporate guarantee of Sri Varalakshmi Jute Twine Mills Limited, Rajam
- 16 During the year the company has pre-paid 14 % Secured Redeemable Non Converible Debentures of Rs.28 crores from and out of the internal accruals & unsecured Lonas. Accordingly, the collateral security given to UTI in the form of pledging quoted equity shares held by the promoters and their associates personal guarantees of Mr. G. Mallikarjuna Rao, Mr.G.B.S. Raju and Mr. G. Kiran Kumar and exclusive chrage on plot at Loonavala are withdrawn.
- 17 During the year the company has paid IFCI Term Loan and the same was taken over by Andhra Bank, Rajam with the same terms and conditions stipulated by the IFCI.
- 18 During the year IFCI Term Loan from IFCI for Sugar division and Metallurgical Division and term loan from IREDA for Sugar division was taken over by Andhra Bank, Rajam Branch.
- 19 National Savings Certificates are deposited with Government Departments.
- 20 20,00,000 13.25 % Cumulative Redeemable Preference Shares of Rs.10/- each aggregating to Rs. 200 Lakhs and 4,25,000 15% Cumulative Redemable Preference shares of Rs. 100/- each aggregating to Rs. 425 Lakhs are to be redeemed in phase at par at the end of 5th, 6th and 7th year from the date of allotment in equal instalments.
- 21 10% Cumulative Redeemable Preference Shares of Rs. 2/-each aggregating to Rs. 550/- Lakhs are to be redeemed in phase at premium of Rs. 8/- each at the end of 5th, 6th, 7th year from the date of allotment in equal instalments
- 22 Related Party Disclosure : (As identified by the Management)
- i) Related Party Relationships:
- a) Key Management Personnel and their relatives : Mr. K. Narayana Rao, Managing Director
Mr. C.Prasanna, Director (Finance)
Mrs. K. Sridevi (Spouse of Mr. K. Narayana Rao)
Mrs. C.Lakshmi (Spouse of Mr. C. Prasanna)
- b) Individuals having significant influence and his relatives. : Mr. G.Mallikarjuna Rao, Mrs. G. Varalakshmi
Mr. G.B.S. Raju and Mr. Kiran Kumar Grandhi
- c) enterprise over which person mentioned in (b) above is able to exercise significant influence. : M/s. GMR Investments Pvt. Ltd.,
- Notes: 1) In respect of the above parties, there is no provision for doubtful debts as on 31-3-2003 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:

(Rs. In Lakhs)

Type of Related Party	Nature of Transactions	Value of Transactions during 2002-2003	Balance Outstanding as on 31st March, 2003	
			Debit bal.	Credit Bal.
a) Key Management Personnel	Managerial Remuneration	24.79		0.48
b) Relatives of Key Management Personnel	Rent	4.68		0.46
c) Individuals having significant influence and his relatives.	Rent	5.43		1.34
d) Enterprise over which person mentioned in (d) above is able to exercise significant influence.	Preference Share Application Money	4810.00		4810.00
	Unsecured Loan	600.00		466.60
	Interest Payable	406.63		321.23

20 Segment Information for the year ended 31st March, 2003

Primatry Segment reporting - Business Segments

Rs. In Lakhs

Particulars	META-LARGICAL	INTERNATIONAL TRADING	SUGAR	POWER	VIL AND THEIR SUBSIDIARIES	UNALLO-CATED / Corporate	TOTAL
REVENUE							
External Sales	4,458.03	5,247.42	9,757.78	1,270.44	4,150.99	—	24,884.65
Inter - Segment revenue	—	—	63.53	—	—	—	63.53
	4,458.03	5,247.42	9,821.31	1,270.44	4,150.99	—	24,948.18
Less: Elimination (Inter-segment revenue)	—	—	63.53	—	—	—	63.53
	4,458.03	5,247.42	9,757.78	1,270.44	4,150.99	—	24,884.65
RESULT							
PROFIT BEFORE INTEREST, DEPRECIATION & TAXATION	(4.34)	344.74	1,549.13	358.25	1,256.14	1,217.60	4,721.52
Less Depreciaton	201.24	—	241.31	264.00	2.74	32.95	742.23
PROFIT AFTER DEPRECIATION (Segment Result)	(205.58)	344.74	1,307.82	94.25	1,253.40	1,184.65	3,979.29
Less: Interest Expenses (net of income)						(2,442.14)	(2,442.14)
Less: Prior Period Expenditure						(149.84)	(149.84)
Less: Provisions for taxation Current (Net)						—	(572.86)
PROFIT AFTER TAX						—	814.45
OTHER INFORMATION							
Segment Assets	7,328.80	5,230.79	11,414.72	3,999.97	4,868.29	9,632.36	42,474.93
Segment Liabilities	1,247.37	4,010.09	2,682.34	46.47	3,352.19	12,228.29	23,566.75
Capital Expenditure (incl.Capital Work-in-Progress)	168.07	—	840.57	(130.70)	—	4.84	882.78
Depreciation debited to Profit & Loss account	201.24	—	241.31	264.00	2.74	32.95	742.23
Non Cash Expenses other than depreciation debited to Profit & Loss account	35.60	—	178.52	—	—	31.74	245.87

NOTES:

- A) The Company has identified Bussiness Segments as primary Segments. The reportable Bussiness Segments are "Metallurgical", "Sugar", "Power" 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 Ineternational Trading - Trading in various products both indigineous and Export.
- C) Secondary Segment information - (By Geographical Segments)
- A) SALES
- | | |
|----------------------|------------------|
| Sales within India | 22,329.27 |
| Sales out side India | 2,618.91 |
| TOTAL | 24,948.18 |
- D) All the Assets of the Company are situated within India

Earnings Per Equity Share	2002-2003 Rs. in lakhs	2001-2002 Rs. in lakhs
a) Net Profit after Tax	814.45	350.99
b) Preference Dividend Accrued for the year	248.59	206.65
c) Net Profit After Tax available for Equity Shareholders (a-b)	565.86	144.34
d) Weighted average No. of Equity Shares of Rs.10 each outstanding during the year (No. of Equity shares) (Including 51,74,145 Equity Shares to be allotted to the Share holders of Varalakshmi International Limited on amalgamation and which is considered as Share suspense Account)	32,196,302	27,022,157
e) Basic/Diluted Earnings per Equity Share (d/e) (Rs.)	1.76	0.53

- 27 As on 31.03.2003, the timing difference has resulted in deferred tax liability amounting to Rs. 370.38 Lakhs
The break up of deferred tax assets/liabilities is as follows;
Deferred Tax Liability on account of timing difference in Depreciation : Rs. (1,771.84) Lakhs
Deferred Tax liability on account of Miscellaneous Expenses : Rs. (146.00) Lakhs
Deferred Tax Asset on account of Section 43B of IT Act : Rs. 10.02 Lakhs
Deferred Tax Asset on account of Unabsorbed Losses : Rs. 1537.44 Lakhs
- 28 Interest on loans amounting to Rs. 69.70 Lakhs incurred in connection with Modernisation cum optimisation (MCO) project was capitilised during the year.
- 29 Balance with Central Excise Department includes unavailed Modvat credit of Rs.56.28 Lakhs (Previous Year Rs.31.06 Lakhs) of which Rs.14,318 (Previous Year Rs. 5.37Lakhs) is disputed by the Central Excise Department.
- 30 SSI Units to whom amounts in excess of Rs.1.00 Lakh is due for more than 30 days, not within agreed terms as at 31-03-2003 are NIL
- 31 Excise duty estimated at Rs. 331.26 Lakhs (Previous year Rs.472.00 Lakhs) on Finished goods lying in the Factory Premises However, the Company has not provided Excise duty as a liability and the same is not considered in valuation of closing stock, because of this there is no impact on the profit for the year.
- 32 Balances of Sundry Debtors and Creditors and advances are subject to confirmation.
- 33 Scheme of Amalgamation of Varalakshmi International Limited along with its 100% subsidiaries
- Pursuant to the scheme of amalgamation sanction by the High Courts of Chennai, Calcutta and Hyderabad vide orders dated 10.12.2003, 18.02.2004 and 25.03.2004 respectively. M/s. Varalakshmi International Limited along with its 3 subsidiaries namely M/s. Eastern syntex Private Limited, M/s Shulton Commercial Company Private Limited and M/s Varistha Finco Private Limited were merged with the company with retrospective effect from 01.04.2002.
 - Net excess of liabilities over fair value of the Assets of transferor company as on 01.04.2002 amounting to Rs. 158.72 Lakhs is transferred to Goodwill as provided in AS 14 on Accounting for Amalgamations.
 - Goodwill arising on account of amalgamation is amortised over a period of 5 years
 - As per the scheme of amalgamation shares were issued to the erstwhile shareholders of M/s Varalakshmi International Limited in the following manner:
In respect of every two Equity shares of the face value of Rs.10/- (Rupees ten only) each fully paid up held in Varalakshmi International Limited.
 - 1 (one) equity share of the face value of Rs. 10/- (Rupees ten only) each fully paid up of GIL; and
 - 4 (four) 8% Redeemable Preference Shares of the face value of Rs. 11/- (Rupees eleven only) each fully paid up of GIL; {The preference shares would be redeemed in 8 (eight) years with a call option to VIL, for redumption after 3 (three) years.}
 - Previous year's figures are not comparable on account of amalgamation of M/s. Varalakshmi International Limited and its subsidiaries with the company with effect from 01.04.2002.
- 33 Previous year's figures have been regrouped wherever necessary.
- 34 Additional information pursuant to provisions of Part IV of Schedule VI to 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.
Director & CFO

Place : Hyderabad
Date : 26th May 2004

V. Balasubramanian
Vice President (Finance) &
Company Secretary

CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2003

	Year Ended 31-03-2003	Year Ended 31-03-2002
Rs. in Lakhs		
A. Net profit before tax and extraordinary items	1,387.31	364.94
Adjustments for:		
Loss on sale of fixed assets	49.10	3.63
Depreciation & Miscellaneous expenditure writtenoff	988.10	809.51
Interest and Financial charges	2,442.14	2410.45
Bad debts & advances written off	69.94	0.09
Profit on sale of investments	(6.86)	(911.83)
Profit on transfer of Assets	—	—
Good will on account of Amalgamation	158.72	—
Transfer from General Reserve	—	(1,275.15)
Dividend received	(15.41)	(0.08)
OPERATING PROFIT BEFORE WORKING CAPITAL CHANGES	5,073.04	1401.56
Adjustments for :		
Trade & Other receivables	(5,430.81)	1868.37
Inventories	2,467.20	300.63
Trade Payables	6,368.05	765.57
Cash generated from operations	8477.48	4336.13
B. Cash flow from investing activities		
Purchase of fixed assets	(466.30)	(2,482.01)
Sale of fixed assets	71.14	9.88
Increase in Miscellaneous expenditure	555.01	(362.55)
Purchase of Investments	(5,205.66)	(3,502.15)
Sale of Investments	410.83	3,491.61
Dividend Received	15.41	0.08
	(4,619.57)	(2,845.14)
C. Cash flow from financing activities		
Preference Share Capital	—	215.00
Preference Share Application Money	4,810.00	2750.00
Proceeds from long term borrowings(Net)	(429.93)	286.30
Working Capital Borrowings	(1,528.63)	648.74
Interest Paid	(2,442.14)	(2,410.45)
Direct Taxes paid (Net of refund)	(572.86)	(13.95)
Unsecured Loans	(2,186.57)	(2,843.05)
	(2,350.14)	(1,367.41)
D. Net increase in cash & cash equivalents (A+B+C)	1507.78	123.58
Cash & Cash equivalents (Opening Balance)	723.37	599.79
Cash & Cash equivalents (Closing Balance)	2,187.95	723.37

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.
Director & CFO

Place : Hyderabad
Date : 26th May 2004

V. Balasubramanian
Vice President (Finance) &
Company Secretary



GMR INDUSTRIES LIMITED

Registered Office : Ravivalasa Village - 532 212, Tekkali Mandal, Srikakulam District, Andhra Pradesh

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 18th Annual General Meeting of the Company at its Registered Office: Ravivalasa Village - 532 212, Tekkali Mandal, Srikakulam District, Andhra Pradesh on Saturday, 7th August, 2004 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 : Ravivalasa Village - 532 212, Tekkali Mandal, Srikakulam District, Andhra Pradesh

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 18th Annual General Meeting of the Company at its Registered
Office: Ravivalasa Village - 532 212, Tekkali Mandal, Srikakulam District, Andhra Pradesh on Saturday, 7th August, 2004 at 4.00 P. M.
and at any adjournment thereof.

Signed this day of 2004.

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.

Board of Directors

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

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

Mr. V. Balasubramanian

Statutory Auditors

M/s. S. Venkatadri & Co., Hyderabad

Bankers

Andhra Bank
Union Bank of India
UTI Bank Ltd

Registered Office

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

Corporate Office

D No.6-3-866/1/G2, Greenlands
Begumpet, Hyderabad - 500 016
Tel: 040-23410191 - 4
Fax: 040-23410184

Operating Units

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

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

**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

**PRINTED MATTER
BOOK - POST**

If undelivered, please return to:

GMR INDUSTRIES LIMITED

(formerly GMR Technologies & Industries Limited)

Ravivalasa Village - 532 212,

Tekkali Mandal,

Srikakulam District,

Andhra Pradesh