

Board of Directors

Mr. K. Balasubramanian Chairman
Mr. K. Narayana Rao Managing Director
Mr. R. Ramakrishnan Jt. Managing Director (wef 12th August 2006)
Mr. T.C.S. Reddy Director (Technical) (wef 12th August 2006)
Mr. G. Kiran Kumar
Mr. A. Sankara Rao
Mr. A. Subba Rao
Mr. I. Sada Siva Gupta
Mr. N. V. Varadarajulu
Mr. Uday M. Chitale (wef 12th August 2006)
Mr. Viswanath Prasad Singh

Vice President (Finance) & Company Secretary

Mr. M. R. Ramachandran

Statutory Auditors

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

Bankers

Andhra Bank
Union Bank of India
State Bank of Mysore

Registered Office & Corporate Office

6-3-866/1/G2, Greenlands
Begumpet, Hyderabad - 500 016
Tel : 040 - 23410191 to 195
Fax : 040 - 23410184

Operating Divisions

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

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

Aircraft Division
6-3-866/1/G2, Greenlands
Begumpet, Hyderabad - 500 016
Tel : 040 - 23410191 to 195
Fax : 040 - 23410184

Registrars, Share Transfer Agents & Depository Registrars

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

NOTICE

Notice is hereby given that the 20th Annual General Meeting of GMR Industries Limited will be held on Thursday, the 28th September, 2006 at 10.00 A.M. at "K. L. N. Prasad Auditorium", in the premises of The Federation of Andhra Pradesh Chambers of Commerce and Industry, Federation House, 11-6-841, Red Hills, P. B. No.14, Hyderabad - 500 004, A.P., to transact the following business :

Ordinary Business

1. To receive, consider and adopt the Audited Balance Sheet as at 31st March 2006, the Profit and Loss Account for the year ended as on that date and the reports of the Directors' and the Auditors' thereon.
2. To consider declaration of dividend on equity shares and preference shares.
3. To appoint a Director in place of Mr. G. Kiran Kumar, who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Mr. A. Subba Rao, who retires by rotation and being eligible, offers himself for re-appointment.
5. To appoint a Director in place of Mr. N. V. Varadarajulu, who retires by rotation and being eligible, offers himself for re-appointment.
6. To re-appoint M/s. S. Venkatadri & Co., Chartered Accountants, Hyderabad, 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

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

"RESOLVED THAT Mr. K. Balasubramanian, who was appointed as an Additional Director of the Company by the Board of Directors on 24th October 2005 and holds directorship under Section 260 of the Companies Act 1956, upto the date of the Annual General Meeting, be and is hereby appointed as a Director of the Company, liable to retire by rotation."

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

"RESOLVED THAT Mr. Viswanath Prasad Singh, who was appointed as an Additional Director of the Company by the Board of Directors on 24th October 2005 and holds directorship under Section 260 of the Companies Act 1956, upto the date of the Annual General Meeting, be and is hereby appointed as a Director of the Company, liable to retire by rotation."

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

"RESOLVED THAT Mr. Uday M. Chitale, who was appointed as an Additional Director of the Company by the Board of Directors on 12th August 2006 and holds directorship under Section 260 of the Companies Act 1956, upto the date of the Annual General Meeting, be and is hereby appointed as a Director of the Company, liable to retire by rotation."

10. 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 passed earlier on 7th August 2004, pursuant to Sections 198, 269, 309, 310 and other applicable provisions, if any, of the Companies Act 1956, read with Schedule XIII thereto 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. of Mr. K. Narayana Rao with effect from 1st July 2005 on the terms and conditions as set out below:

- a. Basic Salary : Rs.1,17,000/- per month
- b. Perquisites & Allowances :

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 Rs.1,00,000/- in a year.
- (iv) Leave Travel Concession: Leave Travel Concession for self and family once in a year subject to a ceiling of Rs.1,00,000/- in a year.
- (v) Special Allowance not exceeding Rs.2,06,724/- 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, Gratuity 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 in the absence of or inadequacy of profits in any financial year, the above remuneration will be paid as minimum remuneration in terms of sub-section I (A) of Section II Part II of Schedule XIII of the Companies Act 1956."

11. 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 passed earlier on 7th August 2004, pursuant to Sections 198, 269, 309, 310 and other applicable provisions, if any, of the Companies Act 1956, read with Schedule XIII thereto 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 Joint Managing Director i.e of Mr. V. K. Rao Ch., with effect from 1st July 2005 to 31st December, 2005 on the terms and conditions as set out below:

- a. Basic Salary : Rs.72,000/- per month
- b. Perquisites & Allowances :

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 Rs.1,00,000/- in a year.
- (iv) Leave Travel Concession: Leave Travel Concession for self and family once in a year subject to a ceiling of Rs.1,00,000/- in a year.

- (v) Special Allowance not exceeding Rs. 52,050/- 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 in the absence of or inadequacy of profits in any financial year, the above remuneration will be paid as minimum remuneration in terms of sub-section I (A) of Section II Part II of Schedule XIII of the Companies Act 1956."

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

"RESOLVED THAT pursuant to Sections 198, 269, 309, 310 and other applicable provisions, if any, of the Companies Act 1956, read with Schedule XIII thereto as amended up to date, the consent of the members of the Company be and is hereby accorded to the re-appointment of Mr. K. Narayana Rao, as the Managing Director of the Company, for a further period of five years with effect from 23rd December 2005, on the terms and conditions as set out below:

- a. Basic Salary : Rs.1,17,000/- per month
- b. Perquisites & Allowances :

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 Rs.1,00,000/- in a year.
- (iv) Leave Travel Concession: Leave Travel Concession for self and family once in a year subject to a ceiling of Rs.1,00,000/- in a year.
- (v) Special Allowance not exceeding Rs.2,06,724/- per annum.
- (vi) Club Fees: Membership Fees in any Two Clubs not being Admission and Life Membership Fee.
- (vii) Medclaim 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, Gratuity 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 in the absence of or inadequacy of profits in any financial year, the above remuneration will be paid as minimum remuneration in terms of Sub-Section I (A) of Section II Part II of Schedule XIII of the Companies Act 1956."

"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) at appropriate intervals during the remaining period of appointment at the discretion and judgement of the Board."

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

"RESOLVED THAT pursuant to Sections 198, 269, 309, 310 and other applicable provisions, if any, of the Companies Act 1956, read with Schedule XIII thereto as amended up to date, the consent of the members of the Company be and is hereby accorded to the appointment of Mr. R. Ramakrishnan as the Joint Managing Director of the Company, for a period of five years with effect from 12th August 2006 on the terms and conditions as set out below:

- a. Basic Salary : Rs.1,00,000/- per month
- b. Perquisites & Allowances :

Category - A:

- (i) House Rent: House Rent Allowance or Rent Free Unfurnished Accommodation not exceeding 50% of basic salary.
- (ii) Transport Allowance - Rs.800/- per month.
- (iii) Special Pay - Rs.1,42,304/- per month.
- (iv) Children Education - Rs.200/- per month
- (v) Leave Travel Assistance : Leave Travel Assistance for self and family subject to a ceiling of Rs.1,00,000/- per annum.
- (vi) Medical Reimbursement - Medical Expenses incurred on self and family subject to a ceiling of 15,000/- per annum.
- (vii) Group Medclaim and personal Accident premia - Rs.5,350/- per annum.
- (viii) Festival Bonus - Rs.1,20,000/- per annum

Category - B:

- (i) Contribution to Provident Fund, Superannuation Fund or Annuity Fund, Gratuity 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.

"RESOLVED FURTHER THAT in the absence of or inadequacy of profits in any financial year, the above remuneration will be paid as minimum remuneration in terms of sub-section I (A) of Section II Part II of Schedule XIII of the Companies Act 1956."

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

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

"RESOLVED THAT pursuant to Sections 198, 269, 309, 310 and other applicable provisions, if any, of the Companies Act 1956, read with Schedule XIII thereto as amended up to date, the consent of the members of the Company be and is hereby accorded to the appointment of Mr. T.C.S. Reddy as the Director (Technical) of the Company, for a period of five years with effect from 12th August 2006 on the terms and conditions as set out below:

- a. Basic Salary : Rs.1,17,000/- per month
- b. Perquisites & Allowances :

Category - A :

- (i) House Rent: House Rent Allowance or Rent Free Unfurnished Accommodation not exceeding 40% of basic salary.
- (ii) Transport Allowance / Gas & Electricity - Rs.800/- per month
- (iii) Special Pay - Rs.10,360/- per month
- (iv) Leave Travel Assistance - Leave Travel Assistance for self and family subject to ceiling of Rs.1,00,000/- per annum
- (v) Medical Reimbursement - Medical Expenses incurred on self and family subject to a ceiling of Rs.15,000/- per annum
- (vi) Mediclaim Insurance and Plans as per the rules of the Company.
- (vii) Festival Bonus - Rs.1,17,000/- per annum

Category - B :

- (i) Contribution to Provident Fund, Gratuity, etc 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.

"RESOLVED FURTHER THAT in the absence of or inadequacy of profits in any financial year, the above remuneration will be paid as minimum remuneration in terms of sub-section 1 (A) of Section II Part II of Schedule XIII of the Companies Act 1956."

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

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 16, Section 17(1) and other applicable provisions, if any, of the Companies Act 1956, the existing Main Objects Clause No.6 be and is hereby substituted and replaced by the following clause :

6. To carry on the business of merchandise activity including domestic / export sale / purchase of all commodities, goods, materials, minerals, ferrous and non-ferrous metals, ores, , agricultural products, fisheries / prawns, equipment, appliances, machinery including parts, spares, telecommunication / electrical / electronic equipment including computers, consumables, accessories, towers, radios, cables, etc. and all other items of merchandise value and in respect of any objects / business pursued by the Company to carry on all activities relating to pollution abatement in the projects undertaken or operated by the Company, undertake Clean Development Mechanism (CDM) activities under Kyoto Protocol of UNFCCC, develop and register CDM Projects with UNFCCC's CDM-Executive Board, acquire and trade in carbon credits through emission reductions and registrations mandated statutory national and international agencies, acquire, obtain, absorb, create any pollution reducing technologies, mitigation of green house gas emissions, and to generally undertake all activities related to pollution reduction and related initiatives, including any environmental treaties and avail commercial accruals relating to the same."

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 16, Section 17(1) and other applicable provisions, if any, of the Companies Act 1956, the existing Main Objects Clause No.13 be and is hereby substituted and replaced by the following clause :

13. To carry on all agri related businesses including but not limited to, manufacture of sugar, refined sugar, artificial sweeteners, pharma sugar, sugar cubes/ sachets, branded sugar, fortified sugar and all value added sugar products and related products, carry on the business of dairy and animal husbandry, production and manufacture of all diary related products, carry on the business of confectioners inclusive of but not limited to manufacture of

sweets, biscuits, eclairs, gums, mints, lozenges, hard boiled confectioneries, toffees, wafers, chips, sauces, fruit based drinks, bakery and other related products, and manufacture, extraction and production of bio-diesel, and seeds production, distribution, commercial nurseries, developing various hybrid strains and patenting them, entail agri research and development activities, fertilizers, including bio-fertilizers, bio-pesticides, bio-fungicides, bio compost, manures, organic and inorganic, collaborations with research institutions and foreign partners, and to generally carry on all activities and businesses as may be needed or incidental to in the field of agriculture, animal husbandry and food industry, as permitted by law."

By order of the Board of Directors

Place : Hyderabad
 Date : 12th August 2006

M.R. Ramachandran
 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, the Register of Beneficial Owners and the Share Transfer Books of the Company will remain closed from 21st September 2006 to 28th September 2006, both days inclusive.
5. Members holding shares in physical form, may write to the Company's Share Transfer Agents (M/s. Karvy Computershare Private Limited) for any change in their address and bank mandates and Members having shares in electronic form may inform the same to their Depository Participants.
6. Members desiring any information as regards to the Accounts are requested to write to the Company at an early date so as to enable the information to be kept ready.
7. Pursuant to the provisions of Section 205C of the Companies Act 1956, the dividend amount pertaining to financial year 1998-99 remaining unclaimed would be due for transfer to Investor Education and Protection Fund in month of November 2006. Hence, the shareholders are requested to claim their unclaimed dividends for the financial year 1998-99, at the earliest.
8. Detailed information regarding the Stock Exchanges where the equity shares of the Company are listed, along with their address and the stock code given to the Company by the respective Stock Exchanges is indicated in the Corporate Governance Report, forming part of the Directors' Report.
9. The resolutions under Item Nos. 15 and 16 pertaining to alteration of Objects Clause of the Memorandum of Association of the Company need to be passed by means of Postal Ballot. The Postal Ballot forms and draft resolutions are being sent in advance. Members are requested to complete the Postal Ballot forms and accord their accord assent / dissent and send it to the Scrutinizer, Mr. L. V. V. Iyer in the prepaid envelope sent along with the Postal Ballot forms.
10. Shareholders holding shares in physical form and residing in the following cities may avail the Electronic Clearing Service Facility (ECS), in respect of dividend.

 Ahmedabad, Bangalore, Bhubaneswar, Chandigarh, Chennai, Guwahati, Hyderabad, Jaipur, Kanpur, Kolkata, Mumbai, Nagpur, New Delhi, Patna and Thiruvanthapuram.

 To avail the ECS Facility, the Shareholders are requested to complete ECS Form given in this Annual Report and forward the same to M/s. Karvy Computershare Private Limited, on or before 15th September 2006.

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

Item No.7

Mr. K. Balasubramanian was appointed as an Additional Director on the Board with effect from 24th October 2005 and shall hold the office till this Annual General Meeting. Mr. K. Balasubramanian has 40 years of experience in international banking, finance and general management. He is a graduate in Commerce from the University of Madras and has done the Advanced Management Programme from the Harvard Business School. After working in India with two of the largest Banks viz., UCO Bank and Bank of India, for about 10 years, he joined American Express Bank in 1973. He held senior positions in marketing, credit and general management in several countries in Asia and Europe during his 25 years of service with American Express Bank. The Company is

expected to benefit from his rich and varied experience. The Company has received a notice in writing from a member of the Company along with the required deposit, proposing the candidature of Mr. K. Balasubramanian for the office of Director under the provisions of Section 257 of the Companies Act 1956. The profile of Mr. K. Balasubramanian is given under the head - Shareholder information in Corporate Governance, which is annexed thereto.

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

None of the Directors except Mr. K. Balasubramanian is interested in the resolution to the extent of his appointment.

Item No.8

Mr. Viswanath Prasad Singh was appointed as an Additional Director on the Board with effect from 24th October 2005 and shall hold the office till this Annual General Meeting. Mr. Singh has 39 years of experience in banking, international banking, finance and general management. He is a Post Graduate in Commerce, Laws and Banking. He took training in Corporate Finance and Investment Banking in India, USA, Japan, South Korea and Singapore. He has international exposure with leading financial institutions, viz., World Bank, ADB, IFC (Washington), CDC London, DEG Germany and European Investment Bank. The Company is expected to benefit from his rich and varied experience. The Company has received a notice in writing from a member of the Company along with the required deposit, proposing the candidature of Mr. Viswanath Prasad Singh for the office of Director under the provisions of Section 257 of the Companies Act 1956. The profile of Mr. Viswanath Prasad Singh is given under the head - Shareholder information in Corporate Governance, which is annexed thereto.

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

None of the Directors except Mr. Viswanath Prasad Singh is interested in the resolution to the extent of his appointment.

Item No. 9

Mr. Uday M. Chitale is a practising Chartered Accountant and a senior partner of M/s. M. P. Chitale and Co., Chartered Accountants, Mumbai and is part of the global network of Consulting and Accounting firms DKF International with headquarters in United Kingdom and affiliates in over 65 countries. He has been associated with the group since 2004 and at present is serving as Director in Vemagiri Power Generation Ltd and GMR Infrastructure Ltd. He is also serving as Director in many other companies including ICICI Securities Ltd. He was also a member of many Expert Committees set up by the Government of India, Insurance Regulatory and Development Authority, Reserve Bank of India, SEBI and other

professional bodies. He has been conferred Accreditation as a Certified Mediator by the Centre for Dispute Resolution (CDR), London, United Kingdom.

The Company is expected to benefit from his rich and varied experience. The Company has received a notice in writing from a member of the Company along with the required deposit, proposing the candidature of Mr. Uday M. Chitale for the office of Director under the provisions of Section 257 of the Companies Act 1956. The profile of Mr. Uday M Chitale is given under the head - Shareholder information in Corporate Governance, which is annexed thereto.

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

None of the Directors except Mr. Uday M. Chitale is interested in the resolution to the extent of his appointment.

Item Nos. 10 and 11

During the financial year 2004-05, the overall performance of your Company has been impressive. Considering the contribution put in by Mr. K. Narayana Rao, Managing Director and late Mr. V. K. Rao Ch., Joint Managing Director for the growth of the Company, remunerations of Mr. K. Narayana Rao, Managing Director and Late Mr. V. K. Rao Ch., Joint Managing Director have been revised as set out in the resolutions under Item Nos.10 and 11 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 24th October 2005, subject to the approval of the shareholders. Mr. V. K Rao Ch. was Joint Managing Director till December 2005 and later a Non Executive Director till 8th March 2006, the date of his death. Increased remuneration was paid to Mr. V. K. Rao Ch. till December 2005 only.

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

None of the Directors of the Company except Mr. K. Narayana Rao is interested in the aforesaid resolution, concerning his remuneration.

Item No.12

As the term of office the Managing Director was coming to an end on 22nd December 2005, the Board of Directors of the Company in its meeting held on 24th October 2005 have reappointed Mr. K. Narayana Rao as Managing Director (subject to the approval of the shareholders) for a further period of five years with effect from 23rd December 2005, on the terms and conditions, including remuneration as set out under Item No.12 of the Notice. The Company is expected to continue to benefit from his rich and varied experience.

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

None of the Directors of the Company except Mr. K. Narayana Rao is interested in this item of business.

Item Nos.13 and 14

As part of reorganization and also keeping in mind the medium and long term strategic plans for the manufacturing business and in line with the Group's objectives to induct new management talent to sustain the growth and at the same time to provide opportunities for existing senior management employees to get exposure and experience in other areas of the Group's business, Mr. R. Ramakrishnan has been appointed as a Joint Managing Director with effect from 12th August 2006 by the Board of Directors of the Company. Mr. R. Ramakrishnan has an illustrious career spanning over 34 years with some of the leading organizations such as MICO, Addison & Co., Carborandum Universal Ltd and Sanmar Group. He holds a Bachelors degree in Commerce, Mechanical Engineering and an MBA from Bangalore University. His previous assignment was as Chief Executive Officer of one of the Joint Venture engineering companies of Sanmar Group.

Further, Mr. T.C.S. Reddy has been appointed as a Director (Technical) of the Company with effect from 12th August 2006. Earlier to his appointment as Director (Technical), Mr. Reddy has been the President (Sugar Division) of the Company serving the organization for the last 10 years and is well versed in all matters relating to sugar business. He is a Mechanical Engineer and an associate member of National Sugar Institute, Kanpur. He has a total 32 years of rich experience in the Sugar Industry in various capacities. He holds fellow membership in Sugar Technologists Association of India and Life Membership in South Indian Sugar Cane and Sugar Technologists Association.

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

None of the Directors except Mr. R. Ramakrishnan and Mr.T.C.S. Reddy are interested in the resolutions, appointing such managerial personnel.

Item No. 15

It was at the United Nations Framework Convention on Climate Change (UNFCCC) at Kyoto in 1997 where Clean Development Management (CDM) was mooted. Here, participant countries agreed to reduce their aggregate Greenhouse Gas (GHG) emissions to 5.2% below their 1990 levels by 2008-2012. Industry could reduce emission either from its own operations or use flexible mechanisms such as joint implementation among developed countries, CDM and emission trading (ET).

CDM is an investment proposition by which developed countries can invest in GHG mitigation project in a developing country. While companies in the developed country get credits towards their emission reduction targets, developing countries get both capital and clean technology. Funding is normally up to the amount of GHG reduction, while the rate of carbon credits is market-driven. Alternatively, a Company in a developing economy can undertake a GHG abatement project, generating carbon credits for sale to corporations in the developed world.

It is proposed to undertake registration of CDM for the Company's Projects and participate in emission trading. To enable the Company to undertake the said activities, it is proposed to amend the objects clause of the Memorandum of Association of the Company by replacing existing Clause No. 6 with the new clause as to include the above for the purpose of clarity. As per Section 192A of the Companies Act 1956 read with Companies (Passing of the Resolution by Postal Ballot) Rules 2001, the alteration of Objects Clause is to be passed by means of Postal Ballot.

Hence, your Directors commend the proposed resolution for the approval of the Members by means of Postal Ballot.

None of the Directors is interested in the resolution

Item No. 16

The Main Objects Clause No. 13 of the Memorandum of Association of the Company enables the Company to carry on the business of, inter alia, manufacturing of fertilizers, bio compost and manures, organic and inorganic and related activities. For the purpose of clarity, it is proposed to include activities related to bio-fertilizers, bio-pesticides and bio-fungicides and replace the matter in the existing Main Objects Clause No.13. As per Section 192A of the Companies Act 1956 read with Companies (Passing of the Resolution by Postal Ballot) Rules 2001, the alteration of Objects Clause is to be passed by means of Postal Ballot.

Hence, your Directors commend the proposed resolution for the approval of the Members by means of Postal Ballot.

None of the Directors is interested in the resolution

By order of the Board of Directors

Place : Hyderabad
Date : 12th August 2006

M.R. Ramachandran
Vice President (Finance) &
Company Secretary

DIRECTORS' REPORT

Dear Shareholders,

Your directors are pleased to present the 20th Annual Report of the Company together with the Audited Accounts for the financial year ended 31st March 2006.

FINANCIAL HIGHLIGHTS

(Rs. in lakhs)

Particulars	Year Ended 31.03.2006	Year Ended 31.03.2005
Sales Income	25,635.77	29,781.23
Other Income	2,690.80	1,877.81
Total Income	28,326.57	31,659.04
Profit before Interest and Depreciation	6,809.88	5,232.32
Interest	1,348.29	1,250.63
Depreciation	969.06	825.49
Profit before Tax	4,492.53	3,156.20
Provision for - Current Tax	371.62	248.19
- Deferred Tax	651.00	1,037.76
- Fringe Benefit Tax	17.66	-
Profit after Tax	3,452.25	1,870.25
Balance brought forward from previous year	2,084.25	1,825.50
Balance available for appropriations	5,536.50	3,695.75
Appropriations:		
Proposed Preference Dividend	182.13	149.88
Proposed Equity Dividend	804.91	605.65
Taxes on Dividends	138.43	105.97
Transfer to Capital		
Redemption Reserve	-	550.00
Transfer to General Reserve	500.00	200.00
Balance carried forward to Balance Sheet	3,911.03	2,084.25

DIVIDEND

In view of profits during the year, your directors are pleased to recommend a dividend of Rs.2.50 per equity share of Rs.10/- (25%) on the 3,21,96,302 equity shares, which if approved, at the forthcoming Annual General Meeting will be paid to all those shareholders whose names appear in the Register of Members and the Register of Beneficial Owners as on 28th September 2006.

The fixed rate of dividend on preference shares for the year ended 31st March 2006 would be paid to the preference shareholders, upon approval by the shareholders.

REVIEW OF OPERATIONS AND PERFORMANCE

During the year under review the operations of the Company were satisfactory given the difficult conditions prevailing in

both the segments of cogen power and ferro alloys. The unseasonal rainfall during the second half with the lack of it in the first half significantly affected the crushing operations and led to a fall in sugar recovery from 10.56% in the previous year to 9.86%. This, as a consequence led to delayed crushing operations and lower export of power to the state grid. Besides the distillery unit which underwent a first full year of operations also had its share of problems which has since been successfully resolved. The steep fall in the prices of ferro chrome from the second half of the year led to stocking of the materials leading to a negative bearing on the sales and profitability of the unit. The prices have since started moving up from March 2006 which would result in liquidating the accumulated stocks in the current year.

The Bio Fertilizer project was also commissioned during the year.

During the year the Company had sold its entire investment in ING Vysya Life Insurance Company Limited which resulted in a net income of Rs.1,103 lakhs.

MANAGEMENT DISCUSSION AND ANALYSIS

Sugar Division:

Industry Structure and Development

As part of sugar production, power from the co-generation and rectified spirit, ethanol and impure spirit from the distillery unit are also produced. Sugar is a controlled commodity with the Government of India exercising control on its movement and sale. Exemption for applicable levy under incentive scheme is getting over by September 2006. Due to high competition the Sugar Companies have come to realize that standalone sugar is not sufficient to sustain and need to go in for captive and export of power and distillery to augment their operations.

Future Outlook

The outlook for the next few years appears promising with a good monsoon in the previous year and all the excess inventory expected to be liquidated in the current year. Prices are expected to stay attractive for a while. Decontrol of sugar has also been deferred for the time being by Government of India.

Opportunities and Threats

Sugar production for the country is expected to touch 22 million tons this year and this coupled with the liquidation of existing stocks would lead to slightly lower prices this year. Brazil the largest sugar producer in the world has about 50% of its cane diverted to ethanol production, which would lead to the mark up in sugar prices in due course. The Company is going for an expansion from the present 3125 tons crushing

per day (TCD) to 5000 TCD at a cost of Rs. 4,000 lakhs expected to be operational from October 2006 in time for the new crushing season. Cane plantation has already commenced with the identification of Cane Development Zone. Your Company is also setting up a new Greenfield plant at Haliyal near Hubli in Karnataka under a separate Company i.e Bharat Sugar Mills Limited at a cost of Rs.27400 lakhs. This proposed plant would have an initial crushing capacity of 3500 TCD expandable to 5000 TCD and a 24 MW of co-generation power plant and a distillery plant with a capacity of 45KL per day. This plant is expected to be operational from around October 2007. The Company is in the process of obtaining necessary approvals and procurement of land. Threats from natural calamities like drought and cyclones, price fixation by the Government and the possibilities of farmers switching over to alternate crops continue. Competition from alternative sweeteners like Jaggery do still exist. No new threats are foreseen.

Cogeneration Division :

Industry Structure and Development

Setting up a number of bio mass plants throughout Andhra Pradesh has had an effect of restricting the supply of bio mass to be used as fuel to the boiler for the production and supply of power to the grid. Further the decision of APERC to restrict the purchase power by applying the Plant Load Factor (PLF) of 55% to the net exportable quantity also led to a dip in the profitability of this division. This acts as a deterrent for the efficient running of this division. The Company has taken up with AP Transco and other authorities for the speedier settlement of all its claims.

Future Outlook

The Company has already applied for eligibility of Carbon Emission Rights (CER) for its cogeneration unit and expects the availability from the current year. The Company also plans to use more and more of bio fuels like cane trash from its farmers as an alternate fuel.

Opportunities and Threats

Notwithstanding the unremunerative price structure for the supply of power to grid the division shows promise of fair return in future due to an efficient operation by generating power at a lower cost.

Risks and Concerns

Progressive reduction of power tariff by the AP Government and the restrictions placed for use of coal along with the unreasonable interpretation of PLF by AP Transco are the major risk factors which are being addressed by the Company with the competent authorities.

Distillery Division :

Industry Structure and Development

The year under review was the first year of full operations and the Company produced mainly Rectified Spirit / Impure Spirit from molasses.

Future Outlook

The introduction of ethanol as a bio fuel as part of doping policy is a very positive step in the conservation of fossil fuel. The Company has earnestly started on the same and has started producing ethanol and supplied to various oil companies. Further the process of methane generation and its utilization results in saving of fossil fuel making us eligible for carbon credit. The Company has already started looking into other areas where carbon credit could be obtained.

Opportunities and Threats

Ethanol production has opened up the division to numerous opportunities which the Company is planning to put to good use. Bulk supplies are on to various oil companies and pharma companies. No threats are foreseen in the near future in this division which as a whole is expected to do well in the near future since most of the teething problems faced in the previous year have been attended to.

Risks and Concerns

The hesitation in the use of ethanol by the Oil companies as a substitute is a major risk factor given their reservations on the same. Nevertheless, the Company is confident of overcoming the same as this is a step towards conservation for natural resources and is bound to be encouraged by the Government of India through the Ethanol Blending Programme (EBP).

International Trading Division :

As part of its consolidation efforts aimed at securing recognition as a core competent player in sugar and allied products, the Company is slowly easing out of the trading division restricting only to ferro related products. The drop of trading sales steeply during the year under review had led to reduction of overall sales income as compared to the previous year.

Aircraft Operations :

The Company successfully ventured into aircraft chartering operations by acquiring an aircraft at the end of the financial year and plans to bring in revenue in subsequent years from aircraft chartering operations.

Future Outlook

The increasing use of charter flights by executives of most of the Companies in India for business travel augurs well for this division. Further plans for this division would be drawn up based on the results of its operations during the current year.

Ferro Alloy Division :

Industry Structure and Development

The main product Ferro Chrome is a basic input for the stainless steel industry and is directly connected to its fortunes. Stainless steel industry was in a slump till recently and this had an adverse effect on the Ferro Alloy Division. Now with China again opening up its imports the demand for ferro chrome has since picked up from the end of March 2006. But the slump did affect the workings of the division for the year under review necessitating huge pile up of stocks resulting in high inventory carrying costs. With improvement in the prices during the current year the excess inventory is being liquidated.

The Company produced 26,185 MTs and sold 21,190 MTs during the year 2005-06 as against 27,854 MTs and 26,101 MTs respectively in the corresponding previous year.

Future Outlook

Grant of mining lease along with captive power generation would go a long way in making this division insulated from the vagaries of this industry. Till such time, high energy cost and fluctuating market will make this division more prone to cyclical operations.

Opportunities and Threats

A continuing demand for stainless steel coupled with mining lease will throw significant opportunities to this division. A spiraling power cost poses a major threat because of which problems shall start to balloon in times of low production.

Risks and Concerns

The monopolistic pricing of chrome ore and the absence of long term agreement on power cost are some of the risks.

Human Resource Development

One of the greatest learning is in leveraging the value of people, an ever increasing asset. In your Company people policies are dynamic and are reviewed and refined by an independent authority to meet the changing business environment and make it aligned with the business objectives. In its endeavor to listen and respond to the voice of the people, the Company has institutionalized the process of soliciting their views and launched several new initiatives like Balanced Score Card, 5S, PMS, PCMM and 6 Sigma to match the ever-changing employee aspirations.

Your Company would continue to focus on talent management and their retention in what is already a skill driven organization. While the Company today delivers what the customer wants and is consciously charting its growth with the objective of meeting all the aspirations of stakeholders, the management has been professionalized in key functions of the organization. As on 31st March 2006 the number of salaried employees stood at around 700 and the relationship with the employees had been cordial through the year.

Quality and Cost Management and Future Outlook

Your Company has derived significant business advantages from responsible products stewardship. Noteworthy advancements in the form of reduced manufacturing costs and consistent quality standards have been ensured while all legal and regulatory requirements have been fully complied with. A conscious awareness for applying quality controls and cost leadership has permeated the organization at all levels. The skilled and experienced team at the units are also conscious of its responsibility and delivers what the market wants. The various cost synergies from its integration policy and insistence on quality have attractively positioned the Company to become a competitive player in the increasingly cost conscious markets of the future.

With a view to become a major player in the sugar industry, where it feels that its core competencies lie, the Company is proposing to demerge the ferro alloy division into a separate Company in the name of GMR Ferro Alloys & Industries Limited. Shares in the new Company would be offered to the existing shareholders on the basis of their holding in this Company, as per the entitlement set forth in the report submitted by M/s. Deloitte Haskins & Sells, the approved valuers for this purpose. The Company has started to implement the process to seek the sanction of the Honourable High Court of Andhra Pradesh for the demerger.

Steps are also being taken to merge Bharat Sugar Mills Limited set up for implementation of a new sugar complex in Haliyal near Hubli in the state of Karnataka with itself for which also steps have already commenced.

Cautionary Statement

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

EXPORTS AND IMPORTS

During the year under review, your Company made exports worth Rs.7,862.49 lakhs and imports of Rs.1,388.37 lakhs.

DIRECTORS

During the year under review, Mr. K. Balasubramanian and Mr. Viswanath Prasad Singh have been appointed as Additional Directors on the Board and they vacate office at the ensuing

Annual General Meeting. Notices under Section 257 of the Companies Act 1956 have been received from the Members proposing their appointments as Directors of the Company, at the ensuing AGM. Brief profiles of these directors are provided in the section on Corporate Governance forming part of this Annual Report.

During the year under review, Mr. K. V. K. Seshavataram, has resigned as a Director of the Company, due to his pre-occupation. Mr. V. K. Rao Ch., Director, passed away on 8th March 2006 in an unfortunate road accident, at Kolkata, while he was on Company's duty.

During the current year, Mr. M. Sudhakara Rao resigned as a Director effective from 12th August, 2006 due to his pre-occupation. Your Directors place on record their appreciation for the services rendered by Mr. K. V. K. Seshavataram, Mr. V. K. Rao Ch. and Mr. M. Sudhakara Rao during their tenure as Directors of the Company.

During the current year, Mr. R. Ramakrishnan was inducted as a Director and was also appointed as a Joint Managing Director of the Company for a period of 5 years effective from 12th August 2006. Mr. T.C.S. Reddy was inducted as a Director and was appointed as a Director (Technical) of the Company for a period of 5 years effective from 12th August 2006. Mr. Uday M. Chitale was inducted as an Additional Director with effect from 12th August 2006 and vacates the office at the ensuing Annual General Meeting.

Mr. G. Kiran Kumar, Mr. A. Subba Rao and Mr N.V.Varadarajulu, Directors retire by rotation at the ensuing Annual General Meeting and, being eligible, offer themselves for re-appointment.

SUBSIDIARIES

During the first quarter of this financial year 2006-07, the Company has acquired Bharat Sugar Mills Limited (BSML). BSML has a subsidiary viz., GMR Ferro Alloys & Industries Limited and consequently a subsidiary of the Company.

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 judgments 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, 2006 on a going concern basis.

DIVESTMENT IN M/s. ING VYSYA LIFE INSURANCE COMPANY LIMITED

During the year under review, your Company has divested its equity stake of 49% in M/s. ING Vysya Life Insurance Company Limited. The sale transaction was effected in October, 2005 at a sale consideration of Rs.203.20 Crores.

SOCIAL RESPONSIBILITY

Your Company has always been associated with society and contributed for social causes. Your Company has made significant contribution to promote sustainable livelihoods of people living in and around its factory zones by providing technical assistance, financial assistance, organizing medical camps, etc., Also, your Company is conducting training and educational tours to farmers by organizing lectures with eminent scientists from Regional Agricultural Research Centres and distributing quality seeds, manure, creating awareness among sugarcane farmers of latest technological developments in the fields of sugar cane cultivation for the benefit of farmers. Your Company is organizing medical and primary educational facilities in association with Helpage India and GMR Varalakshmi Foundation.

LISTING OF COMPANY'S EQUITY SHARES ON NSE

The Company's equity shares were also listed on the National Stock Exchange of India Limited with effect from 28th April, 2006. With this, the Company's equity shares are now listed on National Stock Exchange of India Limited, The Bombay Stock Exchange Limited and Hyderabad Stock Exchange Limited. The Company has paid the listing fees to these stock exchanges for financial year 2006-07.

DELISTING OF SECURITIES

Pursuant to Shareholders' approval, applications for voluntary delisting of equity shares were made with The Stock Exchange, Ahmedabad and The Calcutta Stock Exchange Association Limited. The Company has received delisting approvals from them.

FIXED DEPOSITS

During the year under review, your Company has neither invited nor accepted any fixed deposits from the public as per the 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.

CORPORATE GOVERNANCE

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

AWARDS AND CERTIFICATION

During the year under review, the Company received an award for Excellence in Energy Management 2005 at a national level by CII for the Sugar Division.

The Company also received "The Best Performance Award " in Large and Medium Sector instituted by All India Manufacturers Organization (AP State Board)

The Government of Andhra Pradesh conferred the 'Best Management Award' to the Sugar Division for the financial year 2005-06.

Based on the presentation on "Conservation of Steam in Sugar Industry" by GMR Industries Ltd in 8th Joint Annual Convention of The Sugar Technologists Association of India (STAI), GMR Industries has been selected for Noel Derr Gold Medal Award.

Certificate of Assessment to Quality Management System in compliance to ISO 9001-2000 Standard covering the Sugar and Distillery was also received.

Certificate of Assessment to Occupational Health and Safety Management System in compliance to Capital OHSAS 18001 /1999 covering Sugar, Cogeneration and Distillery units was also received.

PERSONNEL RELATIONS

During the year under review, 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.

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 - 2 forming part of this Report.

AUDITORS

The Auditors, M/s. S. Venkatadri & Co., Chartered Accountants, retire at the conclusion of the ensuing Annual General Meeting and being eligible offer themselves for reappointment. They have confirmed their willingness to act as Auditors of the Company for the financial year 2006-07 and confirmed that their re-appointment, if made, would be within prescribed limits under Section 224 (1B) of the Companies Act 1956.

COST AUDITORS

Mr. S. P. Sarma, Cost Accountant, was appointed as Cost Auditor of the Company with the consent of the Government of India for conducting the cost audit of Sugar Unit of the Company, for the financial year 2005-06.

PARTICULARS OF EMPLOYEES

The information required under Section 217 (2A) of the Companies Act 1956 read with the Companies (Particulars of Employees) Rules 1975 is given in Annexure - 3 forming part of this Report.

ACKNOWLEDGEMENTS

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

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

For and on behalf of the Board of Directors

Place : Hyderabad
Date : 12th August 2006

K. Balasubramanian
Chairman

CERTIFICATE ON CORPORATE GOVERNANCE

To,
The Members of
GMR Industries Limited

We have examined the compliance of conditions of Corporate Governance by GMR Industries Limited, for the year ended on 31st March, 2006, 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, 2006, no investor grievances are pending against the Company for a period exceeding one month as per the records maintained by the Company and presented to the Shareholders/Investors Grievance Committee.

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

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

Place : Hyderabad
Date : 12.08.2006

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

ANNEXURE - I TO DIRECTORS' REPORT
REPORT ON CORPORATE GOVERNANCE
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 behavior. Within these boundaries, Company's working will be directed for the welfare of all stakeholders.

Board of Directors

The present strength of the Board consists of 11 directors, of whom, five directors are independent and eight directors are non-executive. Mr. K. Balasubramanian is non-executive chairman. The Board of Directors of the Company has an optimum combination of non-executive and independent directors as stipulated in listing agreement.

Composition of the Board

Name of the Director	Designation	Category
Mr. K. Balasubramanian	Chairman	Independent and Non Executive
Mr. K. Narayana Rao	Managing Director	Non-Independent and Executive
Mr. R. Ramakrishnan	Joint Managing Director	Non-Independent and Executive
Mr. T.C.S Reddy	Director (Technical)	Non-Independent and Executive
Mr. G. Kiran Kumar	Director	Non-Independent and Non Executive
Mr. A. Sankara Rao	Director	Non-Independent and Non Executive
Mr. A. Subba Rao	Director	Non-Independent and Non Executive
Mr. I. Sada Siva Gupta	Director	Independent and Non Executive
Mr. N. V. Varadarajulu	Director	Independent and Non Executive
Mr. Uday M Chitale	Director	Independent and Non Executive
Mr. Viswanath Prasad Singh	Director	Independent and Non Executive

Details of Directors and their Attendance in the Board Meetings / last AGM in the financial year 2005-06.

Name of the Director	No. of directorships in other Public Ltd. Companies	No. of Committee Memberships(*)	No. of Committee Chairmanships(*)	No. of Board Meetings attended during FY 2005-06	Attendance of each Director at last AGM
Mr. K. Balasubramanian	5	3	1	2	N.A.
Mr. K. Narayana Rao	2	1	-	8	Yes
Mr. G. Kiran Kumar	3	-	-	1	No
Mr. A. Sankara Rao	-	-	-	2	Yes
Mr. A. Subba Rao	1	-	-	1	No
Mr. I. Sada Siva Gupta	-	-	-	8	Yes
Mr. N. V. Varadarajulu	2	2	-	8	Yes
Mr. M. Sudhakara Rao	-	1	-	8	Yes
Mr. Viswanath Prasad Singh	2	2	1	1	N.A.
Mr. K. V. K. Seshavataram	2	2	2	6	Yes
Mr. V. K. Rao Ch	-	-	-	6	Yes
Mr. R. Ramakrishnan	-	1	-	N.A	N.A
Mr. T. C. S. Reddy	1	--	-	N.A	N.A
Mr. Uday M. Chitale	5	2	1	N.A	N.A

(*) include Audit Committee and Shareholders / Investors Grievance Committee of the Company.

During the year under financial year 2005-06 and up to date of this Report, the following changes have taken place in the Composition of the Board.

- Mr. K. Balasubramanian was inducted as a Director with effect from 24th October 2005
- Mr. Viswanath Prasad Singh was inducted as a Director with effect from 24th October 2005
- Mr. K. V. K. Seshavataram ceased to be a Director with effect from 24th October 2005 due to resignation
- Mr. V. K. Rao Ch. ceased to be a Director with effect from 8th March 2005 due to his demise.
- Mr. R. Ramakrishnan was inducted as a Director with effect from 12th August 2006.
- Mr. T. C. S. Reddy was inducted as a Director with effect from 12th August 2006.
- Mr. Uday M. Chitale was inducted as a Director with effect from 12th August 2006.

No. of Board Meetings : 8 Board Meetings were held during the year 2005-06 on the following dates:

01-06-2005
16-06-2005
30-06-2005
27-07-2005
04-08-2005
24-10-2005
23-12-2005
23-01-2006

Code of Conduct

Your Company as adopted the Code of Conduct for Directors and Senior Management (the Code). This Code of Conduct helps to maintain the standards of business conduct for Company and ensures compliance with legal requirements of the Company. The purpose of the Code is to deter wrongdoing and promote ethical conduct. The Code has been circulated to all the members of the Board and Senior Management and the compliance of the same has been affirmed by them.

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 cost auditors & fixation of their remuneration;
 - determine the scope of audit, review of internal control systems; adequacy of internal audit function, major accounting policies and practices, compliance of accounting standards and legal requirements concerning the financial statements and related party transactions, if any;
 - review of Company's financial and risk management policies;
 - review of quarterly, half-yearly and annual financial statements.

Details of Attendance of Audit Committee Members in the financial year 2005-06

S.No	Name of the Member	No. of Meetings Attended
1	K. Balasubramanian Chairman	–
2	N. V. Varadarajulu Member	3
3	M. Sudhakara Rao Member	3
4	K. V. K. Seshavataram Chairman	2

Mr. K. V. K. Seshavataram and Mr. M. Sudhakara Rao ceased to be Members of Audit Committee consequent upon to their resignation as Directors.

On 12th August 2006, the Audit Committee has been re-constituted and its composition is as under:

Mr. Uday M. Chitale	Chairman
Mr. K. Balasubramanian	Member
Mr. Viswanath Prasad Singh	Member
Mr. I. Sada Siva Gupta	Member

Mr. M. R. Ramachandran, Vice President (Finance) & Company Secretary is the Secretary to the Audit Committee.

Remuneration Committee

During the financial year 2005-06, a Remuneration Committee was constituted with the following members viz., Mr. K. Balasubramanian, Mr. I. Sada Siva Gupta and Mr. N. V. Varadarajulu.

This Committee met once in the current year on 12th August, 2006 and all the members were present.

On 12th August, 2006, the Remuneration Committee was re-constituted comprising of the following independent and non executive directors.

Remuneration Committee

Mr. Viswanath Prasad Singh	Chairman
Mr. K. Balasubramanian	Member
Mr. Uday M. Chitale	Member
Mr. I. Sada Siva Gupta	Member

Details of Remuneration to Directors

The Company pays remuneration in the form of salary and perquisites to the executive directors and sitting fees to 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 2005-2006:

(Amount in Rupees)

Name of the Director	Sitting Fees	Salary	Perquisites	Commission	Total
Mr. K. Balasubramanian	5,000-00	-	-	-	5,000-00
Mr. K. Narayana Rao	-	23,70,111-00	1,32,300-00	-	25,02,411-00
Mr. G. Kiran Kumar	2,500-00	-	-	-	2,500-00
Mr. A. Sankara Rao	5,000-00	-	-	-	5,000-00
Mr. A. Subba Rao	-	-	-	-	-
Mr. I. Sada Siva Gupta	20,000-00	-	-	-	20,000-00
Mr. N. V. Varadarajulu	45,000-00	-	-	-	45,000-00
Mr. M. Sudhakara Rao	45,000-00	-	-	-	45,000-00
Mr. Viswanath Prasad Singh	2,500-00	-	-	-	2,500-00
Mr. K. V. K. Seshavataram	-	-	-	-	-
Mr. V. K. Rao Ch	-	8,24,834-00	56,354-00	-	8,81,188-00

Shareholders' / Investors' Grievance Committee

The Shareholders' / Investors' Grievance Committee consists of Mr. K. Balasubramanian Mr. K. Narayana Rao and Mr. R. Ramakrishnan. Mr. K. Balasubramanian, Non-Executive Director, is the Chairman. Mr. M. R. Ramachandran, Vice President (Finance) & Company Secretary, is the Compliance Officer.

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

During the financial year 2005-06, the Committee met 4 times to review the investor grievances. The following are the details of Shareholders Grievance Redressals for the financial year 2005-06.

SNo	Details of Shareholders Complaints	Received	Resolved
1	Non receipt of Annual Report	16	16
2	Non receipt of Dividend Warrants	185	185
3	Non receipt of Electronic Credits	7	7
4	Non receipt of Securities	102	102
5	Non receipt of Securities after transfer	36	36
6	Non receipt of Stickers after Company's name change	30	30
	Total	376	376

General Body Meetings

Particulars of last three Annual General Body Meetings

AGM	Date	Venue	Time	No. of Special Resolutions
17th AGM	30-12-2003	Ravivalasa Village, Tekkali Mandal Srikakulam District, Andhra Pradesh PIN - 532 212	4.00 P. M.	1
18th AGM	07-08-2004	Ravivalasa Village, Tekkali Mandal Srikakulam District, Andhra Pradesh PIN - 532 212	4.00 P. M.	4
19th AGM	20-08-2005	Auditorium, Bharatiya Vidya Bhavan 5-9-1105, King Koti, Hyderabad - 500 029 Andhra Pradesh	4.00 P. M.	2

During the financial year 2005-06, a special resolution for alteration of main objects of Memorandum of Association of the Company was passed by means of postal ballot. Mr. L. V. V. Iyer, a renowned Corporate Lawyer conducted the postal ballot. The postal ballot notice was issued on 23rd December 2005 to the shareholders. The postal ballot results were declared by the Chairman of the Company on 16th February 2006 and the same were published in newspapers on 17th February 2006. The following was the voting pattern.

Particulars	No. of Postal Ballots	No. of Shares Received	% on Total Shares Received
Assent for the Resolution	1110	25361002	99.986
Dissent for the Resolution	17	2888	0.011
Invalid Votes	7	702	0.003
Total	1134	25364592	100.000

During the current year, two special resolutions pertaining to alteration of main objects of the Memorandum of Association of the Company are proposed by means of postal ballot.

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

Procedure :

The Postal Ballot Notice, proposed resolutions, explanatory note and postal ballot form and pre-paid envelope will be sent to the shareholders.

The shareholders are requested to cast their vote in the postal ballot form and send postal ballot form in prepaid envelope addressed to the Scrutinizer.

The Scrutinizer will scrutinize the postal ballots received from the shareholders and record the postal ballot result in the Register.

The Scrutinizer will submit his Report on Postal Ballot along with Register and other related documents to the Chairman of the Company.

The postal ballot results will be declared in the ensuing Annual General Meeting.

Disclosures

There are no transactions, which may have potential conflicts with the interests of the Company at large. Transactions with related parties are disclosed in Note No. 16 of Schedule to the Accounts in the Annual Report.

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

Disclosure of information as per Regulation 3 (1)(e) (i) of SEBI (SAST) Regulations 1997 - List of persons, who are constituting group as defined in MRTP Act, 1969 / Competition Act.

Group Companies

GMR Power Corporation Private Limited
GMR Energy Limited
GMR Infrastructure Limited
GMR Holdings Private Limited
GMR Tuni - Anakapalli Expressways Private Limited
GMR Tambaram - Tindivaram Expressways Private Limited
GMR Operations Private Limited
GMR Ambala - Chandigarh Expressways Private Limited
GMR Estates & Properties Private Limited
GMR Pochanpalli Expressways Private Limited
GMR Jadcherla Expressways Private Limited
GMR Ulunderpet Expressways Private Limited
GMR Varalakshmi Foundation
GMR Hyderabad International Airport Limited
Delhi International Airport Private Limited
GMR Mining & Energy Private Limited
GMR Highways Private Limited
GMR (Badrinath) Hydro Power Generation Private Limited
GMR Ferro Alloys & Industries Limited
GVL Investments Private Limited
Vemagiri Power Generation Limited
Sri Varalakshmi Jute Twine Mills Private Limited
Gateways for India Airports Private Limited
Ideaspace Solutions Limited
Raxa Security Services Private Limited
Bharat Sugar Mills Limited
Saci Sports Private Limited
Sucharitha Estates Private Limited

Individuals

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

Disclosure of contingent liabilities

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

The Company has adopted the non mandatory item relating to constitution of Remuneration Committee prescribed under Clause 49 of the Listing Agreement.

Means of Communication

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

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

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

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

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

General Shareholders Information

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

New Appointments

Name of the Director	Mr. K. Balasubramanian	Mr. Viswanath Prasad Singh	Mr. Uday M. Chitale	Mr. R. Ramakrishnan	Mr. T. C. S. Reddy
Date of Birth	3rd December 1942	25th January 1944	20th October 1949	20th September 1951	22nd February 1951
Date of Appointment	24th October 2005	24th October 2005	12th August 2006	12th August 2006	12th August 2006
Qualifications	B. Com. Advanced Management Programme of Harvard Business School	PG. in Commerce, Laws and Banking	Chartered Accountant	B.E. (Mechanical), M.B.A.	B.E. (Mechanical)
Expertise in specific functional areas	Banking & Finance	Advisory Services	Banking, Finance and Advisory Services	Management and Business Development	Management and Business Development
List of Other Indian Public Ltd, Companies in which Directorship held.	1. GMR Infrastructure Limited 2. GMR Hyderabad International Airport Limited 3. Vemagiri Power Generation Limited 4. Grow Talent Company Limited 5. GMR Ferro Alloys & Industries Limited	1. Goldstone Technologies Ltd 2. Oil and Natural Gas Commission Limited	1. GMR Infrastructure Ltd 2. Vemagiri Power Generation Limited 3. ICICI Securities Ltd 4. JSW Steel Limited 5. ICICI Brokerage Services Limited	–	1. Bharat Sugar Mills Limited

Re-appointments

Name of the Director	Mr. G. Kiran Kumar	Mr. A. Subba Rao	Mr. N. V. Varadarajulu
Date of Birth	13th September 1975	11th April 1960	7th July 1937
Date of appointment	26th May 2004	26th May 2004	30th January 2000
Qualifications	B. Com., M.B.A.	ACA, MDP (IIM-A)	B.E (Mechanical) PG Diploma in Sugar Engg
Expertise in specific functional areas	Industrialist	Finance & Accounts	Sugar Technocrat
List of other public Ltd Companies in which directorship held.	1. GMR Hyderabad International Airport Limited 2. GMR Infrastructure Limited 3. Ideaspac Solutions Limited	Ideaspac Solutions Limited	1. Shree Vaani Sugars & Industries Limited 2. GMR Ferro Alloys & Industries Limited

Annual General Meeting

Date : 28th September 2006
 Time : 10.00 A.M.
 Venue : "K.L.N. Prasad Auditorium"

The Federation of Andhra Pradesh Chambers of Commerce and Industry
 Federation House, 11-6-841, Red Hills, P. B. No.14, Hyderabad - 500 004

Calendar of events for the financial year 2006-2007 (1st April 2006 - 31st March 2007)

Declaration of financial results

Unaudited financial results for the 1st Qtr	Reported in July, 2006
Unaudited financial results for the 2nd Qtr	Will be reported in October, 2006
Unaudited financial results for the 3rd Qtr	Will be reported in January, 2007
Annual Audited financial results for the 4th Qtr	Will be reported by June, 2007

Date of Book Closure: 21st September 2006 to 28th September 2006 (both days inclusive) on account of AGM

Record Date : 28th September 2006 on account of declaration of dividend

Dividend Payment Date : On or before 27th October 2006

The equity shares of the Company are listed on :

The Hyderabad Stock Exchange Limited
3-6-654, Adjacent to Erramanjil Bus Stop
Somajiguda
HYDERABAD - 500 082

Bombay Stock Exchange Ltd
Phiroze Jeejeebhoy Towers
Dalal Street
MUMBAI - 400 001

National Stock Exchange of India Ltd.
Exchange Plaza, Plot No. C/1, G Block
Bandra-Kurla Complex, Bandra (E)
MUMBAI - 400 051

The annual listing fees for the financial year 2006-2007 has been paid to each of these Stock Exchanges.

Stock Code:	Hyderabad Stock Exchange	:	GMRVAS#
	Bombay Stock Exchange	:	500162
	National Stock Exchange	:	GMRINDSTRS

ISIN for the Equity Shares : INE353B01013

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 are placed at the Board Meeting from time to time. During the period under review, 104905 equity shares were transferred.

Equity Shareholding Pattern as on 31st March 2006

Distribution of holding			No. of shareholders	% of shareholders	Amount (Rs.)	% of Amount
From	to					
1	-	5000	17141	94.15	25553460.00	7.94
5001	-	10000	650	3.57	5540520.00	1.72
10001	-	20000	214	1.18	3419760.00	1.06
20001	-	30000	82	0.45	2085910.00	0.65
30001	-	40000	24	0.13	883690.00	0.27
40001	-	50000	31	0.17	1467900.00	0.46
50001	-	100000	39	0.21	2834970.00	0.88
100001	and	Above	25	0.14	280176810.00	87.02
			18206	100.00	321963020.00	100.00

Market Price: High / Low during each month in Financial Year 2005-2006 in BSE and performance comparison to BSE Sensex are furnished below:

Month	GMR Industries Stock Performance		BSE Index Performance	
	High (Rs.)	Low (Rs.)	High	Low
April 2005	115.80	80.00	6649.42	6118.42
May 2005	106.00	89.80	6772.74	6140.97
June 2005	105.00	73.55	7228.21	6647.36
July 2005	108.00	75.30	7708.59	7123.11
August 2005	155.20	96.00	7921.39	7537.50
September 2005	192.00	137.10	8722.17	7818.90
October 2005	170.00	118.00	8821.84	7656.15
November 2005	144.00	125.10	9033.99	7891.23
December 2005	174.50	134.60	9442.98	8769.56
January 2006	192.80	154.10	9945.19	9158.44
February 2006	202.45	157.00	10422.65	9713.51
March 2006	175.00	140.05	11356.95	10344.26

Mode of Equity Shares held

The Company is registered with NSDL and CDSL. The ISIN pertaining to Equity Shares is INE353B01013. As on 31st March 2006, the equity shares are held on following modes.

Mode	No. of Shareholders	% of Shareholders	No. of Shares	% of total Equity Share Capital
NSDL	5810	31.91	29741475	92.38
CDSL	1505	8.27	444146	1.38
Physical	10891	59.82	2010681	6.24
Total	18206	100.00	32196302	100.00

The Company has not issued any GDRs or ADRs or Warrants or Convertible Instruments. GMR Industries Stock Performance BSE Index Performance

Plant Locations

Metallurgical Unit

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

Sugar, Co-generation Power, Distillery &
Bio-fertilizers 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

MD / CFO Certification

We, the Managing Director and the Vice President (Finance) & Company Secretary of GMR Industries Limited, as required under Clause 49 of the Listing Agreement with Stock Exchanges as to Corporate Governance, certify that:

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 Statement for the year ended 31st March, 2006 and that to the best of our knowledge and belief:

- (i) these statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading;
- (ii) these statements together present a true and fair view of the Company's affairs and are in compliance with existing accounting standards, applicable laws and regulations.

We further state that to the best of our knowledge and belief no transactions entered into by the Company during the year which are fraudulent, illegal or violative of the Company's code of conduct.

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

We have indicated to the auditors and the Audit Committee.

- (i) significant changes in internal control over financial reporting during the year;
- (ii) significant changes in accounting policies during the year and that the same have been disclosed in the notes to the financial statements; and
- (iii) instances of significant fraud of which we have become aware and the involvement therein, if any, of the management or an employee having a significant role in the Company's internal control system over financial reporting.

K. Narayana Rao
Managing Director

M. R. Ramachandran
Vice President (Finance) &
Company Secretary

Place: Hyderabad
Date : 26th April 2006

ANNEXURE - 2 TO THE DIRECTORS' REPORT

A. CONSERVATION OF ENERGY	METALLURGICAL DIVISION FY 2005-06	SUGAR DIVISION FY 2005-06																					
a. Energy Conservations Measures Taken	Nil	<p>The Company has installed various energy (steam) saving equipments in the following areas of our Sugar plant as detailed below :</p> <p>Flue Gas Recovery System, installed heat exchanger in between Chimney and air pre heater for one boiler, for the further recovery of heat from the flue gases</p> <p>Heating of DM and Condenser water, Plate type heat exchanger (PHE) is installed to heat the Condenser water and DM water with excess hot condensate available at 80° C in the process.</p> <p>Water Ejector in place of Steam Ejector: installed Water Ejector in place of Steam Ejector to achieve the vacuum of 700 mm Hg(gauge). By applying the water ejector system we can maintain the vacuum of 700 mm Hg (gauge).</p> <p>Direct contact Heaters for Juice heating - Direct contact juice heater is installed for final heating of Clear Juice with SK vapors. And final heating of sulphited juice with DEVC -II vapors.</p> <p>Recovery of NCGs : Pan station Non Condensable Gasses are used as Zigging steam for C- Continuous pans.</p> <p>New bleeding system at Evaporator station, Sweeping type juice heaters are used for heating of sulphited juice,. C-Pan boiling is done on DEVC-II vapors as against DEVC-I vapors.</p> <p>Melting System, B-seed and C-seed melters are installed for melting B and C-seed with syrup. This will give additional steam saving of 2% on cane.</p>																					
b. Additional investments and proposals, if any, being implemented for reduction of consumption of energy	Nil	The Company has invested an amount of Rs.89.23 lakhs (net of Cenvat) for reduction of consumption of energy (steam) during the financial year 2005-06 and commissioned successfully by end of January-2006.																					
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	Benefits out of the above items yet to be received. Approximately steam consumption (2 Bar) will come down by 4% per ton of cane.																					
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.																							
<table border="0"> <thead> <tr> <th data-bbox="296 1672 1084 1716">C. FOREIGN EXCHANGE EARNINGS AND OUTGO:</th> <th data-bbox="1084 1672 1349 1716">FY 2005-06</th> <th data-bbox="1349 1672 1506 1716">FY 2004-05</th> </tr> </thead> <tbody> <tr> <td data-bbox="296 1716 1084 1760">1 Foreign Exchange Earnings:</td> <td data-bbox="1084 1716 1349 1760">7862.49</td> <td data-bbox="1349 1716 1506 1760">12887.82</td> </tr> <tr> <td data-bbox="296 1760 1084 1782">2 Foreign Exchange Outgo:</td> <td data-bbox="1084 1760 1349 1782"></td> <td data-bbox="1349 1760 1506 1782"></td> </tr> <tr> <td data-bbox="296 1782 1084 1804"> a) Material</td> <td data-bbox="1084 1782 1349 1804">1388.37</td> <td data-bbox="1349 1782 1506 1804">4334.48</td> </tr> <tr> <td data-bbox="296 1804 1084 1827"> b) Machinery</td> <td data-bbox="1084 1804 1349 1827">-</td> <td data-bbox="1349 1804 1506 1827">-</td> </tr> <tr> <td data-bbox="296 1827 1084 1849"> c) Foreign Travel</td> <td data-bbox="1084 1827 1349 1849">8.24</td> <td data-bbox="1349 1827 1506 1849">1.01</td> </tr> <tr> <td data-bbox="296 1849 1084 1871"> d) Consultancy Fees</td> <td data-bbox="1084 1849 1349 1871">35.53</td> <td data-bbox="1349 1849 1506 1871">6.30</td> </tr> </tbody> </table>			C. FOREIGN EXCHANGE EARNINGS AND OUTGO:	FY 2005-06	FY 2004-05	1 Foreign Exchange Earnings:	7862.49	12887.82	2 Foreign Exchange Outgo:			a) Material	1388.37	4334.48	b) Machinery	-	-	c) Foreign Travel	8.24	1.01	d) Consultancy Fees	35.53	6.30
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FORM A

Form of Disclosure of Particulars with respect to Conservation of Energy

A. Power & Fuel Consumption

	FY 2005-06		FY 2004-05	
	Sugar Division	Metallurgical Division	Sugar Division	Metallurgical Division
I Electricity				
(a) Purchased Units	51070	93620733	37885 (**1)	102302848
Amount (Rs.)	249290	248094942	209161	216882037
Rate / Unit (Rs.)	4.88	2.65	5.52	2.12
(b) Own Generation				
(i) Through Diesel	20226	NIL	NIL	NIL
Units generated	9240		42725	
Unit per Litre of Diesel Oil	2.19		2.52	
Cost / Unit (Rs.)	14.41		10.44	
(ii) Through Steam Turbine				
Units generated	14423536	NIL	14034903	NIL
Cost / Unit (Rs.)	2.29		2.68	
2 Furnace Oil				
Units (Litre)	NIL	NIL	NIL	NIL
Amount (Rs.)				
Cost / Unit (Rs.)				
3 HSD Oil				
Units (Litre)	9240	NIL	16974 (**2)	NIL
Amount (Rs.)	291553		445977	
Rate / Unit (Rs.)	31.55		26.27	

B. Consumption Per Unit of Production

	Sugar	Ferro Alloys	Sugar	Ferro Alloys
	(QTL)	(MT)	(QTL)	(MT)
1 Electricity (Units)	23.75	3672.80	24.55	3672.80
2 HSD Oil (Litre)	0.02	NIL	0.03	NIL

Notes :

- (**) 1. 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 DG Set.
2. 1/3rd of Diesel consumption of Nagawali Pump House & DG Sets is taken in Sugar account. 2/3rd is taken in to Cogen account.

ANNEXURE - 3 TO DIRECTORS' REPORT

The information as per Section 217 (2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975 and forming part of Directors' Report for the year ended 31st March 2006.

Name of the Employee	K. Narayana Rao
Age	51 years
Designation and Nature of Employment	Managing Director (Whole Time Director)
Remuneration	Rs.25,02,411/-
Qualification	B. Com., ACA., AICWA, ACS, MAC
Experience	27 years
Date of commencement of employment	30-01-2000
Last Employment	Spectrum Power Generation Limited
No. of shares held in the Company	600 shares

AUDITORS' REPORT

To,
The Members,
GMR Industries Ltd.

1. We have audited the attached Balance sheet of GMR Industries Ltd as at 31st March 2006, the Profit & Loss Account and also the Cash Flow statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) Order, 2003, Issued by the Central Government of India in terms of Sub Section (4A) of Section 227 of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said order
4. Further to our comments in the Annexure referred to in paragraph 3 above, we report that:
 - i) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our Audit;
 - ii) In our opinion, proper books of account, as required by law, have been kept by the company so far as appears from our examination of those books;
 - iii) The Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account;
 - iv) In Our Opinion, the Balance Sheet, Profit and Loss Account and cash flow statement dealt with by this report comply with the accounting Standards referred to in Sub section (3C) of Section 211 of the Companies Act, 1956;
 - v) On the basis of written representations received from the directors, and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31st March 2006 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, 2006;
 - 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 : 26.04.2006

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

ANNEXURE TO AUDITOR'S REPORT

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

- (i) (a) The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets.
- b) As explained to us, the fixed assets have been physically verified by the management during the year in a phased periodical manner, which in our opinion is reasonable, having regard to the size of the Company and the nature of its assets. No material discrepancies were noticed on such verification.
- c) During the year, the Company has not disposed off any substantial part of its fixed assets, affecting the going concern status of the company.
- (ii) (a) The inventory has been physically verified during the year by the management at reasonable intervals. In our opinion, the frequency of verification is reasonable and adequate.
- (b) The procedures of physical verification of inventories followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business.
- c) The company is maintaining proper records of inventory and no material discrepancies were noticed on physical verification.
- (iii) (a) The company has not granted any loan, secured or unsecured to Companies, firms or other parties covered in the register maintained under Section 301 of the Companies Act, 1956. Therefore, the provisions of clause 4 (iii) (b), (c) and (d) of the Companies (Auditor's Report) Order, 2003 (as amended) are not applicable to the company.
- b) As informed, the Company has taken loan from one Company covered in the register maintained under Section 301 of the Companies Act, 1956. The maximum amount involved during the year was Rs. 38.82 Crores and the year end balance of the loan from such parties was Rs. 40.77 Crores.
- c) In our opinion and according to the information and explanations given to us, the rate of interest and other terms and conditions for such loan are not prima facie prejudicial to the interest of the Company.
- d) In respect of such loan taken, repayment of the principal amount is as stipulated and payment of interest has been regular.
- iv). In our opinion and according to the information and explanations given to us, there is an adequate internal control system commensurate with the size of the Company and the nature of its business, for the purchase of inventory, fixed assets and for sale of goods and services. During the course of our audit, we have not observed any continuing failure to correct major weaknesses in internal control system.
- v). (a) According to the information and explanations provided by the management, we are of the opinion that the particulars of contracts or arrangements referred to in section 301 of the Act that need to be entered into the register maintained under section 301 have been so entered.
- b) In our opinion and according to the information and explanations given to us, the transactions made in pursuance of such contracts or arrangements exceeding value of Rupees five lakhs have been entered into during the financial year at prices which are reasonable having regard to the prevailing market prices at the relevant time.
- vi) In our opinion and according to the explanations given to us, the Company has complied with the directives issued by the Reserve Bank of India and the provisions of Sections 58A, 58AA or any other relevant provisions of the Act and the rules framed thereunder with regard to the deposits accepted from the public. No order has been passed by the Company Law Board or National Company Law Tribunal or Reserve Bank of India or any Court or any other Tribunal.
- vii) In our opinion, the Company has an internal audit system commensurate with the size and nature of its business.

- viii) The Central Government has prescribed maintenance of cost records U/s 209 (1) (d) of the companies Act, 1956 in respect of certain manufacturing activities of the Company. We have broadly reviewed the accounts and records, of the Company and are of the opinion that, prima facie, the prescribed accounts and records have been made and maintained.
- ix) a) According to the information and explanations given to us and the records of the company examined by us, in our opinion, the Company is regular in depositing undisputed statutory dues including provident fund, employees state insurance, income tax, sales tax, wealth tax, Service Tax, custom duty, excise duty, cess, investor education and protection fund and any other statutory dues as applicable, with the appropriate authorities.
- b) According to the information and explanations given to us, no undisputed amounts payable in respect of Provident fund, employees state insurance, investor education and protection fund, income tax, wealth tax, sales tax, Service Tax, customs duty, excise duty and cess were in arrears, as at 31.03.2006 for a period of more than six months from the date they became payable.
- c) According to the information and explanations given us, the disputed statutory dues aggregating to Rs. 735.21 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	1.45
3.	Sales Tax	S.T.A.T.	96.07
		S.T.A.T.	419.37
		S.T.A.T.	3.51
		S.T.A.T.	5.53
		Asst Commissioner	105.49
		High Court	6.25
4.	Customs Duty	Commissioner of Customs	27.31
			735.21

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

- xvii) According to the information and explanations given to us and on an overall examination of the balance sheet of the Company, we report that no funds raised on short-term basis have been used for long-term investment.
- xviii) According to the information and explanations given to us, the Company has not made any preferential allotment of shares to parties and companies covered in the register maintained under Section 301 of the Act during the year.
- xix) According to the information and explanations given to us, during the period covered by our audit report, the Company has not issued any debentures.
- xx) The Company has not raised any money by way of public issue during the year.
- xxi) In our opinion and according to the information and explanations given to us, no fraud on or by the Company has been noticed or reported during the year.

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

Place : Hyderabad
Date : 26.04.2006

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

BALANCE SHEET AS AT 31st MARCH 2006

Rs. in lakhs

	Schedule	31st March 2006	31st March 2005
I. Sources of Funds:			
1. Shareholders' Funds			
a) Share Capital	1	5,496.25	5,496.25
b) Reserves and Surplus	2	<u>9,097.53</u>	<u>6,770.75</u>
		14,593.78	12,267.00
2. Loan Funds			
a) Secured Loans	3	10,683.82	21,772.63
b) Unsecured Loans	4	<u>5,477.42</u>	<u>8,365.80</u>
		16,161.24	30,138.43
3. Deferred Tax Liability			
Total		<u>2,474.82</u>	<u>1,823.82</u>
		33,229.84	44,229.25
II. Application of Funds:			
1. Fixed Assets			
a) Gross Block	5	28,092.97	19,244.67
b) Less: Depreciation		<u>5,478.86</u>	<u>4,550.53</u>
c) Net Block		22,614.11	14,694.14
d) Capital Work in Progress		<u>560.47</u>	<u>(116.81)</u>
		23,174.58	14,577.33
2. Investments			
	6	52.48	19,278.94
3. Current Assets, Loans and Advances			
a) Inventories	7	10,139.28	10,434.43
b) Sundry Debtors	8	3,004.58	4,084.32
c) Cash and Bank Balances	9	838.67	1,033.13
d) Other Current Assets	10	18.52	24.57
e) Loans and Advances	11	<u>3,863.13</u>	<u>3,885.16</u>
		17,864.18	<u>19,461.61</u>
Less : Current Liabilities and Provisions			
a) Current Liabilities	12	6,409.11	8,050.09
b) Provisions		<u>1,487.04</u>	<u>1,134.64</u>
		7,896.15	<u>9,184.73</u>
Net Current Assets			
		9,968.03	10,276.88
4. Miscellaneous Expenditure			
	13	34.76	96.10
Total			
		33,229.85	44,229.25
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

A. Subba Rao
Director

Place : Hyderabad
Date : 26th April, 2006

M.R. Ramachandran
Vice President (Finance) &
Company Secretary

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31st MARCH 2006

Rs. in lakhs

	Schedule	31st March 2006	31st March 2005
I. Income			
Sales (Gross)		26,791.21	30,997.89
Less: Duties & Taxes		1,155.44	1,216.66
Sales (Net)		25,635.77	29,781.23
Other Income	14	2,690.80	1,877.82
Total		<u>28,326.57</u>	<u>31,659.05</u>
II. Expenditure			
Materials and Other Consumption	15	14,871.39	19,354.07
Manufacturing, Selling and Administrative Expenses	16	6,583.95	6,858.76
Interest and Finance Charges	17	1,348.29	1,250.63
Depreciation	5	969.06	825.49
Amortisation of Miscellaneous Expenditure		61.34	213.44
Total		<u>23,834.03</u>	<u>28,502.39</u>
III. Profit Before Prior Period Expenses & Taxation		<u>4,492.53</u>	<u>3,156.66</u>
Prior Period Expenses		-	0.46
IV. Profit Before Taxation		<u>4,492.53</u>	<u>3,156.20</u>
Provision for Taxation - Current		371.62	248.19
- Deferred		651.00	1,037.76
- FBT		17.66	-
		<u>1,040.28</u>	<u>1,285.95</u>
V. Profit After Taxation		<u>3,452.25</u>	<u>1,870.25</u>
Balance brought forward		2,084.24	1,825.50
VI. Available for Appropriation		<u>5,536.49</u>	<u>3,695.75</u>
Preference Dividend		182.13	149.88
Income Tax on Preference Dividend		25.54	21.03
Proposed Equity Dividend		804.91	605.65
Income Tax on Proposed Dividend		112.89	84.94
Transfer to Capital Redemption Reserve		-	550.00
Transfer to General Reserve		500.00	200.00
		<u>1,625.47</u>	<u>1,611.50</u>
VII. Available surplus carried to Balance Sheet		<u>3,911.02</u>	<u>2,084.25</u>
Notes to the Accounts	18		

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

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

For and on behalf of the Board

K. Srinivasa Rao
Partner

K. Narayana Rao
Managing Director

A. Subba Rao
Director

Place : Hyderabad
Date : 26th April, 2006

M.R. Ramachandran
Vice President (Finance) &
Company Secretary

SCHEDULES FORMING PART OF THE BALANCE SHEET AS AT 31st MARCH 2006

	Rs. in lakhs	
	YEAR 2005 - 06	YEAR 2004 - 05
SCHEDULE - I		
SHARE CAPITAL		
Authorised		
5,19,00,000 Equity Shares of Rs. 10/- each	5,190.00	–
(Previous Year 3,59,00,000 Equity Shares of Rs. 10/- each)	–	3,590.00
2,10,00,000 8% Preference Shares of Rs. 11/- each	2,310.00	2,310.00
(Previous Year 8,00,00,000 10% Preference Shares of Rs. 2/- each)	–	1,600.00
Total	<u>7,500.00</u>	<u>7,500.00</u>
Issued, Subscribed and Paid up		
3,21,96,302 Equity Shares of Rs. 10/- each fully paid up (Out of the above 1,39,63,002 Equity Shares of Rs. 10/- each and were allotted as fully paid up, to the amalgamating Company, pursuant to the schemes of amalgamation for consideration other than cash.)	3,219.63	3,219.63
Preference Shares		
2,06,96,580 8% Preference Shares of Rs. 11/- each (The above Preference Shares were allotted as fully paid up, to the amalgamating Company, pursuant to the scheme of amalgamation for consideration other than cash.)	2,276.62	2,276.62
Total	<u>5,496.25</u>	<u>5,496.25</u>
SCHEDULE - 2		
RESERVES AND SURPLUS		
General Reserve		
Opening Balance	2,376.43	2,176.43
Add: Transfer from Profit and Loss Account	<u>500.00</u>	<u>200.00</u>
	2,876.43	2,376.43
Capital Reserve	143.10	143.10
Capital Redemption Reserve-Opening Balance	1,175.00	625.00
Transferd from Profit & Loss Account	<u>–</u>	<u>550.00</u>
Total	1,175.00	1,175.00
Share Premium	991.97	991.97
Balance in Profit and Loss Account	<u>3,911.03</u>	<u>2,084.24</u>
Total	<u>9,097.53</u>	<u>6,770.74</u>

SCHEDULES FORMING PART OF THE BALANCE SHEET AS AT 31st MARCH 2006

	Rs. in lakhs	
	YEAR 2005 - 06	YEAR 2004 - 05
SCHEDULE - 3		
TERM LOANS		
Term Loans		
Rupee Loans		
From Banks	192.51	84.76
From Corporate Bodies	-	10,003.47
From Others	1,184.04	390.04
Foreign Currency Loans		
From Banks	2,571.71	3,405.64
	<u>3,948.26</u>	<u>13,883.91</u>
Cash Credits and Demand Loans from Banks		
Rupee Loans	2,063.34	2,473.04
Foreign Currency Loans	4,626.93	5,356.20
	<u>6,690.27</u>	<u>7,829.24</u>
Vehicle Loans	45.29	59.49
Total	<u><u>10,683.82</u></u>	<u><u>21,772.64</u></u>
 SCHEDULE - 4		
UNSECURED LOANS		
Bodies Corporate	4,077.42	7,365.80
Banks	1,400.00	1,000.00
Total	<u><u>5,477.42</u></u>	<u><u>8,365.80</u></u>

SCHEDULES FORMING PART OF THE BALANCE SHEET AS AT 31st MARCH 2006

**SCHEDULE - 5
FIXED ASSETS**

	Rs. in lakhs									
	Gross Block			Depreciation			Net Block			
	As at 01-04-2005	Additions during the year	Deletions during year	As at 31-03-2006	Upto 31-03-2005	For the Year	Deletions for the year	Upto 31-03-2005	As at 31-03-2006	As at 31-03-2005
Land	256.83	5.05	7.19	254.68	-	-	-	-	254.68	256.83
Buildings	3,611.43	125.65	-	3,737.07	521.83	106.75	-	628.58	3,108.49	3,089.60
Plant & Machinery	14,468.83	853.97	98.05	15,224.76	3,725.16	774.36	34.40	4,465.12	10,759.64	10,743.68
Furniture And Fixtures	723.49	76.99	-	800.48	249.95	65.62	-	315.58	484.91	473.52
Vehicles	184.10	35.77	11.11	208.76	53.59	19.92	6.33	67.18	141.57	130.51
Aeroplane	-	7,867.22	-	7,867.22	-	2.41	-	2.41	7,864.81	-
Total	19,244.67	8,964.65	116.35	28,092.97	4,550.53	969.06	40.73	5,478.86	22,614.10	14,694.14
Capital										
Work In Progress	(116.81)	678.82	1.54	560.47	-	-	-	-	560.47	(116.81)
Grand Total	19,127.86	9,643.47	117.89	28,653.43	4,550.53	969.06	40.72	5,478.86	23,174.57	14,577.33
Previous Year	16,476.50	2,945.08	293.72	19,127.86	3,745.35	825.49	20.31	4,550.53	14,577.33	12,731.15

SCHEDULES FORMING PART OF THE BALANCE SHEET AS AT 31st MARCH 2006

		Rs. in lakhs	
		YEAR 2005 - 06	YEAR 2004 - 05
SCHEDULE - 6			
INVESTMENTS			
Long Term Investment - at Cost			
Other than Trade			
Unquoted			
GMR Tambaram - Tindivanam Expressways Private Limited (100,000 Equity Shares of Rs.10/- each fully paid up)		-	10.00
GMR Tuni - Anakapalli Expressways Private Limited (100,000 Equity Shares of Rs.10/- each fully paid up)		-	10.00
ING Vysya Life Insurance Private Limited (15,00,00,000 Equity Shares of Rs.10/- each fully paid up)		-	15,000.00
ING Vysya Life Insurance Private Limited - SHARE APPLICATION MONEY		-	4,160.00
Amantis International (60000 Equity Shares of Sing \$ 1 each fully paid up)		-	14.91
Sree Varalakshmi Jute Twine Mills Ltd (620220 Equity Shares of Rs. 10/- each fully paid up)		51.92	51.92
Government Securities - National Savings Certificates		0.56	1.11
Total	(A)	52.48	19,247.94
Short Term Investment - at Cost			
Investment in Mutual Fund			
		-	31.00
Total	(B)	-	31.00
Total	(A+B)	52.48	19,278.94

SCHEDULE - 7
INVENTORIES

Inventories			
(As Valued and certified by the Management)			
Raw Materials		4,262.25	4,357.43
Trading Stock		-	1,888.52
Work-in-Progress		173.43	133.78
Finished Goods		5,186.44	3,557.58
Stores & Spares		517.16	497.12
Total		10,139.28	10,434.43

SCHEDULES FORMING PART OF THE BALANCE SHEET AS AT 31st MARCH 2006

		Rs. in lakhs	
		YEAR 2005 - 06	YEAR 2004 - 05
SCHEDULE - 8			
SUNDRY DEBTORS			
Unsecured and considered good			
		198.76	405.75
	Debts outstanding for a period exceeding six months		
	Other Debts	2,805.82	3,678.57
Total	(A)	3,004.58	4,084.32
Unsecured and considered doubtful			
		-	57.64
	Debts outstanding for a period exceeding six months	-	
	Other Debts	-	57.64
		-	(57.64)
Less: Provision for Doubtful Debts		-	(57.64)
Total	(B)	-	-
Total	(A+B)	3,004.58	4,084.32
SCHEDULE - 9			
CASH AND BANK BALANCE			
		6.99	2.88
	Cash and Cheques on Hand		
Balance with Scheduled Banks			
		277.88	129.25
	Current Accounts	527.26	881.72
	Fixed Deposit Accounts	26.54	19.28
	Unclaimed Dividend Accounts		
Total		838.67	1,033.13
SCHEDULE - 10			
OTHER CURRENT ASSETS			
Other Current Assets			
(Unsecured - Considered Good)			
		18.52	24.57
	Interest accrued but not due		
Total		18.52	24.57

SCHEDULES FORMING PART OF THE BALANCE SHEET AS AT 31st MARCH 2006

	Rs. in lakhs	
	YEAR 2005 - 06	YEAR 2004 - 05
SCHEDULE - 11		
LOANS AND ADVANCES		
(Unsecured and considered good)		
Advances recoverable in cash or in kind or for value to be received	3,119.73	3,697.34
Income Tax Recoverable	499.48	343.45
Deposits with Government Authorities	742.51	440.05
Deposits with Others	1.41	-
Balances with Excise and Customs Authorities	-	82.08
	<u>4,363.13</u>	<u>4,562.92</u>
LESS : Provision for doubtful advances	500.00	677.76
Total	<u><u>3,863.13</u></u>	<u><u>3,885.16</u></u>
SCHEDULE - 12		
CURRENT LIABILITIES		
Sundry Creditors		6.38
Dues to Small Scale Industrial Undertakings	-	6,256.84
Dues to other than Small Scale Industrial Undertakings	2,810.80	59.72
Advances from Customers	131.19	19.23
Unclaimed Dividends	26.55	413.82
L Factor	975.02	1294.10
Other Liabilities	2,465.55	
Total	(A) <u>6,409.11</u>	<u>8,050.09</u>
PROVISIONS		
Retirement Benefits	15.49	26.12
Taxation	371.62	247.01
Dividend and Tax thereon	1,099.93	861.51
Total	(B) <u>1487.04</u>	<u>1,134.64</u>
Total	(A+B) <u><u>7,896.15</u></u>	<u><u>9,184.73</u></u>
SCHEDULE - 13		
MISCELLANEOUS EXPENDITURE		
(to the extent not written off or adjusted)		
Amalgamation Expenses	69.04	95.23
Cane Development Expenses	27.06	214.31
	<u>96.10</u>	<u>309.54</u>
Less: Written off during the year	61.34	213.44
Total	<u><u>34.76</u></u>	<u><u>96.10</u></u>

SCHEDULES FORMING PART OF THE PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31st MARCH 2006

Rs. in lakhs

	YEAR 2005 - 06	YEAR 2004 - 05
SCHEDULE - 14		
OTHER INCOME		
Dividend Income	42.91	62.57
Income from Investments - Other than Trade	1,245.64	1,432.08
Profit on transfer of Asset	0.07	0.50
Gain on Foreign Exchange Fluctuation	0.64	170.04
Profit on Sale of Investment	1,161.62	-
Miscellaneous income	239.92	212.63
Total	2,690.80	1,877.82
SCHEDULE - 15		
MATERIALS CONSUMPTION		
Raw Materials Consumed		
Opening Stock	4,357.43	1,017.05
Add: Purchase	14,556.20	25,669.86
	18,913.63	26,686.91
Less: Closing Stock	4,262.25	4,357.44
	14,651.38	22,329.47
(Increase) / Decrease in Finished Goods		
Opening Stock	5,446.10	2,482.00
Less: Closing Stock	5,186.44	5,446.10
	259.66	(2,964.10)
(Increase) / Decrease in Work-in-Progress		
Opening Stock	133.78	122.47
Less: Closing Stock	173.43	133.78
	(39.65)	(11.31)
Total	14,871.39	19,354.07

SCHEDULES FORMING PART OF THE PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31st MARCH 2006

Rs. in lakhs

	YEAR 2005 - 06	YEAR 2004 - 05
SCHEDULE - 16		
MANUFACTURING, SELLING AND ADMINISTRATIVE EXPENSES		
Material Handling Expenses	94.32	87.47
Distribution Expenses	572.15	929.02
Power and Fuel	2,896.54	3,079.94
Stores and Spares	639.36	740.24
Repairs and Maintenance	-	-
Plant and Machinery	461.95	308.88
Buildings	34.00	61.40
Others	60.22	42.44
Salaries, Wages and Bonus	778.62	614.52
Contribution to Provident and Other Funds	51.01	57.94
Staff Welfare Expenses	33.94	26.69
Travelling and Conveyance	118.27	70.60
Communication Expenses	30.77	43.52
Other Administrative Expenses	201.15	127.89
Consultancy and Other Professional Charges	185.60	171.25
Directors' Remuneration	33.84	34.23
Secretarial Expenses	21.56	19.22
Rent	9.91	12.10
Printing & Stationary	10.10	10.46
Rates and Taxes	2.81	31.79
Insurance	82.85	53.38
Vehicle Maintenance	14.62	14.98
Donations	128.43	53.14
Auditor's Remuneration		
Statutory Audit	2.25	2.23
Tax Audit	0.55	0.55
Certification Fee	1.28	0.66
Loss on Sale of Fixed Assets	17.11	25.43
Provision for Doubtful Debts/Advances	-	177.76
Bad Debts Written Off	100.75	59.19
Advances Written Off	-	1.84
Total	6,583.95	6,858.76
SCHEDULE - 17		
INTEREST AND FINANCE CHARGES		
Interest on Term Loans	285.34	120.85
Interest - Others	666.56	739.03
Bank / Other Finance Charges	396.39	390.75
Total	1,348.29	1,250.63

SCHEDULE - 18
SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS**1. Basis of Financial Statements:**

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

2. Fixed Assets and Depreciation:

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

3. Investments:

Investments are stated at cost.

4. Inventories: Inventories are valued as follows:

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

5. Foreign Exchange Transactions:

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

6. Employee Retirement Benefits:

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

7. Contingent Liabilities:

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

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

9. Capital Investment Subsidy Sanctioned by NABARD

Capital Investment Subsidy received from NABARD towards cost of Bio Fertilisers Plant has been adjusted to the cost of the relevant asset.

	Unit	YEAR 2005 - 06	YEAR 2004 - 05
I Licenced and Installed Capacity :			
a) Licenced Capacity			
i) Bulk Ferro Alloys (MT Per Year)		25,000	25,000
ii) Sugarcane Crushing Capacity (MT per day)		3,125	3,125
iii) Co-Generation of Power Plant Capacity		16,000	16,000
Units per Hour			
iv) Distillery Kilo Leters per Day		40	40
b) Installed Capacity			
(As certified by the management and not verified by the auditors, being a technical matter)			
i) Bulk Ferro Alloys (MT Per Year)		25,000	25,000
ii) Sugarcane Crushing Capacity (MT per day)		3,125	3,125
iii) Co-Generation of Power Plant Capacity		16,000	16,000
Units per hour			
iv) Distillery Kilo Liters per Day		40	40
2 Production			
i) High Carbon Ferro Chrome	MT	26,150	27,854
ii) Sugar	QTL	612,740	572,500
iii) Raw Sugar Processed	QTL	–	36,343
iv) Molasses	MT	27,586	23,461
v) Co-Generation of Power	Units	75,524,144	66,246,714
vi) Distillery	Litres		
– Rectfied Spirit		6,060,740	995,272
– Impure Spirit		427,458	43,498
– Bio Compost (MT)		370	–
– Bio Fertilisers (KGS)		14,131	–

Rs. in lakhs					
	Unit	YEAR 2005 - 06		YEAR 2004 - 05	
		Qty.	Amount	Qty.	Amount
3 Sales					
a. Manufacturing Sales					
i) Ferro Alloy Products	MT	19,874	6,907.18	26,101	9,333.51
ii) DEPB benefit/SIL			197.38		127.73
iii) Sugar	QTL	654,128	11,711.84	541,611	8,973.49
iv) Raw Sugar Processed	QTL	-	-	36,343	591.54
v) Molasses excluding Self Consumption	MT	454	13.29	16,226	524.58
Inter Division Sales	MT	27,176	0.00	8,763	0.00
vi) Molasses - Processed	MT	-	-	123	9.58
vii) Co-Generation of Power	Units	52,693,000	1,412.30	45,960,000	1,166.87
viii) Distillery	Ltrs				
Rectified Spirit		6,017,663	1,460.73	0	0.00
Impure Spirit/DNS		428,812	82.13	0	0.00
ix) Others			60.19		22.49
Total	(A)		<u>21,845.04</u>		<u>20,749.79</u>
b. Merchandise Sales					
i) High Carbon Ferro Crome	MT	7,861	2,952.83	21,200	7,590.49
ii) Lamcoke	MT	-	-	2,519	441.84
iii) Inter Division Sales	MT	-	-	2,981	-
iv) Iron Ore	MT	49,500	1,234.56	1,956	34.12
v) Anthracite Coal	MT	15,127	452.54	7,668	546.81
- Inter Division Sales	MT	-	-	3,331	-
vi) Coke	MT	-	66.21	6,366	970.26
- Inter Division Sales	MT	4,562	-	5,822	-
vii) Charge Chrome	MT	-	-	1,999	664.58
viii) Teak Wood	CFT	1,491	240.01	-	-
Total	(B)		<u>4,946.15</u>		<u>10,248.10</u>
Total	(A+B)		<u><u>26,791.19</u></u>		<u><u>30,997.89</u></u>

Rs. in lakhs					
	Unit	YEAR 2005 - 06		YEAR 2004 - 05	
		Qty.	Amount	Qty.	Amount
4 Opening and Closing Stocks :					
a) Opening Stocks					
I. FINISHED GOODS					
i) Ferro Alloys	MT	2,774	737.00	1,020	262.50
ii) Sugar	QTL	210,565	2,238.31	179,676	1,910.36
iii) Molasses					
- In Sugar Tanks	MT	10,379	311.37	15,879	309.14
- In Distillery Tanks	MT	3,972	119.16	-	-
iv) Distillery					
- Rectified Spirit	Ltrs	995,272	147.39	-	-
- Impure Spirit	Ltrs	43,498	4.35	-	-
v) Coke			1,888.52	-	-
Total	(A)		<u>5,446.10</u>		<u>2,482.00</u>
II. WORK IN PROGRESS					
i) In Ferro Alloys		150	37.87	150	33.54
ii) In Sugar Division			92.07		88.93
iii) In Distillery			3.84		
Total	(B)		<u>133.78</u>		<u>122.47</u>
Total	(A+B)		<u><u>5,579.88</u></u>		<u><u>2,604.47</u></u>
b) Closing Stocks					
I. FINISHED GOODS					
i) Ferro Alloys	MT	9,050	2,615.17	2,774	737.00
ii) Sugar	QTL	169,177	2,052.11	210,565	2,238.31
iii) Molasses					
- In Sugar Tanks	MT	12,310	246.20	10,379	311.37
- In Distillery Tanks	MT	1,997	39.94	3,972	119.16
iv) Distillery					
- Rectified Spirit	Ltrs	1,038,349	207.36	995,272	147.39
- Impure Spirit	Ltrs	42,144	6.73	43,498	4.35
v) Coke			-	-	1,888.52
vi) Others			18.92		
Total	(A)		<u>5,186.43</u>		<u>5,446.10</u>
II. WORK IN PROGRESS					
i) In Ferro Alloys		360	99.49	150	37.87
ii) In Sugar Division			71.22		92.07
iii) In Distillery			2.72		3.84
Total	(B)		<u>173.43</u>		<u>133.78</u>
Total	(A+B)		<u><u>5,359.86</u></u>		<u><u>5,579.88</u></u>

Rs. in lakhs

	Unit	YEAR 2005 - 06		YEAR 2004 - 05	
		Qty.	Amount	Qty.	Amount
5 VALUE OF MATERIALS CONSUMED					
RAW MATERIAL CONSUMPTION					
a. Metallurgical Division					
i) Ores	MT	63,682	2,389.89	72,041	1,804.61
ii) Coke & Coal	MT	2,738	155.40	11,294	380.78
- Inter Division Transfers		12,939	-	8,803	-
iii) Others		349		216	
- Inter Division Transfers		1,289			
Total	(A)		<u>2,894.53</u>		<u>2,401.72</u>
b. Merchandise Consumption					
i) Steel and allied products	MT				
ii) High carbon ferro chrome	MT	7,861	2,207.47	21,200	7,559.15
iii) Lamcoke	MT	-	-	5,500	905.62
iv) Charge Chrome	MT	-	-	1,999	633.35
v) Iron Ore	MT	49,500	1,234.56	1,956	33.55
vi) Anthracite Coal	MT	15,127	452.54	10,999	638.73
vii) Teak Wood	CFT	1,491	240.01	-	-
viii) Other items (Coal, imported coal etc)	MT	-	344.75	-	3,500.64
Total	(B)		<u>4,479.33</u>		<u>13,271.04</u>
Sugar Division					
i) Sugar cane	MT	618,929	6,951.51	541,913	5,877.80
ii) Raw Sugar Purchases		-	-	3,990	392.29
iii) Raw Material for Cogen			326.01		386.62
Total	(C)		<u>7,277.52</u>		<u>6,656.71</u>
Distillery Division					
i) Mollasses - Inter Division Transfer	(D)	25,887	0.00	4,237	0.00
Total	(A+B+C+D)		<u><u>14,651.38</u></u>		<u><u>22,329.47</u></u>
6 Percentage of Raw Material Consumed					
i) Indigenous		92.92%	13,614.08	75.24%	14,562.85
ii) Imported		7.08%	1,037.30	24.76%	4791.22
		100.00%	<u>14,651.38</u>	100.00%	<u>19,354.07</u>
7 Stores & Spares Consumed					
i) Indigenous		100.00%	639.36	100.00%	740.24
8 Auditors' Remuneration					
i) Statutory Audit			2.21		2.23
ii) Tax Audit			0.55		0.55
iii) Certification Charges			1.28		0.66
			<u>4.04</u>		<u>3.44</u>
9 Managerial Remuneration					
i) Salary			31.95		24.74
ii) Perquisites & Allowances			5.07		9.26
			<u>37.02</u>		<u>34.00</u>

	Rs. in lakhs	
	YEAR 2005 - 06	YEAR 2004 - 05
	Amount	Amount
10 Foreign exchange Earnings / Out Go		
a) FOB Value of Exports		
Metallurgical Division	3,796.19	4,598.63
Merchandise Division	4,066.30	8,289.19
b) Income on Investments	1,245.64	1,432.08
c) CIF Value of Imports(material) in respect of :		
Metallurgical Division	0.00	0.00
ITD	1,388.37	4,334.48
d) Expenditure in Foreign Currency on account of		
Foreign Travel (Directors)	5.98	1.01
Foreign Travel (Staff)	2.26	-
Consultancy fees	35.53	6.30
11 Contingent Liabilities not provided for on account of :		
a) Bills Discounted with Banks (Backed by LCs)	691.13	2049.58
b) Bank Guarantees	1409.46	1732.48
c) Letter of Credit	972.74	-
d) Claims made by A.P Transco against the Company not acknowledged as debts.		-
e) Claims made by Govt Departments against the Company not acknowledged as debts.	828.28	828.28
f) Corporate Guarantees given by the Company.	1200.00	1,508.00
12 Interest Payment was shown after set off of interest received.		
13 Considering the strategic and long term nature of the investments, in the opinion of the management, the decline in the book value of the unquoted investments is of a temporary nature and required no provisioning.		
14 Loans		
a) Term Loans		
i) Term Loans from Financial Institutions and Banks, other than which are specifically mentioned hereinafter, are secured by first charge on all the Movable and Immovable Assets of the respective Divisions of the Company both present and future, ranking pari passu in terms of sanction (Subject to prior charges on specified movables in favour of the Bankers for working capital borrowings).		
ii) Loan from Sugar Development Fund, Govt. of India, for MCO project - Sugar is secured by way of second charge on all the movable and immovable properties of the Sugar Division of the Company. Loan of Rs. 835.80 lakhs from SDF for Ethanol / Distillery project is secured by way of Bank Gaurantee.		

- b) Working Capital loans
- i) Metallurgical & Sugar Divisions
Andhra Bank and Union Bank are secured by way of hypothecation of finished goods, Raw materials, stores & spares, stock in process, receivables and secured by second charge on fixed assets.
- ii) International Trading division
- iii) State Bank of Mysore are secured by hypothecation of stock of raw materials, semi finished goods, stores & spares, book-debts, and advances to Suppliers.
- iv) All the above loans are guaranteed by the Promoter Directors in their individual capacities. Further, are guaranteed by Promoter Directors of the Company individually and by the Corporate guarantee of Sri Varalakshmi Jute Twine Mills Pvt Limited, Rajam, one of the group Companies.

15 Crop Loan taken from IDBI is secured by hypothecation of advances to cane growers

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

Related Party Relationships:

- a) Key Management Personnel :
and their relatives
- Sri. K. Narayana Rao, Managing Director
Late Sri. V.K.Rao Ch., Joint Managing Director (Till 30th Dec 2005)
- b) Individuals having significant influence and his relatives.
- Sri. G.Mallikarjuna Rao, Smt. G. Varalakshmi
Sri. G.B.S. Raju and Sri G. Kiran Kumar
Sri. A. Srinivasa Rao and Sri. A. Sitaratnam,
Smt. B Rama Devi, Sri. A. Shankar Rao
- c) Enterprise over which person mentioned in (b) above is able to exercise significant influence.
- Adarsh Industries
GMR Energy Pvt. Ltd.
GMR Hodlings Pvt. Ltd.
GVL Investments Pvt. Ltd.

Notes:

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

Type of Related Party	Nature of Transactions	Value of Transactions during 2005-2006	Rs. in Lakhs	
			Balance Outstanding as on 31-3-2006 Debit bal.	Credit Bal.
a) Key Management Personnel :	Managerial Remuneration	47.29		-
b) Relatives of Individuals having significant influence	Hire Charges, Rent	17.77	0.70	1.08
c) Enterprise over which person mentioned in (d) above is able to exercise significant influence.	Unsecured Loan Interest Consultancy Fee Sales	13,914.24		4,150.77

17 Segment Information for the year ended 31st March,2006
Primary Segment reporting - Business Segments

Particulars	Rs. in Lakhs							Total
	Metallurgical	Inter-National Trading	Aircraft	Sugar	Power	Ethanol	Unallo-Cated / Corporate	
REVENUE								
External Sales	7,104.56	4,940.29	5.87	11,753.44	1,425.71	1,561.33	0.00	26,791.21
Inter - Segment revenue	382.23	1,160.80	0.00	582.68	0.57	179.73	0.00	2,306.00
	7,486.79	6,101.09	5.87	12,336.12	1,426.28	1,741.06	0.00	29097.21
Less: Elimination (Inter-segment revenue)	382.23	1,160.80	0.00	582.68	0.57	179.73	0.00	2,306.00
	7,104.56	4,940.29	5.87	11,753.44	1,425.71	1,561.33	0.00	26,791.21
RESULT								
PROFIT BEFORE INTEREST, DEPRECIATION & TAXATION	626.84	1,846.97	4.91	3,467.25	592.06	253.17	18.68	6,809.87
Less: Depreciaton	229.66	1.69	2.41	409.39	211.62	114.35	0.00	969.06
PROFIT AFTER DEPRECIATION (Segment Result)	397.18	1,845.34	2.50	3,057.86	380.44	138.82	18.68	5,840.81
Less: Interest Expenses (net of income)	69.81	860.56	0.00	172.92	121.32	123.61	0.08	1,348.29
Less: Prior Period Expenditure	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Less: Provisions for Taxation : Current (Net)							1,040.28	1,040.28
PROFIT AFTER TAX								3,452.24
OTHER INFORMATION								
Segment Assets	10,559.10	888.72	7,872.60	8,399.28	3,544.92	2,637.02	-9,049.22	24,852.42
Segment Liabilities	4,978.69	0.00		3,718.70	1,504.66	1,881.76	5,645.03	17,728.85
Capital Expenditure (incl.Capital Work-in-Progress)	223.39	0.00	7,867.22	792.15	276.70	459.38	24.62	9,643.47
Depreciation debited to Profit & Loss account	229.66	1.69	2.41	409.39	211.62	114.35	0.00	969.06
Non Cash Expenses other than Depreciation debited to Profit & Loss account	9.52	3.17	0.00	44.84	1.90	1.90	0.00	61.34

NOTES:

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

A) SALES

Sales within India
Sales Out side India

Rs. In Lakhs.
17,846.16
8,945.04
26,791.21

TOTAL

D) Secondary Segment Information

- 1) Total Assets of the Company as on 31.03.2006 amounting to Rs.28092.97 Lakhs are situated within India only.
- 2) All the Assets of the Company are situated within India

		Rs. in Lakhs	
		YEAR 2005 - 06	YEAR 2004 - 05
18	Earnings Per Equity Share		
a)	Net Profit after Tax	3,452.25	1,870.25
b)	Preference Dividend Accrued for the year (Incl. Dividend distribution Tax)	207.67	170.91
c)	Net Profit After Tax available for Equity Shareholders (a-b)	3,244.58	1,699.34
d)	Weighted average No. of Equity Shares of Rs.10 each outstanding during the year (No. of Equity shares)	32,196,302	30,282,572
e)	Basic/Diluted Earnings per Equity Share (d/e)	10.08	5.61
19	As on 31.03.2006, the timing difference has resulted in deferred tax liability amounting to Rs. Lakhs The break up of deferred tax assets/liabilities is as follows;		
	Deferred Tax Liability on account of timing difference in Depreciation	: Rs. 263,805,515	
	Deferred Tax liability on account of Miscellaneous Expenses	: Rs. 1,055,022	
	Deferred Tax Asset on account of Section 43B of IT Act	: Rs. 515,725	
	Deferred Tax Asset on account of Provision for Advances	: Rs. 16,830,000	
20	Balance with Central Excise Department includes unavailed Modvat credit of Rs. 92.25Lakhs (Previous Year Rs.82.08 Lakhs) of which there is no dispute by the Central Excise Department.		
21	SSI Units to whom amounts in excess of Rs.1.00 Lakh is due for more than 30 days, within agreed terms as at 31-03-2006 are Nil		
22	Excise duty estimated at Rs.337.66 Lakhs (Previous year Rs.308.65 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, because of this there is no impact on the Profit for the year.		
23	Balances of Sundry Debtors,Creditors and advances are subject to confirmation.		
24	Previous year's figures have been regrouped wherever necessary.		
25	Additional information pursuant to provisions of Part IV of Schedule VI of the Companies Act, 1956 is furnished in Annexure.		

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

K. Srinivasa Rao
Partner

Place : Hyderabad
Date : 26th April, 2006

For and on behalf of the Board

K. Narayana Rao
Managing Director

A. Subba Rao
Director

M.R. Ramachandran
Vice President (Finance) &
Company Secretary

CASH FLOW STATEMENT FOR THE YEAR ENDED 31st MARCH 2006

	Rs. in lakhs	
	YEAR 2005 - 06	YEAR 2004 - 05
A. Net profit before tax and extraordinary items	4,492.53	3,156.20
Adjustments for:		
Loss on sale of fixed assets	17.11	25.43
Depreciation & Miscellaneous expenditure writtenoff	989.68	1,038.92
Interest and Financial charges	1,348.29	1,250.63
Profit on sale of Investments	(1,161.63)	-
Profit on transfer of Assets	(0.07)	(0.50)
Dividend received	(42.91)	(62.57)
OPERATING PROFIT BEFORE WORKING CAPITAL CHANGES	5,643.01	5,408.11
Adjustments for :		
Trade & Other receivables	1,263.85	949.40
Inventories	295.14	(6,379.39)
Trade Payables	(1,651.61)	3,515.18
Cash generated from Operations	5,550.40	3,493.30
B. Cash flow from investing activities		
Purchase of Fixed Assets	(9,641.93)	(2,767.10)
Sale of Fixed Asset	99.31	70.49
(Purchase)/Sale of Investments	20,388.09	(7,435.35)
Dividend received	42.91	62.57
	10,888.38	(10,069.39)
C. Cash flow from financing activities		
Preference Share Capital	-	(550.00)
Preference Share Premium	-	(2,200.00)
Proceeds from Long term Borrowings (Net)	(9,935.65)	11,932.41
Working Capital Borrowings	(1,153.17)	-
Interest Paid	(1,348.29)	(1,250.63)
Direct Taxes paid (Net of refund)	(420.70)	(271.15)
Unsecured Loans	(2,888.38)	(530.33)
Dividend Paid	(887.05)	(519.31)
	(16,633.24)	6,610.99
D. Net increase in cash & cash equivalents (A+B+C)	(194.46)	34.90
Cash & Cash equivalents (Opening Balance)	1,033.13	998.23
Cash & Cash equivalents (Closing Balance)	838.67	1,033.13

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

K. Srinivasa Rao
Partner

Place : Hyderabad
Date : 26th April, 2006

For and on behalf of the Board

K. Narayana Rao
Managing Director

A. Subba Rao
Director

M.R. Ramachandran
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	I
	Registration No.	6568		
	Balance Sheet date	31.03.2006		
2	Capital raised during the year (Rs. In '000)			
	Public Issue	Nil	Bonus Issue	Nil
	Rights Issue	Nil	Private Placement	Nil
3	Position of mobilization and deployment of funds (Rs. In '000)			
	Total Liabilities	3,322,984	Total Assets	3,322,984
	Sources of Funds		Application of Funds	
	Paid up Share Capital			
	Equity Share Capital	321,963	Net Fixed Assts	2,317,457
	Preference Share Capital	227,662	Investments	5,248
	Reserves & Surplus	909,753	Net Current Assets	996,804
	Secured Loans	1,068,382	Miscellaneous Expenditure	3,476
	Unsecured Loans	547,742		
	Deferred Tax Liability	247,482		
4	Performance of Company (Rs. In '000)			
	Turnover	2,832,657	Profit before Tax	449,253
	(including other income)			
	Total Expenditure	2,383,404	Profit after Tax	345,225
5	Generic Names of Four Principal Products/Services of Company			
	Item code	7202.41	Product Description	Ferro Chrome
	Item code	1701.11	Product Description	Sugar
	Item code		Product Description	Rectified Spirit
	Item code	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

A. Subba Rao
Director

Place : Hyderabad
Date : 26th April, 2006

M.R. Ramachandran
Vice President (Finance) &
Company Secretary

ELECTRONIC CLEARING SERVICES (ECS) MANDATE FORMAT

To

Kavy Computershare Private Limited
Unit : GMR Industries Limited
Kavy House
46, Avenue, 4, Street No.1
Banjara Hills
HYDERABAD - 500 034

Dear Sirs,

FORM FOR ELECTRONIC CLEARING SERVICES FOR PAYMENT OF DIVIDEND

Please fill-in the information in CAPITAL LETTERS in English Only. Please Tick (v) wherever is applicable.

For shares held in physical form.

Registered Folio No.

--	--	--	--	--	--	--	--	--	--	--

--For Office Use Only--	
ECS Ref.No	

Name of the First holder											
Bank Name											
Branch Name											
Branch Code	<table border="1" style="width: 100%; text-align: center;"> <tr> <td style="width: 20px; height: 20px;"></td> <td style="width: 20px; height: 20px;"></td> <td style="width: 20px; height: 20px;"></td> <td style="width: 20px; height: 20px;"></td> <td style="width: 20px; height: 20px;"></td> <td style="width: 20px; height: 20px;"></td> <td style="width: 20px; height: 20px;"></td> <td style="width: 20px; height: 20px;"></td> <td style="width: 20px; height: 20px;"></td> <td style="width: 20px; height: 20px;"></td> </tr> </table> <p>(9 Digits Code Number appearing on the MICR Band of the cheque supplied by the Bank). Please attach a xerox copy of a cheque or a blank cheque of your bank duly cancelled for ensuring accuracy of the banks name, branch name and code number.</p>										

Account Type	→	Savings	→	Current	→	Cash Credit
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Account No. (as appearing in the cheque book)	→	<table border="1" style="width: 100%;"> <tr> <td style="width: 20px; height: 20px;"></td> <td style="width: 20px; height: 20px;"></td> <td style="width: 20px; height: 20px;"></td> <td style="width: 20px; height: 20px;"></td> <td style="width: 20px; height: 20px;"></td> <td style="width: 20px; height: 20px;"></td> <td style="width: 20px; height: 20px;"></td> <td style="width: 20px; height: 20px;"></td> <td style="width: 20px; height: 20px;"></td> <td style="width: 20px; height: 20px;"></td> <td style="width: 20px; height: 20px;"></td> <td style="width: 20px; height: 20px;"></td> <td style="width: 20px; height: 20px;"></td> <td style="width: 20px; height: 20px;"></td> <td style="width: 20px; height: 20px;"></td> <td style="width: 20px; height: 20px;"></td> <td style="width: 20px; height: 20px;"></td> <td style="width: 20px; height: 20px;"></td> <td style="width: 20px; height: 20px;"></td> <td style="width: 20px; height: 20px;"></td> </tr> </table>																				

Effective date of this mandate	→	<table border="1" style="width: 100%;"> <tr> <td style="width: 20px; height: 20px;"></td> <td style="width: 20px; height: 20px;"></td> <td style="width: 20px; height: 20px;"></td> <td style="width: 20px; height: 20px;"></td> <td style="width: 20px; height: 20px;"></td> <td style="width: 20px; height: 20px;"></td> <td style="width: 20px; height: 20px;"></td> <td style="width: 20px; height: 20px;"></td> </tr> </table>								

I, hereby, declare that the particulars given above are correct and complete. If any transaction is delayed or not effected at all for reasons of incompleteness or incorrectness of information supplied as above, Kavy Computershare Private Limited / GMR Industries Limited will not be held responsible. I agree to avail the ECS facility provided by Reserve Bank of India, as and when implemented by Reserve Bank of India / GMR Industries Limited.

I further undertake to inform the Company any change in my Bank / Branch and account number.

Dated:

(Signature of First Holder)

Notes:

1. Whenever the shares in the given folio are entirely dematerialized, then this ECS form will stand rescinded.
2. For shares held in dematerialized form, ECS is required to be filled with the Depository Participant in their prescribed form.



NOTES



GMR Industries Limited

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

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 20th Annual General Meeting of the Company held on Thursday, the 28th September 2006 at 10.00 A.M. at "K. L. N. Prasad Auditorium", in the premises of The Federation of Andhra Pradesh Chambers of Commerce and Industry, Federation House, 11-6-841, Red Hills, P. B. No.14, Hyderabad - 500 004.

SIGNATURE OF THE MEMBER OR THE PROXY ATTENDING THE MEETING

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

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



GMR Industries Limited

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

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 20th Annual General Meeting of the Company held on Thursday, the 28th September, 2006 at 10.00 A.M. at "K. L. N. Prasad Auditorium", in the premises of The Federation of Andhra Pradesh Chambers of Commerce and Industry, Federation House, 11-6-841, Red Hills, P. B. No.14, Hyderabad - 500 004 and at any adjournment thereof.

Date :

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.